BUILT TO ENDURE.

ANNUAL REPORT 2013

Colombo Dockyard PLC

"... An Odyssey of Excellence..."

FOLLOWING A CHALLENGING YEAR, WE ARE PROUD TO HAVE TRIUMPHED OVER INCREDIBLE ODDS USING OUR STRENGTH AND STABILITY. WE NAVIGATED THE ROUGH WATERS OF THE TURBULENT GLOBAL ECONOMY AND BY STANDING TRUE TO OUR VALUES AND ETHOS, WE HAVE BEEN ABLE TO MAINTAIN OUR STANDARDS OF QUALITY AND EFFICIENCY AT ALL TIMES.

WE HAVE TRULY WEATHERED THE STORM AND TOGETHER WITH A STRONG TEAM, IT IS EVIDENT THAT COLOMBO DOCKYARD PLC IS INDEED BUILT TO ENDURE.


BUILT TO
ENDURE.

COLOMBO DOCKYARD PLC (CDPLC) ESTABLISHED ITS OPERATIONS WAY BACK IN 1974 AND AT PRESENT OPERATES AS THE SRI LANKA'S LARGEST ENGINEERING FACILITY LEADING IN THE BUSINESS OF SHIP REPAIRS, SHIPBUILDING, HEAVY ENGINEERING AND OFFSHORE ENGINEERING WITH A JAPANESE COLLABORATION.

CORPORATE PROFILE

Colombo Dockyard PLC (CDPLC) established its operations way back in 1974 and at present operates as the 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 public quoted Company listed in 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 three decades, continues to keep its eyes on the horizon, pre-empting trends and preparing for transformation. While the Company remains relatively small in size compared to competitors in the Asian region, our differentiation lies in the way we do business.

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

- Flexibility
- Innovation
- Being customer centric
- Environment friendly
- People focused

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

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

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, SHIP REPAIRS, HEAVY ENGINEERING AND ALLIED ACTIVITIES;
- TO EFFICIENTLY AND EFFECTIVELY MANAGE ALL OUR RESOURCES;
- TO ACHIEVE SUSTAINABLE GROWTH;
- TO ENHANCE THE INTERESTS OF OUR STAKEHOLDERS, AND THEREBY CONTRIBUTE TO THE PURSUIT OF OUR VISION;

QUALITY POLICY, ENVIRONMENT POLICY & SAFETY POLICY

QUALITY POLICY

WE ALWAYS SATISFY OUR CUSTOMERS' REQUIREMENTS CONSISTENTLY AND COST EFFECTIVELY, STRIVE TO EXCEED THEIR EXPECTATIONS AND ADD VALUE TO THE INTERESTS OF OUR OTHER STAKEHOLDERS IN A VIABLE CORPORATE ENVIRONMENT.

ENVIRONMENT POLICY

OUR POLICY IS TO CONDUCT OUR PRESENT AND FUTURE OPERATIONS IN AN ENVIRONMENTALLY FRIENDLY MANNER AS BEFITTING A GOOD CORPORATE NEIGHBOR AND CITIZEN, THROUGH THE IMPLEMENTATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM.

TO MEET OUR COMMITMENT, WE SHALL:

- MEET OR EXCEED APPLICABLE LEGISLATION AND REGULATIONS AS WELL AS INDUSTRY STANDARDS AND PRACTICES.
- PERIODICALLY REVIEW ESTABLISHED ENVIRONMENTAL OBJECTIVES AND TARGETS IN ORDER TO CONTINUALLY IMPROVE OUR ENVIRONMENTAL MANAGEMENT SYSTEM PERFORMANCE.
- EFFECTIVELY COMMUNICATE WITH EMPLOYEES, CUSTOMERS, NEIGHBORS AND OTHER STAKEHOLDERS REGARDING OUR ENVIRONMENTAL MANAGEMENT SYSTEM AND ITS PERFORMANCE.

SAFETY POLICY

COLOMBO DOCKYARD PLC RECOGNIZES ITS CORPORATE RESPONSIBILITY TO PROVIDE A SAFE AND HEALTHY WORK ENVIRONMENT FOR ALL PERSONNEL WHO HAVE LEGITIMATE BUSINESS IN SUCH WORK ENVIRONMENT.

COLOMBO DOCKYARD PLC SHALL:

- PROVIDE SAFE PLANT, MACHINERY, EQUIPMENT AND SYSTEMS OF WORK.
- ENSURE COMPLIANCE WITH RELEVANT STATUTORY REGULATORY REQUIREMENTS; AND
- PROVIDE PROCEDURES, INFORMATION, INSTRUCTIONS TRAINING AND SUPERVISION TO EMPLOYEES, CONTRACTORS, CUSTOMERS AND VISITORS TO ENSURE THEIR SAFETY.

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS PAGE 38

Among other things, the MD&A provides an overview of the previous year of operations and how the company fared in that time period. Management will usually also touch on the upcoming year, outlining future goals and approaches to new projects.

The MD&A is a very important section of an annual report, especially for those analyzing the fundamentals, which include management and management style. Although this section contains useful information, investors should keep in mind that the section is unaudited.

THE OPERATIONAL IMPACT OF 365 DAYS PAGE 70

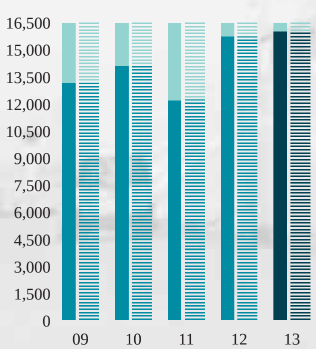
The Company managed to reach total revenue of Rs. 16.0 Bn recording the highest ever figure in our history despite the global economic recession and declining trends in shipping industry.

FINANCIAL HIGHLIGHTS (COMPANY)

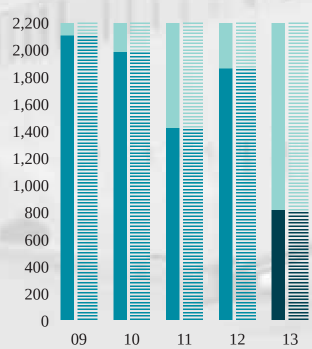
	2013 Rs. Mn	2012 Rs. Mn	Change Rs. Mn	Change %
Results for the Year				
Revenue				
Ship repairs	**3,533**	4,620	(1,087)	(23.53)
Shipbuilding	**12,314**	11,013	1,301	11.81
Heavy Engineering	**14**	94	(80)	(85.11)
	15,861	15,727	134	0.85
Export Revenue	**15,357**	15,466	(109)	(0.70)
Local Revenue	**504**	261	243	93.10
Gross Profit	**1,615**	2,699	(1,084)	(40.16)
Operating Profit	**732**	1,903	(1,171)	(61.53)
Taxation	**91**	(14)	105	750.00
Net Profit after Tax	**824**	1,889	(1,065)	(56.38)
Profit Available for Appropriation	**9,756**	9,362	394	4.21
Company Value Addition	**4,784**	5,590	(806)	(14.42)
Company Value Addition %	**29**	35	(6)	(17.14)
Local Value Addition	**7,988**	6,573	1,415	21.53
Employees Salaries & Benefits	3,**297**	3,189	108	3.39

	2013 Rs. Mn	2012 Rs. Mn	Change Rs. Mn	Change %
Balance Sheet				
Total Assets	**16,228**	17,539	(1,299)	(7.47)
Total Liabilities	**5,745**	7,452	1,707	22.91
Share Holders' Fund	**10,484**	10,086	278	3.95
Net Cash & Cash Equivalent	**3,325**	3,864	(539)	(13.95)
Information Per Ordinary Share				
Earnings (Rs.)	**11.46**	26.58	(15.12)	(56.88)
Net Assets (Rs.)	**145.89**	140.36	3.53	3.95
Market Value (Rs.)	**189.60**	224.00	(34)	(15.36)
Dividends Approved (Rs.)	**4.00**	8.00	(4.00)	(50.00)
Market Capitalization (Rs. Mn)	**13,624**	16,096	(2,472)	(15.36)
Financial Ratios				
Net Profit after Tax (%)	**5.2**	12.0	(6.8)	(56.75)
Return On Investment (%)	**5.1**	10.8	(5.7)	(52.89)
Return On Assets (%)	**2.8**	10.8	(8.0)	(74.00)
Interest Cover (Times)	**4.53**	14.32	(9.79)	(68.30)
Return On Equity (%)	**8.0**	18.9	(10.9)	(57.56)
Gearing Ratio (%)	**0.0**	0.10	0.1	100.00

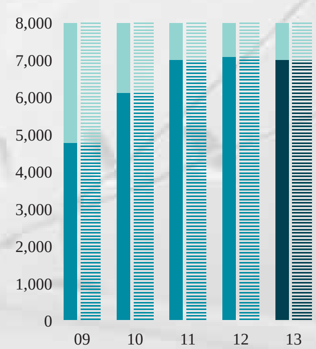
Total Revenue (Rs. Mn)



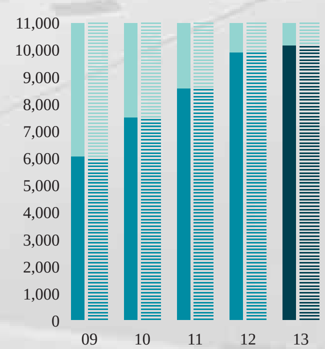
Profit after Tax (Rs. Mn)



Net Working Capital (Rs. Mn)



Shareholders Funds (Rs. Mn)



INTEGRATED REPORTING SUMMARY

(1) ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT: PAGE 3, 10, 16 AND 38

What does the organization do and what are the circumstances under which it operates?

(2) GOVERNANCE: PAGE 16 AND 58

How does the organization's governance structure support its ability to create value in the short, medium and long-term?

(3) BUSINESS MODEL: PAGE 16 AND 106

What is the organization's business model?

(4) RISKS AND OPPORTUNITIES: PAGE 64

What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?

(5) STRATEGY AND RESOURCE ALLOCATION: PAGE 10-15 AND 16-23

Where does the organization want to go and how does it intend to get there?

(6) PERFORMANCE: PAGE 10, 16 AND 53

To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

(7) OUTLOOK: PAGE 10-15 AND 16-23

What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

(8) BASIS OF PREPARATION AND PRESENTATION

How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

CHAIRMAN'S STATEMENT

CHARTING A SUSTAINABLE PERFORMANCE

Our total revenue hit a record high in CDPLC's history this year, notching Rs. 15.8 Bn which is significant given the challenges we faced, though none of them uncommon to the rest of the industry. With the delivery of three new vessels to foreign ship owners and our export earnings increasing to 96.7% of the total revenue, we are indeed proud to have 100% foreign generated shipbuilding revenue.

At CDPLC we operate in an intensely competitive environment as do other shipbuilding companies and have used the tools of productivity enhancement, production range, R&D capabilities and skill levels to form our competitive nucleus.

When we initially began our journey in 1974, our vision was based on steering waters that held potential and opportunity. We were keen on building a business that believed strongly in the paradigms that emerged in the sea trade, learning from lessons from seafarers past and being on the lookout for new paradigms that were emerging. Given this holistic focus that we espoused, we began a voyage that eventually built an odyssey of excellence, working not only in calm seas but also in waters fraught with challenges.

However, in four decades, we have constructed a sustainable business, one that has a strong foundation and support trusses equipped to work through a multitude of challenges and opportunities. We built a business that could endure the storm, pushing boundaries when we could and consolidating when needed; we based our plans on strengthening what we had through times when the hurdles seemed many. We were enthusiastic about our prospects and ready to take on ambitious goals. In other words, we built a business that could endure, one that could travel waters, calm or choppy, due to an inherent pragmatism that is now emblematic of the way we work. Our quality standards are legendary in the industry, our timely delivery admired and our efficiency and productivity much emulated.

It is this then that enables me to proudly present to you the Annual Report and Statement of Account for your company for the year ending 31st December 2013 because despite a year that has been challenging worldwide, we have kept our heads above water and reached horizons that may have been considered ambitious.

The world faced choppy seas

The general lacklustre performance of advanced economies coupled with political upheavals, riots and general mayhem especially in the Middle East and parts of South East Asia, did little to steer the global economy to its expected growth rates. Downgraded from the original expectations of 3.1%, growth crawled its way to 2.9%, the slowest growth year since 2009. There is hope, as mentioned by the IMF, that 2014 will be a better year for the world in general, envisaging a growth of 3.6%.

While the USA did see some upward movements and led the way among the economies that were impacted from the downturn to emerge somewhat better off, there was speculation that a tighter fiscal policy could trim output by 2.5% in 2013. Europe, though optimistic, continued to have some hurdles although, the core economies of Germany, France, Italy and Spain edged upwards positively.

China which is the world's second largest economy and a large player in the shipbuilding industry as well, is seeing a slowdown in its initial momentum, attributed primarily to the economy transitioning from an investment driven economy to one of consumption. This will undoubtedly impact the rest of the world given the magnified presence that China has in world trade. What is refreshing is Japan's economic momentum, taking full advantage of the Government's massive stimulus programme designed to spur the economy which added about 1% to growth to the economy.

Regional inflation remained the highest among developing economies which also saw India take the brunt. The IMF and the World Bank downgraded India's growth forecasts for 2013, given the impact of high headline inflation, heavy capital outflows and the sharp depreciation of the Indian Rupee being decisive factors for a slowing down of that economy.

In observation, I do believe that while the world cheers for the global economy to shift to Asia, the transition is not smooth. Asia as a region is grappling with its own inherent problems and this paradigm shift brings with it more challenges that it has to grapple with. For example, China, which has always been touted as the next economic superpower, seems to be in a quagmire that has resulted from the impacts of the economic stimulation policies.

Sri Lanka's economy steers upwards

Resilience being the hallmark of the Sri Lankan economy, external shocks for the most part did not impact the economy, which notched a remarkable GDP growth of 7.2%, surpassing global and most regional growth rates. Core indicators including headline inflation remained at single digits, a record of 59 months, at 4.7%. Sri Lanka's ratings remained

CHAIRMAN'S STATEMENT CONTD.

We are optimistic of the future because we see different paradigms emerge. Much of our optimism hedges on the country's aggressive development agenda which positions it in the forefront of the world's maritime hubs, an advantage that cascades to CDPLC being geared to meet the demands that emerge with this positioning.

positive, boding well for the development plans being mapped out and in attracting the envisaged investment. Sri Lanka retained a BB- stable and B+ stable outlook respectively from Fitch Ratings and Standard & Poors.

In a nutshell, the country's economic performance showed a dynamic orientation. According to the Central Bank the external sector was envisaged to grow 6.9% by end 2013, the trade deficit contracting by 8.7%, Balance of Payments recording a surplus of US $700 Mn and remittances expected to reach an extraordinary US $6.7 Bn. FDIs surpassed the US $1Bn benchmark for the third year consecutively. The fact that Sri Lanka hosted CHOGM, a first for the country and certainly very successfully managed, also added fillip to the vision of making Sri Lanka an investment destination.

While all sectors performed as expected, the services sector under which CDPLC comes under is also expected to grow by 6.7% by end 2013. However, within the transportation sector comprising Freight and Other Port Related Services, there was a decline in the number of vessels arriving in the country, which is estimated to see a dip in 2013 to 3,895 vessels, compared to topping the four thousand mark and above a few years ago. However, Freight and Other Port Related Services is billed to surpass US $1.5 Bn by 2016.

Given that maritime is one of the key driving industries in the Government's Five Plus One Hub concept, the South Colombo Harbour Project, which possesses facilities on par with leading international ports was commissioned in August, as was the Oluvil Port Development Project which was opened in September. Phase 1 of the Hambantota Port Development Project has been completed and Phase 2 billed for completion in 2015. The Kankesanthurai Port Development Project is in progress. Both new ports in Colombo and Hambantota were declared free ports.

There were some positive signs designed to develop the maritime sector in the fiscal budget presented for 2014, which would certainly anticipate well for our business. Increased duties on boat imports are to be effected to add fillip to the local boat building industries and a reduction in taxation on profits of shipping lines, freight forwarders and logistics as well as industry services to incentivize training of local professionals were two significant features. There's a concerted effort to develop related services to the industry as well, as the second wave of maritime development begins.

Navigating the operating environment

Globally, the industry continued in lusterless form, with endemic under-utilisation of capacities heralding an inevitable ten year low in deliveries. Weak ordering activity exacerbated the stormy waters the shipbuilding industry was navigating in. According to the Institute of Shipping Economics and Logistics' World Shipbuilding and Shipbuilders Report, after having built an average volume of 154 million DWT per year, the fall this year is expected to be to about 100 million DWT and an even further decline envisaged in 2014.

While in 2012, the capacity of ships delivered dropped for the first time in more than a decade, the fact that this trend continued throughout 2013 with only 61 million DWT of new tonnage delivered in the first half of 2013, is not showing positive signs. This poor ordering activity, saw the world order book fall below 250 million DWT, decreasing 60% from its peak in 2008. By July 2013, the total order book represented 15% of the existing fleet capacity with orders being heavily skewed towards deliveries in 2013/14 heralding a challenging outlook for 2014 with construction activity continuing to thin and new building contracts getting scarce.

With the shipbuilding industry largely subjugated by Asia, namely South Korea, China and Japan, China which had the largest order book in 2012 saw a decline and tended to shift more towards ship repair. Although total shipyard orders declined, India, Vietnam, Brazil, Turkey and the Philippines continued to add impetus to their domestic shipbuilding industry, in anticipation of an upturn in the global economy.

In regulatory and legal developments within the industry, the 2006 Maritime

Labour Convention came into effect in August 2013. A range of regulatory measures aimed at strengthening the legal framework germane to ship-source air pollution, port reception facilities and garbage management are being implemented. Technical and operational measures to increase energy efficiency and reduce greenhouse gas emission from international shipping became effective in January 2013. The International Maritime Organisation adopted additional guidelines and unified interpretations in October 2012 and May 2013.

At CDPLC we operate in an intensely competitive environment as do other shipbuilding companies and have used the tools of productivity enhancement, production range, R&D capabilities and skill levels to form our competitive nucleus. A reason that we remain upbeat is that Sri Lanka's prowess as a strategic port destination is gradually gaining ground. We are also seeing the upturn of the US and Eurozone economies, which will have a natural positive impact on trade and commerce globally. It is well understood that the economic well being of the shipping industry is inextricably linked with global economic cycles. Clarkson Research predicts a 4.7% increase in global container traffic and as much as 7.2% in 2014.

We have also observed the shipbuilding market spur activity in general. Ship-owners are expected to take advantage of the lower prices prevalent in the market to order ships, in readiness for this upturn. However, this remains in sentiment only as the lackaidaisical 'wait and see' attitude seems to remain in place. This therefore has seen conventional shipbuilding markets like China move to ship repair as an alternative, which has intensified competition for us in this area of our business as well.

We do see better prospects for our industry though. The belief that the global economic zenith is moving to Asia is spurring economic development in both India and China, which will cascade to increased trade and commerce with more demand for energy, products and services triggering more maritime transport. Being strategically located to both countries and to the Asian region in general, Sri Lanka will undoubtedly take advantage of this phenomenon. This is where we see CDPLC gaining inroads because while speculation remains rife that the order books will grow, Sri Lanka is already in the axis and well placed to deliver orders in this hub of economic activity. However, caution must be applied to the danger of over supply as demand yet remains limited.

Charting a sustainable performance

Our total revenue hit a record high in CDPLC's history this year, notching Rs. 15.8 Bn which is significant given the challenges we faced, though none of them uncommon to the rest of the industry. With the delivery of three new vessels to foreign ship owners and our export earnings increasing to 96.7% of the total revenue, we are indeed proud to have 100% foreign generated shipbuilding revenue. However, profitability has declined by almost 56% with the primary factor being low volume of ship repairs, competitiveness in shipbuilding contracts and the depreciation of the Sri Lankan Rupee. Overheads as a result increased considerably too. We are currently working on strategies that will minimise the impact we now face and by 2014, hope to maintain profitability and turnover on an even keel, without sacrificing the development of our business.

From 2007, our growth continued to climb considerably and by 2012 and 2013 had reached its peak. Due to our capacity being limited, it is imperative that we remain at this peak for as long as possible,

CHAIRMAN'S STATEMENT CONTD.

although, in reality, the global economy will not allow us to do so. Expansion is not possible given our limited space and hence, the recipe for success has been in increasing productivity and efficiencies and thus, profitability.

There are some concerns we observe however. With Sri Lanka aiming towards becoming a US $4,000 per capita nation by 2016, there are inherent problems that arise with these goals. A middle income country when edging upwards, does get intertwined in the middle income trap. This means that costs overall increase, a feature that will permeate to every industry and growth driver, making the country uncompetitive. We have to circumvent this challenge by being innovative and using sophisticated technology to produce cutting edge products. This thought process will cascade to our business as well, where we will have to manage costs effectively and ensure that quality and performance become our competitive edge.

Even now, our quality is admired among our peers and our customers' belief in us is the reason for the consistent growth observed. While our prices are competitive, competing against shipbuilding nations like Vietnam and China becomes difficult. The quality of our products and services therefore is the secret to our success. But this is a constantly improving benchmark which we need to be conscious of and if productivity and efficiency, coupled with our stringent eye for quality can be sustained, we will automatically become profitable. This was seen in the timely delivery of the three vessels completed this year, all of which conformed stringently to customer quality standards, excelling in all stress tests and auguring well as examples for our future marketing prospects.

From a capacity perspective, we worked on almost full capacity in shipbuilding and relatively lower capacity in ship repair, which business we are seeing a decline in, unlike global trends which show the reverse. At peak, our ship repair industry has brought in US$ 58 Mn annually, but in 2013, just gained only US$ 28 Mn. Given the trends foreseen, we have set our sights on approaching at least US$ 38 Mn by end 2014. Revenue in the ship repair business therefore stands at Rs. 3,533 Mn compared to last year's Rs. 4,620 Mn.

With the government allocating a significant portion of the budget for infrastructure construction, our heavy engineering business channeled through our fully owned subsidiary Dockyard General Engineering (Pvt) Ltd (DGES) is enthusiastic of getting in the fray. This year DGES has recorded an Engineering revenue of Rs. 745.0 Mn with 28% growth over last years performance. There is also a dearth of experience, technology, human resources and capital and a need for superior quality, the latter which cannot be achieved if there is a shortfall in any of the four above.

Capital expenditure infused towards yard productivity improvement and infrastructure development was Rs. 1,935.0 Mn including WIP projects of Rs. 590.9 Mn. The investment we had previously effected into the yard continues to show results as constantly improving best practices and efficiency and productivity increases and continue to be our USPs when competing against the larger shipbuilders and ship repairers in the region. The very first 250 ton Bollard Pull Test Facility commissioned last year has augmented our capacity and product and service offerings, as has the completion of Dock 1 in 2013 which was designed to enhance total shipbuilding DWT capacity.

Time moves on

We are optimistic of the future because we see different paradigms emerge. Much of our optimism hedges on the country's aggressive development agenda which positions it in the forefront of the world's maritime hubs, an advantage that cascades to CDPLC being geared to meet the demands that emerge with this positioning.

With four new vessels on order, one passenger boat and three offshore vessels ensuring that the order book looks strong and secure until 2016, CDPLC is looking at growing its portfolio much more. But maintaining our present level of performance would be challenging, because we believe that a transition will occur with the portfolio shifting towards more sophisticated vessels. We will be working on the same volume but enhancing quality, which will trigger additional revenue. Our experience in shipbuilding has now grown phenomenally and we intend to augment that when we forge new markets.

A sustained real economic growth of over 8% is being targeted for 2014, while focusing on sustained growth in the 5+1 hub concept. For CDPLC as I mentioned, these ambitions form the foundation for our next phase of growth. The concerted effort to drive hub activity-led growth, where an unrelenting focus will be pursued in creating an empowering milieu for those hub industries is looked forward to. While high productivity has become a national goal, it must also be noted that moving towards US $100 Bn economy will demand considerable productivity and knowledge levels from the workforce, a challenge that we have worked on by adding imperatives into our team to create a highly productive and efficient one.

Appreciations

In recalling the twenty year collaboration with Japan's Onomichi Dockyard Company Limited, it is pertinent to note that CDPLC transform into a business that is built to endure; where remarkable change has triggered a complete transformation of attitudes, mindset and the workings of this Group. Today, we stand as a symbol of a high value export earner for the country and an employer of skilled professionals. We have taken the Sri Lankan shipbuilding industry to heights unimaginable due to innovation and constant focus on improving on benchmarks. And in these twenty years, we have built a solid foundation that remains unshaken despite innumerable challenges stirring our waters. I extend a sincere and warm appreciation to all members of the team who have journeyed with us in these twenty years and made us into what we are today. And to those who are with us today, your dynamism and motivation is truly the secret formula that will take us beyond our dreams.

I have had immense support from my Board of Directors who have extended their continuous advice to help me lead the company in very challenging times. Maintaining calm as the seas get choppy can be extremely difficult and it is a fearless team surrounding me that has allowed me to steer your ship to calmer seas.

My appreciation to our shareholders whose confidence in our vision and strategies are rock solid and has carved the foundation for us to build our business that endures. Very aligned to our vision, they have certainly been an invaluable facet in our progress ahead. Our valued business partners, both customers and suppliers continue to be partners in our journey, supporting our every move, ensuring feedback and dialogue where necessary to ensure that our business continues being economically, socially and environmentally sustainable.

Akihiko Nakauchi
Chairman

24th February, 2014
Colombo

MANAGING DIRECTOR/CEO'S REVIEW

CONTRASTING THE OPERATING ENVIRONMENT

It was primarily the ship repair sector that suffered most from the gathering thunderstorms within the industry, with rates declining by almost 30%. With the downside in business, owners were forced to attend only to repairs in the bare minimum, not encouraged to spend more than necessary and that too, only for imperative repairs. Any improvements were shelved and only compulsory repairs that were required primarily by law or for safety, were attended to.

Stability, strength and consistency have always been the energizing dynamics we have used to steer the course of this Company, despite navigating very stormy waters, especially in the last year. Being dependent on the vagaries of global trade and commerce, the changing paradigms that have permeated our business has surely been challenging; however it is not a new phenomenon and it is certainly not one that we had not been ready for. Having worked on a formula of improving quality and efficiency, we then ventured further into harnessing our resources in the marketing arena, honed with technology and a dynamic committed team to build a business that endures. The efficiency we espoused saw us meeting challenging timelines, triggering a performance that has held us in good stead to move ahead, despite the market vulnerabilities.

Hence, as I reflect on the year of 2013, I am quite pleased with the performance that we have showcased, given the hurdles we encountered operating in an external macro milieu that we hope is bound to see some improvement in the years ahead.

Synopsis of the year's performance

When we began 2013, the macro expectations were that there will be tangible turnaround in the entire industry, given the economic predictions envisaged globally. However, this did not materialise and the year simply continued on its lacklustre journey, displaying no changing paradigms since the downturn which began in 2010. Over-capacity was surely the most critical underpinning factor, a relatively recent phenomenon in the shipping industry, that contributed immensely to this downturn. The boom that emanated from 2005 to 2008 triggered a massive expansion of tonnage, which continued until delivery, right up to the year of 2014. Along with this unprecedented boom, the global shipyard capacity expanded two and half fold, from a 20 million CGT before the boom (converted gross tonnage), to a significant increase of above 50 million CGT by 2008. However, with the onset of the global downturn and consequent economic fallout of the super-economies of the west, especially the Eurozone, demand dipped considerably, adversely impacting the entire industry.

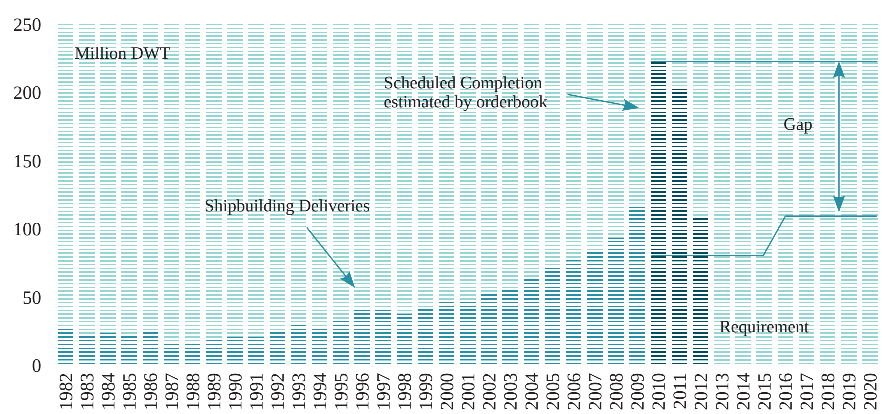
Hence, given that shipbuilding orders placed during the boom continued to flow into the market even during downtimes. Ships charter rates as a result, were impacted negatively, forcing many ship owners to lay-off their ships and/ or resort to scrapping older tonnage. In tandem with this development, global demand for commodities, energy and raw materials continued to slide downwards, exacerbating the negativities of the situation. As a consequence, prices for new ships and charter rates plummeted, also negatively impacting the entire shipping industry across the globe.

The year under review could be characterized as sailing in stormy waters, but given that we have constructed a business that's built to endure, by relying on the foundation we have created and the basics that have always been in focus, Colombo Dockyard PLC maintained vigilance on macro paradigms to swiftly adjust and move ahead, with undeterred confidence. In my view, these are the fundamentals that enabled us to post a growth in turnover and a reasonable profit in this year that was truly a challenge to operate in.

Contrasting the Operating Environment

It was primarily the ship repair sector that suffered most from the gathering thunderstorms within the industry, with rates declining by almost 30%. With the downside in business, owners were forced to attend only to repairs in the bare minimum, not encouraged to spend

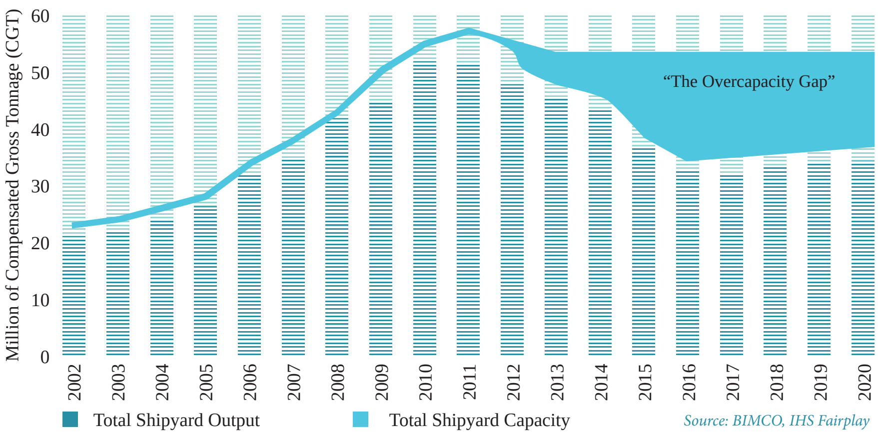
The Capacity Utilization Rates for the World Shipbuilding Industry



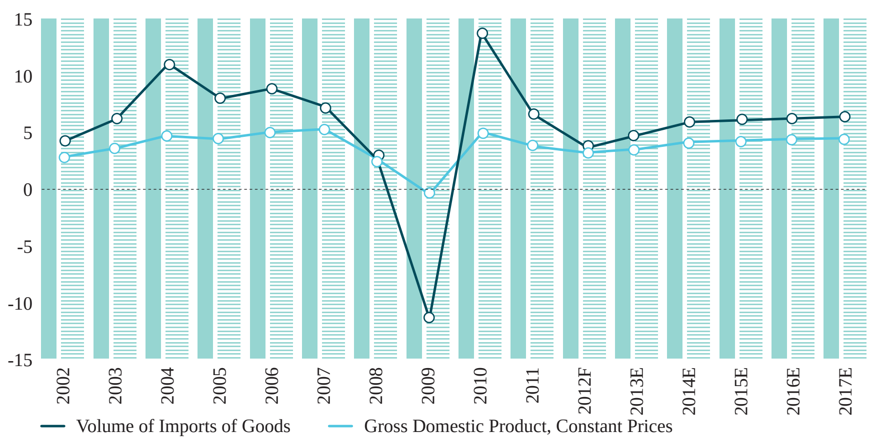
Source: China Shipbuilding Economy Research Center

MD/CEO'S REVIEW OF OPERATIONS CONTD.

The Shipyard Industry - BIMCO Estimates
"The Overcapacity Gap"



World Trade Volum and GDP-Growth Rate
% Change year-on-year



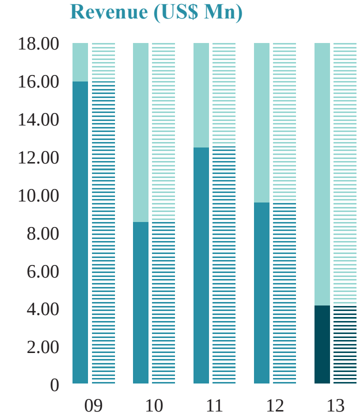
Source: WTO International Trade Statistics - 2013

more than necessary and that too, only for imperative repairs/surveys. Any improvements were shelved and only compulsory repairs that were required primarily by law or for safety, were attended to.

Regionally, the Shipping Corporation of India (SCI) was forced to eliminate a significant volume of its older tonnage, in order to reduce operating costs and survive in a harsh market. Given that the SCI had also ordered sizeable volume of new tonnage during the boom years and expected delivery of these in 2012 through to 2014, financial resources had depleted gravely, cascading to restricted financial resources that could have been allocated for repairs. Given this background, the CDPLC revenue generated from SCI, with whom we have built a strong customer relationship over the years, declined to a low of 20%. Another obstacle faced during the year, was the difficulties ensuing in the collection of repair dues given that many owners demanded extended credit terms, which in turn, brought immense pressure on cash flow management. The tanker market too was significantly affected. This was doubly impacted with the introduction of the double-hull, which made it mandatory for tankers carrying petroleum to have an additional kiln to prevent pollution in case of hull damage. Thus, the tankers became wider and naturally, our drydock capacity shrank, signalling the biggest impact on us, especially to operations at the No. 4 drydock.

Given the environment we were forced to operate in, we made some astute transformational changes. CDPLC's Dock No. 1, which had been hitherto been used for ship repair, was segregated to two separate docks; Dock 1A and Dock 1B, with the introduction of a center gate, and allocated for shipbuilding, assisting considerably in reducing excess capacity in space, although, it did impact the ambitious turnover envisaged from our ship repair business.

Dock No: 01 Ship repairs
Revenue (US$ Mn)



Many ship owners endured considerable hardships regionally with shipyards performing well below expectation. Some even succumbed to the surrounding adversity and have been forced to operate under the close scrutiny and intervention of lenders.

With this being the landscape under which we operated both globally and regionally, CDPLC had to operate under extreme caution in planning and executing our business operations during the year.

Our geographic location undoubtedly remains our biggest strength in ship repair, augmented by our reputation as an efficient and integrated shipyard. However, we are hindered by our lack of capacity and the inability to accommodate larger and double-hulled tankers, hindered further by the high operational cost with lower productivity compared with Far Eastern Yards. However, despite having an advantageous location at the intersection of major international sea routes, Colombo is not a terminal port, one at which vessels complete a voyage, which remains an inherent impediment in attracting ship repair business. Owners prefer to plan repairs when cargo is completely offloaded, which would be expedient. This hence adds considerable advantages to Far Eastern and especially Chinese yards, as well as those in the Gulf, as most voyages are terminated in close proximity to these yards. However, I strongly believe that we yet have an opportunity of breaking into the ship repair business that has hitherto been using facilities in Singapore and the Middle East; by attracting the owners who find these yards too costly, given the prevailing milieu of escalating costs at these shipyards. The political and economic stability and peace in Sri Lanka coupled with our improvements enables us to pursue these approaches optimistically.

In pursuing this avenue, our marketing dynamics gained pace with CDPLC entering into agreements with Bernard Schulte Ship Management (BSM) in Hong Kong and with A P Moller-Maersk Denmark as a registered service provider. We also inked strategic relationships with Worldwide Ship Repair Services Limited Cyprus, Eclipse Maritime Consultancy and Meteor Yachts both from Thailand. Negotiations are underway with several other reputed international players for similar arrangements. Our relationships with our valued business partners including the collective of global designers, suppliers and service providers are continually honed, to ensure that we have the necessary support trusses to build world class ships that these valued business partners have themselves made a name for.

The China Factor, as it was touted at the time where Chinese shipyards offered rock bottom prices almost as low as 40% to 50% cheaper than other yards in the rest of world, is the largest threat to all other operating shipyards. The positive trend however is that these yards are gradually losing operational viability due to the continuing appreciation of the Chinese RMB and the curtailment of a range of indirect subsidies that had hitherto been prevalent. However, with shipyards employing large numbers, it is not easy for the state to curtail subsidies rapidly. These restraints must be permeated gradually, which has hence given time for the Chinese shipyard industry to work on restructuring, a welcome move in the medium to long term.

The shipbuilding sector too is undergoing a period that may herald a renaissance eventually. With the downturn is leaving many ship yards and ship owners in complete disarray, there was also the feature that well-managed ship yards, who were prudent and did not engage in speculation or were cautious in undertaking orders, primarily being realistic, did not undergo as much strain as others did. The decline in demand saw prices dip to their lowest in 2013, with prices bottoming out during the latter part of the year. Hence, owners, supported by hedge funds and lending institutions, are now keen to place orders for new vessels at the reduced prices that are becoming a characteristic of this current period.

Given that CDPLC operates in a niche market, building complex and highly integrated vessels for the oil and gas industry, is surely a strength in these challenging times. Having unwavering commitment to quality of design, workmanship and guaranteed performance, augmented by timely delivery are definite value additions. However, we do have some weaknesses that are being addressed, primarily being seen as an emerging shipyard, which perceives us as having limited experience and the absence of absolute market confidence in our capabilities. Obviously, each delivery made by us gradually builds market confidence and we are very confident that we will be able to overcome such perceptual deficiencies sooner rather than later.

The collapse of the market in consequence to the global economic recession and the financial crisis pushed some of the emerging as well as more established shipbuilding yards in the Far East and

MD/CEO'S REVIEW OF OPERATIONS CONTD.

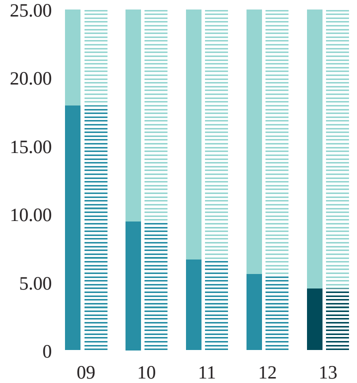
India into dire straits, seeing some of them restructure or even remove themselves from shipbuilding, especially in the niche markets that we operate. This heralded potential and opportunity for CDPLC although the natural threat is from low cost ship yards, who continue to offer very low prices and build less sophisticated and far lower quality vessels. However, we do believe that these yards will face difficulties of survival, while we in tandem, will be continually raising the bar in improving our quality, design and workmanship to produce better performing ships. We will emphasize considerably on improving our productivity, adding a further competitive edge to our offerings. This then is the overarching strategy for both these sectors, infused over several years and now poised to showcase positive results.

A Rewarding Financial Performance

Despite a negative operating environment, the Company has performed admirably, having secured a fairly good Order Book in shipbuilding and also in ensuring that all orders remain well committed and not threatened, compared to similar problems faced by other shipyards in the last few years. We delivered three 78m Multipurpose Supply Vessels with improved performance, namely, the last of a three vessel series for Greatship India and two vessels for the Singapore based Owner. All vessels were delivered on time, with no pending issues, instilling further confidence among owners due to the good performance of the vessels and meeting of all the stipulations denoted in the contract. The successful contract execution has led to the securing of four more repeat orders from the same owner, further strengthening our market positioning.

The endeavour to specialize on building modern vessels for passenger transportation continues and our first such attempt to build a 400 passenger cum 250T cargo vessel for the Government of India, in collaboration with a European Designer GL Noble Denton. This will soon become a reality, despite some initial setbacks. Billed as the largest shipbuilding project undertaken by CDPLC, this is the largest vessel built in Sri Lanka, when completed by end of Q1 2014. We did encounter some delays in accommodating some of the changes requested by the owners after the contract was executed and in meeting the stringent statutory requirements stipulated by the Indian Flag Authority which resulted in a delivery delay of six months. The vessel was slated to be delivered by end 2013 which, if accomplished would have reflected positively in our overall results, but despite this, we did record a 12% growth in shipbuilding revenue.

Tanker Ship repair Revenue (US$ Mn)



We recorded a considerable 24% decline in revenue in ship repair owing to multiple factors, including a decrease in prices and in the number of tankers repaired as well as the prolonged occupation of Dock No 1 for shipbuilding. Nevertheless, we did secure new business from many new customers to compensate for the loss of business we could have had from our Indian customers and managed to make successful collection of repair dues, managing our debts astutely.

Dockyard General Engineering Services (Pvt) Limited, our wholly owned subsidiary performed extremely well, strengthening its position in the local heavy engineering arena. DGES posted a turnover of Rs. 1,017 Mn with a Year on Year growth of 26% and a profit of Rs. 102.8 Mn, while maintaining a sound balance sheet.

In the meantime, the operations of one of our supply arms Ceylon Shipping Agency (Pte) Ltd. (CSA), was fine-tuned even more reducing operating costs further and making it a more value adding and a viable operation. CSA recorderd a turnover of S$ 7.1 Mn with a profit of S$ 0.1 Mn. The reduction of turnover is attributable to the low ship repair turnover.

Material procurement and stock management gained immense focus this year, seeing us reduce the total volume of material procurement to Rs. 9 Bn, which is a 13% decline compared to last year. We concluded the year with a stock balance of Rs. 791.5 Mn, another decline of 28% compared to last year. This is certainly commendable given the unfortunate six-month delay experienced in the completion of the passenger vessel.

Prudent management of other sources of income, including sale of scrap and management of interest income has enabled us to improve our bottom line significantly.

It is pertinent to mention here that our team has truly been the dynamic foundation that has ensured our impressive performance in the midst of challenges. However, in evolving times, it is imperative that they are consistently equipped with the apt skills and knowledge to overcome challenges and exploit opportunities. In that vein therefore, we have already assessed and graded 683 team members with National Vocational Qualifications (NVQ), making CDPLC one of the first and largest entities to embrace the NVQ standards. Our employee attrition has remained extremely low, allowing us to retain most of our talent pool, while engaging in continuous initiatives in competency and productivity development. Employee related costs too have been maintained at prudent levels, seeing a growth of 10.6%, given that investment is more focused and pointed towards empowered skill development.

This year, CDPLC recorded the highest revenue of Rs. 15,861 Mn, of which 97% is export oriented. Given that 100% of our shipbuilding revenue emanates from export orders, we continue to lead the way in Sri Lanka as one of the largest export earners for the country, contributing an impressive 1.2% of Sri Lanka's total export earnings.

Lessons Learned; New Pathways

The business environment prevailing in 2013 is definitely unique, although, it must be noted that ship yards with long histories have been through such chapters in their earlier years. The unprecedented shipbuilding boom which prevailed until 2008 heralded positive business sentiments, infused large investment and spearheaded capacity expansion. Many countries that had not been involved in shipbuilding or ship repair earlier, ventured into the industry, creating newer and enhanced capacity, adding unprecedented investment. However, a feature in this hurried investment and quick expansion milieu was that sustainability of the industry was not in focus. Business opportunities were seen to be exploited on speculation, while fundamentals were forgotten. Such yards at one point, did post impressive financial performance, large order books and attracted new owners, but with the subduing of the industry, they faced enormous challenges, as their very existence became threatened.

The most emphatic lesson learned through all these quagmires is that we in the business, must remain true to our fundamentals, core values and operating philosophies. If these basics are in place and remain strong and stable, these cannot be shaken or be unduly influenced by emergent market trends. We strongly believe that these fundamentals form the strong foundation for creating a sustainable business entity.

Another imperative we learned is the need to be holistic in decision making. Given the operational complexities prevalent in a ship yard, a broad view on all operational aspects and sound experience forms a stable base to create and nurture a sustainable organisation. Acquisition, management and enhancement of talent, thus become key for long term sustainability.

Given that the business environment we operate in is cyclical and while adding the industry's complexity into the equation, the milieu makes it impossible for any business to be oriented only in the short term. It needs to look beyond, to simple business models with the key focus being that it be long term oriented rather than short term.

It was this that pivoted us to focus on talent enhancement, which, as mentioned earlier, led to the NVQ process being vigorously implemented, simultaneously giving emphasis towards enhancement of health, environment and safety (HES) within our Group. This was amply supported by

MD/CEO'S REVIEW OF OPERATIONS CONTD.

creating an enabling culture that would birth a loyal, committed motivated team, who will work towards achieving the Company's goals and objectives, while also keeping their individual career aspirations in focus.

The challenges have been multiple with the most critical being in managing the expectations of all our stakeholders, from shareholders, to the team, to customers, valued service providers and the community. Given the complexity of our operational marketplace which remained volatile and unpredictable, we do believe that our flexibility, adaptability and competent nature clearly emphasized that we are equipped to manage those expectations.

Achievements & Expansion

The most significant achievement is the fact that we consolidated our position as a reputed small-scale fully integrated complex vessel builder whose USPs are well etched in guaranteeing quality in design, workmanship and on-time delivery.

We have being able to consistently hone our talents and continuously improve on our ability to build better, modern and complex vessels meeting the emergent needs of the market. This is not only our biggest achievement but the strength we require to be a driving player in the niche market that we have chosen.

There had been continuous expansion of capacity and infusion of technology over the last several years at CDPLC. Immediate focus however is on enhancement of fabrication and lifting capacity, much needed for shipbuilding process. The installation of a 160T crane was a unique achievement, while the completion of the state of the art panel fabrication workshop on the South Side of Dock No. 3 too was another goal, successfully completed. A utility building, is being constructed at a centralized location, thus, ensuring that all utility services will be collated in one singular location. These initiatives are aligned to the blueprint we have worked on for our yard development plans, with every initiative designed to improve our productivity and optimize land utilisation, creating additional space for production activities.

Future Plans

As we move ahead, I do believe the focus will be on upgrading the existing processes and systems to ensure a more safe, efficient and productive working environment, while there will assuredly be a further enhancement of our commitment towards addressing environmental issues. We have been consistently infusing modern ICT developments, uniquely developed by our in-house ICT Development Team to systemically operationalize many complex systems related to the ship repair and shipbuilding process. These process economises all the disciplines and functions and almost everyone and everything that is involved in our complex operations. This modern information and operational management system, aptly acronyms as eSystems and eOffice capture, store and promptly make available all pertinent data and information to the decision makers enabling them to make prudent decisions.

Concurrently, we have also established a Compliance Department which would in turn plan, monitor, control and manage all the intricate compliances emanating of statutory, regulatory and statutory compliances guaranteeing that all operational decisions and behaviours are fully compliant with the documented integrated systems. This is a unique approach which encompasses quality, health, environmental, safety assurances as well as all other statutory, regulatory and administrative compliance diktats that will be holistically adhered to integration and harmony of which are imperative for compounded results. These initiatives will eventually birth a unique shipyard employee base, transforming our current team to work on their positives and inherent advantages. Infrastructure development, infusion of newer technologies and modern management approaches are also being pursued, while the HR transformation process which encompasses the three dynamics of talent enhancement, value development and total compliance will be the trusses that we intend to build our Company upon to face the future.

The ship repair sector will continue to focus on exploiting emerging market opportunities, primarily those owners who had hitherto been customers of the Far Eastern and Middle Eastern yards. With these owners gradually evolving their business model which will surely assist in our plans for growing our business, we intend to unequivocally exploit available opportunities in the regional market.
The shipbuilding sector intends to further hone available talent and skill to construct more sophisticated vessels that would create a larger imprint of our niche, to acquire a regional and subsequently a global positioning.

In a similar vein, DGES will pursue its quest for excellence in the local heavy engineering area, given the infrastructure opportunities that are emerging.

CSA will continue to be a value-adding partner in sourcing and supplying the urgently needed spare parts, especially for the ship repair industry while looking at opportunities for expanding their services to the local market.

A definite competitive edge that we inherently possess is the business and engineering acumen CDPLC has accumulated over the years through Onomichi Dockyard, whose prowess over seven decades in ship yards and heavy engineering is legendary. While using this base to venture towards our vision, we will undertake the challenge for the overall transformation of the local facility and our talent pool, aligned to the direction and plans that Onomichi Dockyard is charting. The establishment of the Compliance Department will also add fillip to our future plans, which will form the base for CDPLC to move upwards and beyond, enhancing its already established brand value.

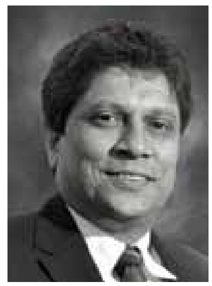
In four decades, CDPLC has weathered many a storm but we have always used our resources, acumen and common sense to charter new paths in a volatile environment. It hasn't been easy but it has also been rewarding. As we move into our fifth decade in business, we intend to use every advantage we have both internally and externally to grow our business into eventually becoming a strong regional player in our chosen niche.

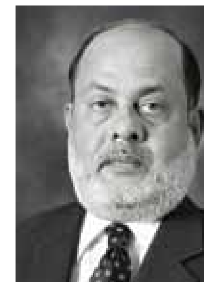
Mangala P. B. Yapa
Managing Director/CEO

24th February, 2014
Colombo

BOARD OF DIRECTORS





(1) Akihiko Nakauchi
Bachelor of Science,
Civil Engineering - Kobe University

Chairman
Appointed to Colombo Dockyard PLC (CDPLC) Board in October 2009.

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

Former Managing Director and the Company Advisor for the Business Innovation and Development Headquarters of Mitsui Engineering & Shipbuilding Co, Ltd. Japan.

(2) Sarath De Costa
Dip. Foundry Engineering.

Vice Chairman
Former Consul General for Sri Lanka in Osaka, Japan.

Appointed to CDPLC Board in June 1993. Present Chairman and Managing Director of AMANO & TIVOLI Group of Companies, President, Imperial Trading Corporation, Japan, Director of Central Industries PLC., and Ceylon Shipping Agency (Pte) Ltd., Singapore. Also serves as Vice President of Sri Lanka - Japan Business Co-operation Committee, Japan.

Positions Held:
- Representative - Board of Investment of Sri Lanka (1992 - 1997) 05 years
- Vice President - Japanese Sri Lanka Technical Co-operation Association
- Patron - Department of Neurosurgery Trust (National Hospital)
- Trustee - National Health Development Fund (Ministry of Health)
- Special Envoy / Advisor- Board of Investment of Sri Lanka from 2006

Positions Current:
- Vice President - Sri Lanka – Japan Business Co-operation Committee
- Life Member - Japanese Sri Lanka Technical Co-operation Association
- Member - Sri Lanka Japan Friendship Society

(3) Mangala P. B. Yapa
MSc. Eng (Hons.) (Astrakhan, USSR), MBA (Sri J), C. Eng., FIE (S.L.), MIMarEST (U.K.), FCPM (S.L)

Managing Director/ CEO
Appointed to the Colombo Dockyard PLC (CDPLC) Board as Managing Director/CEO in 2004. With over 28 years' experience in the Ship repair and Shipbuilding industry, holding senior managerial level positions in Engineering, Quality Assurance, Project Management and General Management.

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

Serves in many National and International industry related committees and Chambers of Commerce and is elected as the President of National Chamber of Exporters (NCE) for 2014. In addition, serves in Boards of Universities and other related institutions, dedicated for Tertiary & Vocational Education and Training (TVET).

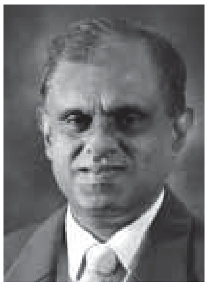
(4) Y. Kijima
Bachelor of Naval Architect, Hull Engineering.

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

He is an Expert in Hull repair in Japan International Corporation Agency.

(5) T. Nakabe
B.A (British American Literature) Tamagawa University.

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



1	2	3	4	5	6	7	8	9

(6) Lalith Ganlath
Attorney at Law and NP, Solicitor (England and Wales) Barrister and Solicitor (ACT Australia).

Director
Appointed to CDPLC Board in June 1993. and is the Proprietor of GANLATHS and Chairman of Ganlath's Secretarial Services (Pvt) Ltd, Foreign Investment Facilitators (Pvt) Ltd., Migration Facilitators (Pvt) Ltd., He is also a Director of Electro Amp (Pvt) Ltd., and D G Plantations (Pvt) Ltd., Registered Australian Migration Agent.

(7) H. A. R. K. Wickramathilake
FCA, B.Sc - Public Administration, Dip. in Shipping Norwegian Shipping Academy, Oslo.

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

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

Director
Appointed to the CDPLC Board in August 2010. The present Chairperson of the Sri Lanka Tea Board. She is also the Chairperson of the Mother Sri Lanka Trust and the Advisor on Food Security at the President's Office of Sri Lanka. She has had an illustrious career of over 20 years in a variety of industries which covers research and consultancy, agri-business, food manufacturing, retailing, banking, academics, media and engineering and held Director positions at Commercial Bank PLC, Sathosa, Cargills Ceylon PLC and Managing Director of the Nielsen Company. She is also a member of the global steering committee of AgriFin which is an agriculture finance fund set up by the World Bank and the Bill & Melinda Gates Foundation to support the activities of financing for Agriculture, particularly for smallholder farmers.

(9) Piyadasa Kudabalage
B.Com (Hons) [University of Kelaniya], FCA,FCMA, FCPM

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

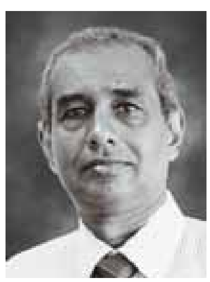
Mr. Kudabalage is the Managing Director of Sri Lanka Insurance Corporation Ltd and he is also the Managing Director / Chief Executive Officer of Litro Gas Lanka Ltd, Litro Gas Terminal Lanka (Pvt) Ltd, Canwill Holdings (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, Taprobane Hotels & Spa (Pvt) Ltd, Helanco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

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

KEY MANAGEMENT PROFILE





(1) Mangala P. B. Yapa
Managing Director/CEO

MSc.Eng (Hons.) (Astrakhan, USSR), MBA (Sri J), C. Eng., FIE (S.L.), MIMarEST (U.K.), FCPM (S.L)

With over 29 years' experience in the Ship repair and Shipbuilding industry, holding senior managerial level positions in Engineering, Quality Assurance, Project Management and General Management.

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

Serves in many National and International industry related committees and Chambers of Commerce and is elected as the President of National Chamber of Exporters (NCE) for 2014. In addition, serves in Boards of Universities and other related institutions, dedicated for Tertiary & Vocational Education and Training (TVET).

(2) D. V. Abeysinghe
General Manager (Projects & Engineering)

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

Over 28 years have been at CDPLC, experienced in Ship repair, Heavy Engineering and Shipbuilding sectors including 01 year training on shipbuilding, repairing and maintenance in Japan.

(3) N. M. K. B. Nayakarathne
General Manager (Commercial)

BSc Engineering (Hon) from University of Moratuwa

He has more than 29 years experienced in the related field of which 26 years have been at CDPLC and 2 years overseas.

(4) Ranil Wijeygunawardana
General Manager (Finance)
Acting General Manager (Logistic)

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

Over 30 Years experience in the field of Finance, of which 19 years at CDPLC. Overlook finance affairs of two subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping agency (Pte) Ltd..

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

(5) Mangala De Silva
General Manager (Human Resources Development & Administration)

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

Has over 24 years of experience at CDPLC in the field of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association and member of the Association of Business Executives (UK). Qualified as a Lead Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan.

(6) Shantha Perera
General Manager (Production)

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

Over 28 years experience in the field of Heavy engineering, Ship repair and Shipbuilding, of which 24 years at CDPLC and 4 years overseas holding managerial level positions in Quality Control, Training Development, Project Management and Production Management.

(7) T. G. Weerasinghe
General Manager (DGES)

BSc Eng. University of Peradeniya

Over 19 years have been at CDPLC and 5 years at DGES experienced in Ship repair, Shipbuilding and Heavy Engineering sectors. Training in Japan for 3 months in Shipbuilding Management. Member of the Ceylon National Chamber of Industries.

IT HASN'T ALWAYS BEEN SMOOTH SAILING BUT WE HAVE PERSEVERED...


IMO 9672882
EXECUTIVE COURAGE

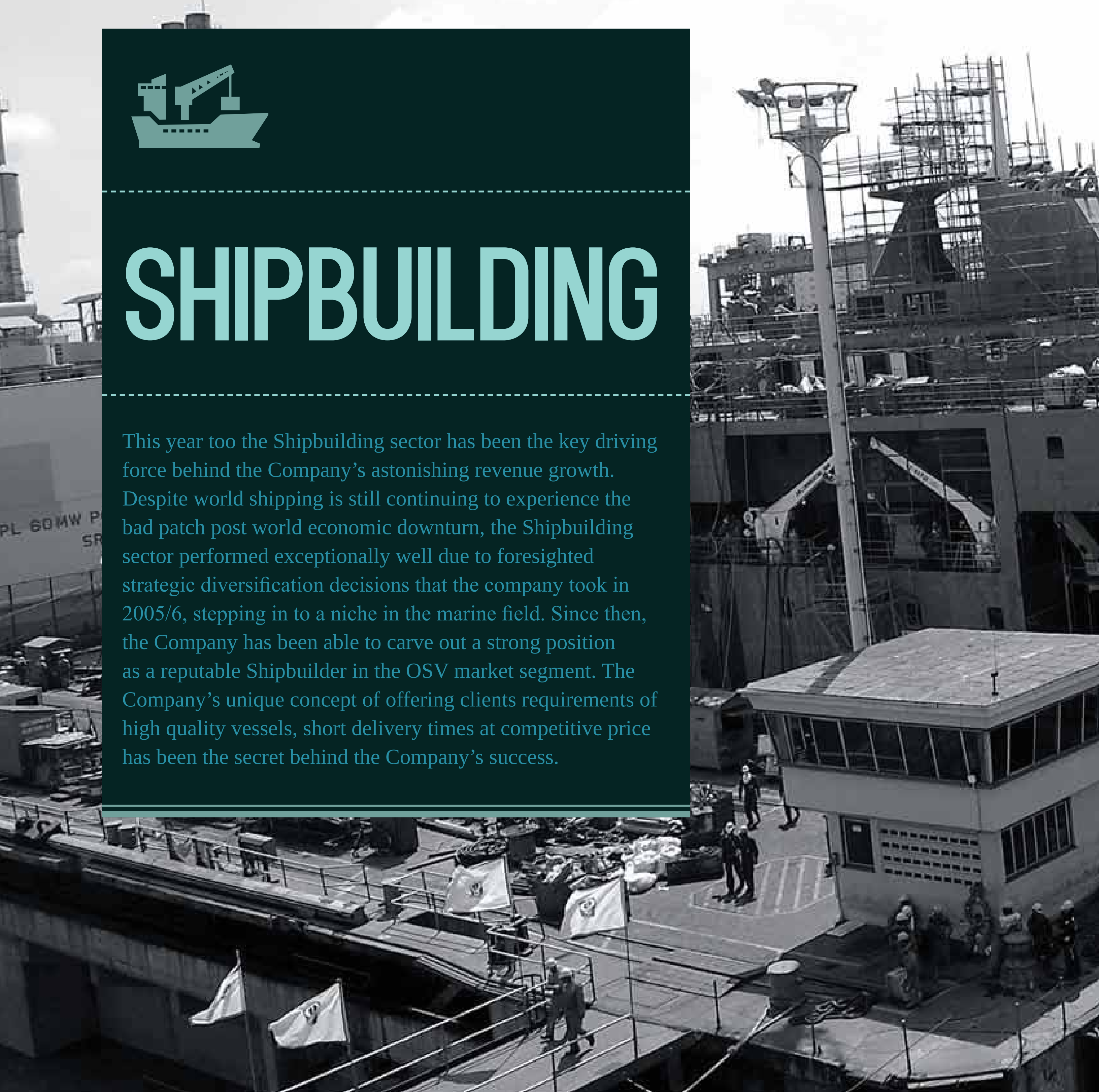
SAILING THROUGH THE WATERS...

WHAT IS MANAGEMENT DISCUSSION AND ANALYSIS

AMONG OTHER THINGS, THE MD&A PROVIDES AN OVERVIEW OF THE PREVIOUS YEAR OF OPERATIONS AND HOW THE COMPANY FARED IN THAT TIME PERIOD. MANAGEMENT WILL USUALLY ALSO TOUCH ON THE UPCOMING YEAR, OUTLINING FUTURE GOALS AND APPROACHES TO NEW PROJECTS.

THE MD&A IS A VERY IMPORTANT SECTION OF AN ANNUAL REPORT, ESPECIALLY FOR THOSE ANALYZING THE FUNDAMENTALS, WHICH INCLUDE MANAGEMENT AND MANAGEMENT STYLE. ALTHOUGH THIS SECTION CONTAINS USEFUL INFORMATION, INVESTORS SHOULD KEEP IN MIND THAT THE SECTION IS UNAUDITED.


WINTERSET
MAJURO
IMO 7609726



SHIPBUILDING

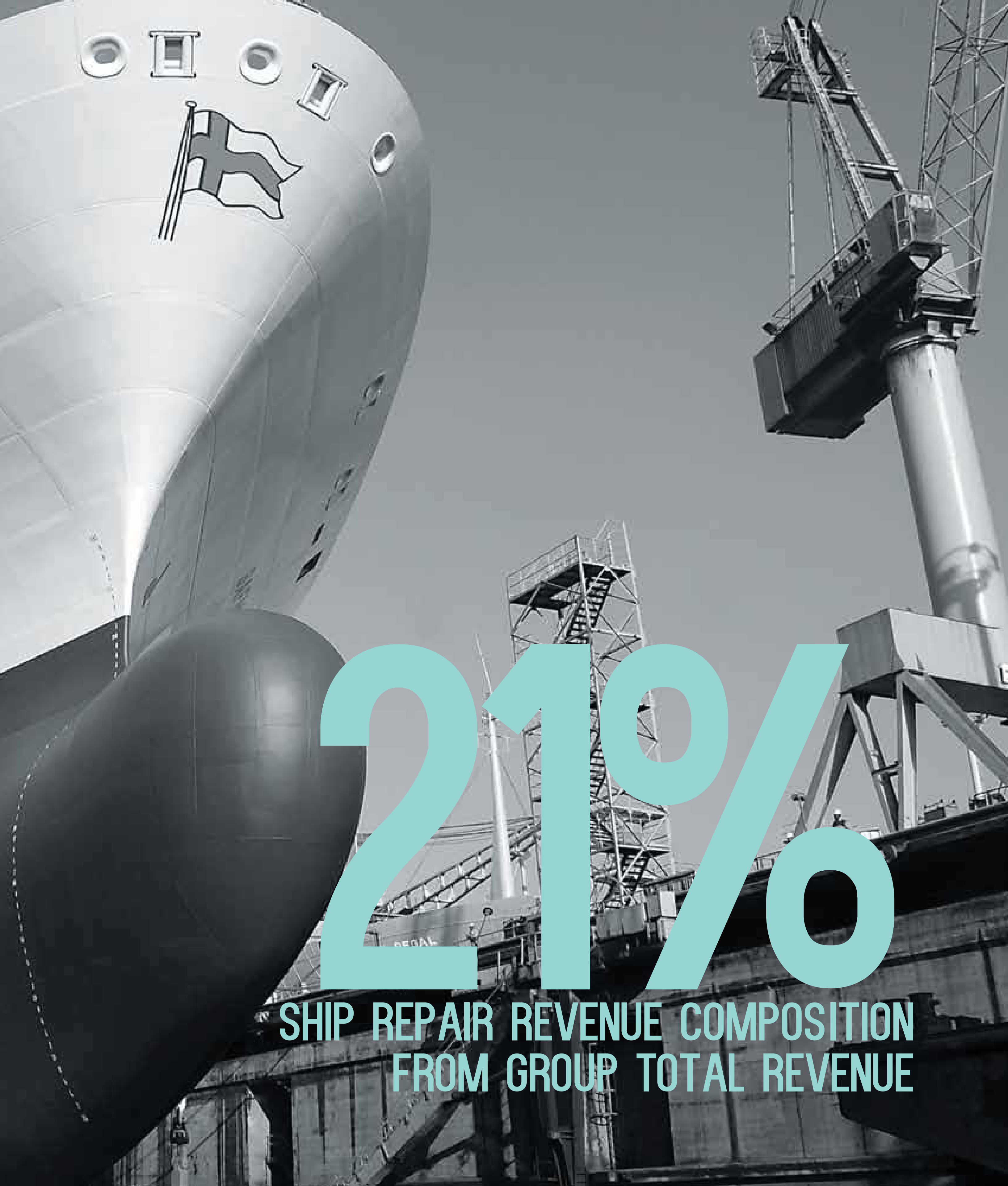
This year too the Shipbuilding sector has been the key driving force behind the Company's astonishing revenue growth. Despite world shipping is still continuing to experience the bad patch post world economic downturn, the Shipbuilding sector performed exceptionally well due to foresighted strategic diversification decisions that the company took in 2005/6, stepping in to a niche in the marine field. Since then, the Company has been able to carve out a strong position as a reputable Shipbuilder in the OSV market segment. The Company's unique concept of offering clients requirements of high quality vessels, short delivery times at competitive price has been the secret behind the Company's success.


74%
SHIPBUILDING REVENUE COMPOSITION
FROM GROUP TOTAL REVENUE

SHIP REPAIR

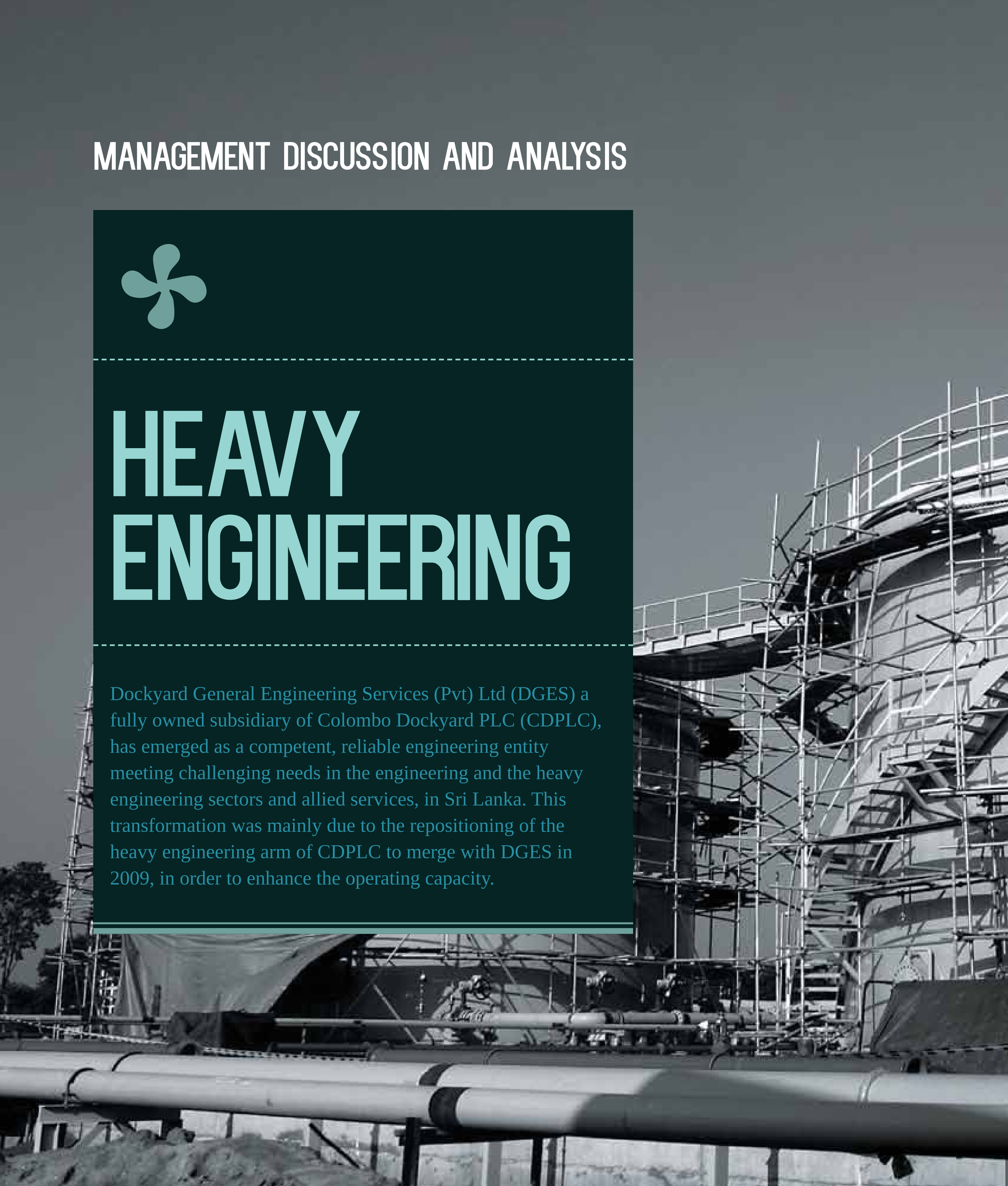
This year was worse affected than 2012, where the repair sector had experienced numerous instances, where owners have differed drydocking repairs by postponement of scheduled dockings. This trend had been continuing over the past 2-3 years, with the owners taking the extreme measures to spend even tightly to survive the difficult times.

The ship owner's survival strategy in recession times is to minimize spending and delaying the repairs as much as possible within the statutory regulations. This has resulted in owners focusing on the mandatory classification society identified repairs.



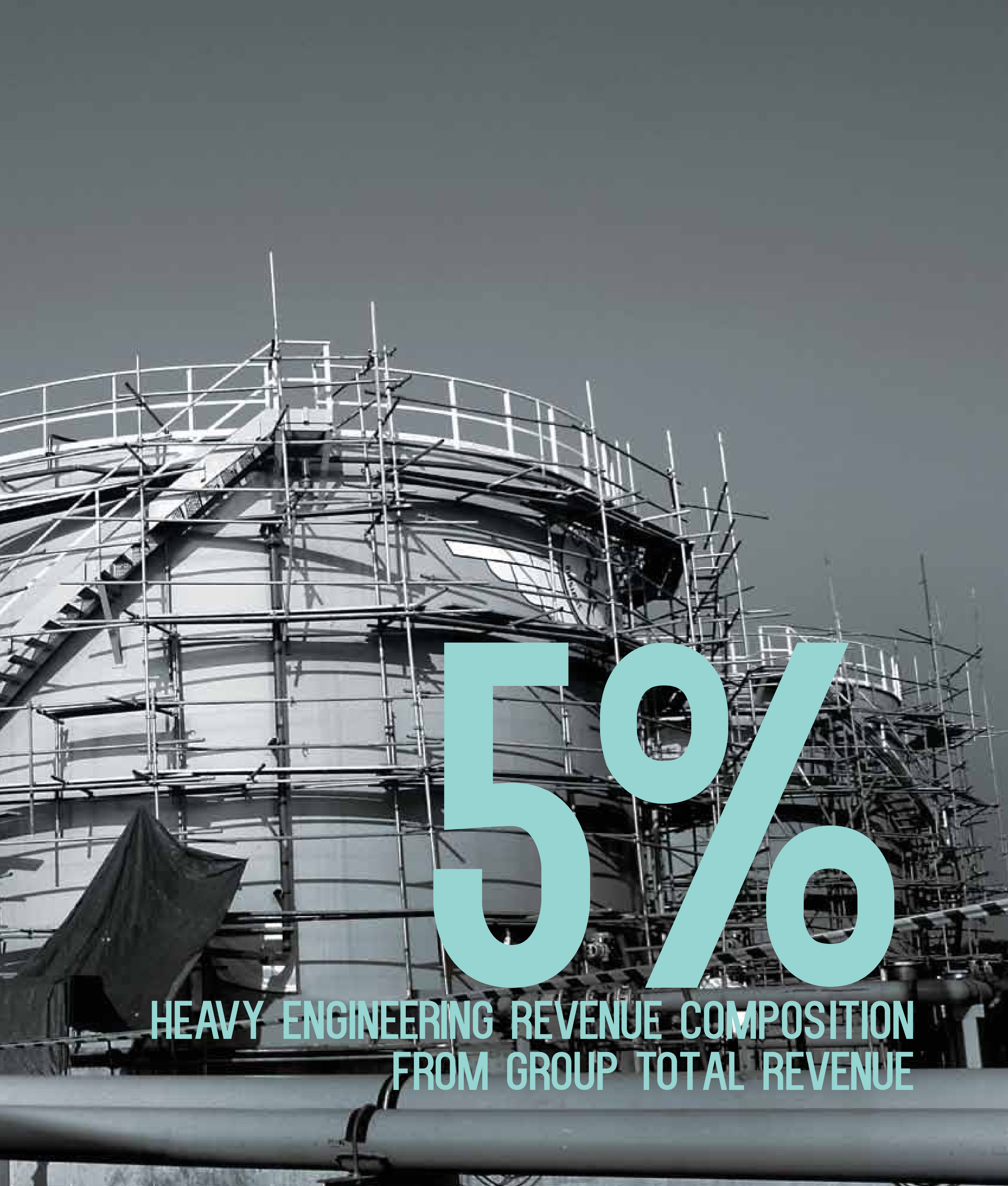
21%

SHIP REPAIR REVENUE COMPOSITION FROM GROUP TOTAL REVENUE



HEAVY ENGINEERING

Dockyard General Engineering Services (Pvt) Ltd (DGES) a fully owned subsidiary of Colombo Dockyard PLC (CDPLC), has emerged as a competent, reliable engineering entity meeting challenging needs in the engineering and the heavy engineering sectors and allied services, in Sri Lanka. This transformation was mainly due to the repositioning of the heavy engineering arm of CDPLC to merge with DGES in 2009, in order to enhance the operating capacity.



5%

HEAVY ENGINEERING REVENUE COMPOSITION
FROM GROUP TOTAL REVENUE

MANAGEMENT DISCUSSION AND ANALYSIS

The Operating Environment and Economic Trends

Global Economy

IMF World Economic Outlook (WEO), October 2013: Forecasted 3.1 World GDP output (2012 3.0) stating Global growth is still weak, its underlying dynamics are changing, and the risks to the forecast remain to the downside. As a result, new policy challenges are arising and policy spillovers may pose greater concern.

The latest IMF WEO January 2014 updates Global activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (WEO). Activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015, a broadly unchanged outlook from the October 2013 WEO. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain.

Shipping Industry

Around 90% of world trade is carried by the international shipping industry. Without shipping the import and export of goods on the scale necessary for the modern world would not be possible. Seaborne trade continues to expand, bringing benefits for consumers across the world through competitive freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalization, the prospects for the industry's further growth continue to be strong.

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

Being an industry that is inextricably intertwined with global trade, any transformations to the milieu is quickly reflected in the performance of the industry. Hence, as the adverse global economic environment continued to exacerbate with no respite in sight, the global shipping fraternity felt its unrelenting lesions, which also reflects the cyclical nature of the industry.

Based in this backdrop, the outlook for the industry is less than promising. The leading container forecaster Drewry believes that global port throughput growth will decrease 1.3%. This downward trend is not only a result of the global economic downturn, but also the cyclical nature of charter rates, intense competition, over supply of vessels and withdrawal of financial support from banks and financial institutions being added to the industry's woes. But it is the oversupply and rising fuel prices that are truly pushing the industry into an abyss, even though there may be a resuscitation of economic activity.

According to the World's largest Research and Markets Company the "Global Shipping Industry 2013 - Forecast, Trends & Opportunities" report, during the 2013 year, the global shipping industry is expected to decline by 5-10% due to

	Year on Year				Q4 Over Q4		
			Projection		Estimates	Projection	
	2012	2013	2014	2015	2013	2014	2015
World GDP Output	3.1	3.0	3.7	3.9	3.3	3.6	3.8
Advance Economies	1.4	1.3	2.2	2.3	2.0	2.1	2.3
Emerging Market & Developing Economies	4.9	4.7	5.1	5.4	4.8	5.4	5.6
World Trade Volume							
Advance Economies	1.0	1.4	3.4	4.1	N/A	N/A	N/A
Emerging Market & Developing Economies	5.7	5.3	5.9	6.5	N/A	N/A	N/A

Source: IMF WEO 2014 January

oversupply and high bunker oil prices that will eventually lead to constraining of its performance.

A sustained oversupply of vessels combined with high bunker oil prices will pressure margins in most shipping segments. The dry-bulk and crude oil tanker segments are likely to have the largest supply-demand gap in 2013, complicating these sectors' ability to meaningfully improve their earnings, said the report.

The tanker market has also been affected by the oversupply of vessels in the near term aided by lower OPEC production levels; though the outlook for the product tanker segment is more favorable since demand growth is likely to outpace supply during 2013, leading freight rates to rise by the end of this year. Box freight rates for the container segment have rebounded since March this year. However, strong improvement in earnings should not be expected for the full year in this segment. This reflects sustained high bunker oil costs and pressure on container rates stemming from recent increases in deployed tonnage of box ships.

During the year under review, Global Shipbuilding Industry experienced rapid decline in new shipbuilding orders as backlogs remained high and the global economic downturn adversely affected the demand for new ships or vessels.

China, South Korea and Japan are leading shipbuilding nations and cater to over 80% of the global shipbuilding industry. The Chinese Government continues to give subsidies to the industry due to which the country enjoys over 35% of the global share. The Chinese Shipyards continue building ships which flood the market, depressing it further.

India and Vietnam are seen as upcoming centers for global shipbuilding and have displayed enormous growth potential since 2000.

Sri Lank Economy

Gross Domestic Product (GDP) growth of 6.3 per cent registered during the first half of 2013 was well supported by the growth of the Industry sector, with the continuous expansion of construction and mining and quarrying sub sectors. The economy is projected to grow at over 7 per cent in 2013 compared to the 6.4 per cent growth recorded in 2012.

The Sri Lankan economy is projected to grow at a higher rate of around 8 per cent in 2014. The recovery in the global economy, continued expansion of domestic economic activity and the impact of growth oriented policy measures adopted in 2013 are expected to accelerate economic growth in 2014.

Inflation has remained at single digit levels for over four and a half consecutive years, while core inflation has declined to record low levels, indicating well contained demand driven inflationary pressures. Inflation is projected to remain at mid-single digit levels during 2014.

The exchange rate policy in 2013 was focused on maintaining flexibility in the determination of the external value of the Sri Lanka rupee. The Sri Lanka rupee which was stable until mid-June 2013, depreciated through August 2013, due to the demand for foreign exchange to settle import bills and the expectation of unwinding by foreign investors from the government securities market in response to the announcement of a possible tapering of the US Federal Reserve's quantitative easing measures. However, with the receipt of higher foreign exchange inflows to the banking sector, the rupee stabilised thereafter. Consequently, the Sri Lanka rupee depreciated against the US dollar only by 2.9 per cent unlike other Asian currencies such as the Indian rupee and the Indonesian rupiah, which have depreciated by 10.7 per cent and 14.2 per cent, respectively against the US dollar during the corresponding period. Given cross currency exchange rate movements during the year up to end October 2013, the rupee appreciated against the Indian rupee (8.74 per cent), the Australian dollar (6.24 per cent) and the Japanese yen (11.19 per cent) but depreciated against the euro (6.55 per cent) and the pound sterling (2.19 per cent). during the year to end October 2013,

Shipbuilding Sector

Overview of the Sector

This year too the Shipbuilding sector has been the key driving force behind the Company's astonishing revenue growth. Despite world shipping is still continuing to experience the bad patch post world economic downturn, the Shipbuilding sector performed exceptionally well due to foresighted strategic diversification decisions that the company took in 2005/6, stepping in to a niche in the marine field. Since then, the Company has been able to carve out a strong position as reputable Shipbuilder in the OSV market segment. The company's unique concept of offering clients requirements of high quality vessels, short delivery times at

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

competitive price has been the secret behind the company's success. With the experience gained in this highly complexed specialized market segment, the company has been able to strike a balance between product customization and standardization, which has enabled the company to achieve a win-win situation.

This year the Company used its 9,000 dwt Dock 2 and the Dock 1 (Dock 1A + Dock 1B) with the capacity of 30,000 dwt, for a majority of the time for Shipbuilding activities. However, Dock 1A was once again released for Ship repair activities since September 2013.

The year 2013 saw the Company deliver 3 numbers of Multipurpose Platform Supply Vessels for three separate Singaporean entities.

Table 1 lists the projects that were completed in the year 2013 and Table 2 lists the projects that are presently under construction (work in progress) and scheduled to be delivered in 2014, 2015 & 2016.

Proportionate revenue contribution to total revenue of the Company

A typical revenue break up in the past years, 2007, 2008 and 2009 would show 60% revenue being generated through ship repair and 40% revenue through Shipbuilding. But this trend changed in the year 2010, with Shipbuilding surpassing ship repair revenue, rising up to around 77% (74% of Group) and Ship repair coming in second at 22%. The Company anticipates, this trend continue even this year and is likely to be so even in 2014. The Shipbuilding revenue depends greatly on the terms of the Shipbuilding Contract.

TABLE 1 Projects completed in year 2013

Project Name	Yard No.	Customer	Delivered	Country
Multipurpose Platform Supply Vessel - **Greatship Ragini**	NC/0224	Greatship Global Offshore Services (Pte) Ltd	January 2013	Singapore
Multipurpose Platform Supply Vessel - **Executive Valour**	NC/0225	True Champion Pte Ltd	May 2013	Singapore
Multipurpose Platform Supply Vessel **Executive Courage**	NC/0226	Abundant Assets Pte Ltd	September 2013	Singapore

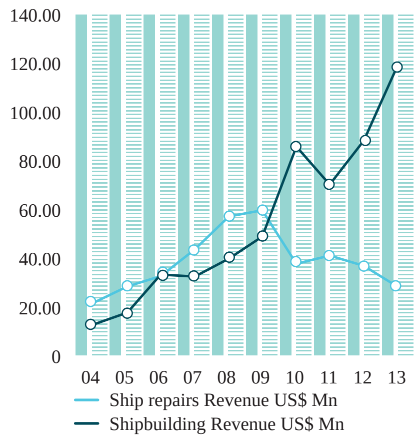
Source: Company Data

TABLE 2 Projects to be completed and delivered in 2014, 2015 & 2016

Project Name	Yard No.	Customer	Scheduled Delivery	Country
Multipurpose Platform Supply Vessel **Executive Tide**	NC/0227	High Fortune Pte Ltd	January 2014	Singapore
Multipurpose Platform Supply Vessel Executive Sprite	NC/0228	Blue Castle Pte Ltd	May 2014	Singapore
400 Passenger cum 250 T Cargo Vessel **MV Corals**	NC/0229	Union Territory of Lakshadweep Administration Kavaratti	March 2014	India
400 Passenger cum 250 T Cargo Vessel **MV Lagoons**	NC/0230	Union Territory of Lakshadweep Administration Kavaratti.	July 2014	India
Multipurpose Platform Supply Vessel - TBN*	NC/0231	Able Sky Pte Ltd	March 2015	Singapore
Multipurpose Platform Supply Vessel - TBN*	NC/0232	Coastline Global Pte Ltd	July 2015	Singapore
Multipurpose Platform Supply Vessel - TBN*	NC/0233	Mighty Treasure Pte Ltd	November 2015	Singapore
Multipurpose Platform Supply Vessel - TBN*	NC/0234	Starry Wealth Pte Ltd	March 2016	Singapore

Source: Company Data

Ship repairs & Shipbuilding Revenue (US$ Mn)



The new Shipbuilding Contracts are heavily back loaded and a high proportion of the revenue realizes only towards the latter part of the project, which adds a heavy financial load on the Company. Nevertheless this increased revenue has remarkably helped the Company in the absorption of the overheads. Not only in the revenue but also the margin of the Shipbuilding sector has significantly changed in the range of 10%-16% over past few years.

Contribution to the Economy

The Shipbuilding sector not only contributed in a big way for the significant increase in the Company's annual turnover but also it has contributed enormously towards the foreign exchange generation to the local economy incidentally earning nearly 2% of the. Being the largest foreign income generating business activity the Company has placed a high priority towards this sector. All shipbuilding contracts undertaken since 2007 is exclusively for foreign buyers generating 100% foreign earning on shipbuilding contracts.

Segment Distribution in Shipbuilding Revenue

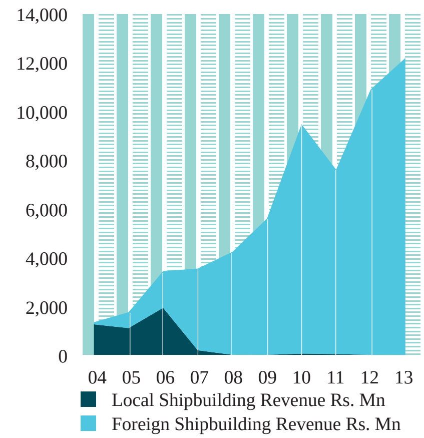
Over the recent past, the Company has engaged in several market segments successfully. The Company started off with small boat building , and now has dramatically expanded to medium scale Shipbuilding of Multipurpose Platform Supply Vessels, Anchor Handling Tug Supply Vessel and Passenger Vessels etc. Presently the Company focuses heavily on Offshore Supply Vessel market segment as it is a very resilient market segment which can withstand difficult economic conditions.

Sector performance in relation to the Industry (Local and Foreign)

The Shipbuilding sector has performed outstandingly well in the year 2013 too. Having stepped in to OSV building market not too long ago, the Company is now considered as one of the most sought after Shipbuilders in the South Asia region for Offshore Vessels of medium size. With certain cash rich owners' strategically investing in expanding their ship assets in spite of the economic down turn. The positive political/ economical situation prevalent in the Sri Lanka has also paid great dividends, with owners not having any safety or security concerns to build their Vessels in Colombo.

In the year 2013, Colombo Dockyard PLC was able to secure another four numbers of Multipurpose Supply Vessels from a Singaporean client who is continuously dealing with Colombo Dockyard over the past few years, which speaks volumes of the confidence the Owners have placed in the quality and performance of the Company built Ships.

Shipbuilding Local and Foreign Revenue (Rs. Mn)



Key operational initiatives and achievements

Over the last few years, especially since 2006, we have invested close to Rs. 7 billion to improve our yard facilities in order to increase capacity and reach higher levels of productivity. Some of the key operational initiatives mooted this year which will be continued through the coming years are as follows:

- Installation of 160T capacity Crane in order to improve the Shipbuilding capacity
- Building a new Fabrication Workshop South of Dock No. 3
- Construction of a new General Purpose Building South of Dock No.1
- Extension of rail tracks for the movable sheds to cover majority of Dock No. 1
- Installation of 500 Ton Press
- Installing a Tool Stores and Site Office South of Dock No. 2

Shifting of specific Stores and converting this area for the Electrical Outfitting workshop will increase capacity for electrical work. Above will substantially

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

increase the company's capacity for steel processing and increase efficiency.

We have been awarded with a number of awards both by Government Institutions and Chambers recognising our performance spearheading the industrialization activities of Sri Lanka. These awards and accolades are certainly impetus for us to even better our performance as we continue in our 'odyssey of excellence'.

Strengthening of Customer Base
The Company has engaged in an aggressive marketing drive for its Shipbuilding activities since 2005/06. Starting with a limited customer base, today the Company has expanded its clientele across the world. More significantly Colombo Dockyard has a strong customer base formed by many Indian and Singaporean Companies.

Environmental and market changes

The concept of green growth is becoming particularly important to the industry as it implies the ability of the shipyard to increase economic activity while lowering or eliminating environmental impacts. The new environmental regulations require the single hull tankers to be scrapped and the introduction of double hull tankers, creating strong demand for new ships. Due to these new regulations there was a major rush in the industry to cater to this new found demand and consequently the sector witnessed an imbalance between the capacity and demand. Whilst these regulations, provided an opportunity for the shipbuilding sector, it posed a threat to our ship repair sector, as the phasing off the single hull tankers saw a dip in our ship repair sector revenues. But the economic downturn has slowed the progress in this sector.

A new regulation for Performance Standard for Protective Coatings (PSPC) that has been imposed by the IMO on new ship builds, which calls for the shipyard to take measures to protect against corrosion especially the ballast water tanks and void spaces which are prone to corrosion. In order to cater to these new requirements, our yard facilities were upgraded by installing combined blasting and painting halls.

Another new regulation namely the SPS Code (Special Personnel Code) where enhanced stability requirements needed to be provided for special personnel onboard were positively adopted and the shipyard has been able to cater to the future market requirements keeping in compliance with safety needs.

Another new regulation being introduced by the IMO is the Ballast Water Management programme aimed at reducing the transfer of harmful marine species and aquatic organisms in ships ballast water. This new regulations will require us to comply with these regulations for new ships being built by us and will give new opportunities in terms of retro-fitting ballast water treatment systems on board older vessels.

All technological advancements to comply with these new regulations and requirements have been embraced by us making us ready to meet the challenges of the future.

The current shipbuilding industry is mainly based on relationship marketing. Therefore, apart from the positive and mutually beneficial relationships we maintain with our clientele, we also do maintain excellent relationship with classification societies. There has been many instances where surveyors attached to various classification societies have been our brand ambassadors where their unbiased opinions about the shipyard has made prospective clients consider our facility with greater confidence and trust.

Opportunities and Threats

Setting up of new ports in the region and deep water offshore oil and natural gas explorations will create demand for AHTSVs, PSVs, Drilling Rigs, Harbour Tugs etc., which is the main focus of our marketing activities. Therefore, even during a lower market demand scenario in the shipping sector, these markets segments will be active and the Company can capitalize upon these markets.

Considering regional markets, countries like India have major plans for the development of its infra-structure which also entails enhancing their passenger transportation fleets operating around its coastline. Already we have reaped positive dividends of transparent and professional cooperation with the Indian Shipping fraternity, being awarded with two high end spec 400 Passenger cum 250 T Cargo Vessels for the Government of India, which also shows the versatility of the Company. Considering the facts that have been revealed by market surveys, large numbers of vessels currently operating in the offshore sector are now spending their final stage of useful lifetime. Thus the Company has potential market opportunities to grab and fulfill these requirements.

Apart from the financial threats that are omnipresent, there is a major threat of increasing competition with the large shipbuilding yards which were hitherto focusing on larger shipbuilding projects shifting their focus towards the medium and small size shipbuilding market. However, as a professionally driven outfit we are ever conscious of the different threats that arise and always devise counter strategies.

Risks and Concerns

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

Future outlook of the sector

An estimated 80 percent of the world's trade (by volume) is carried in whole or in part by seaborne transport (UNCTAD, 2009). In addition, vessels of all kinds ply the world's waterways to undertake and facilitate a stunning array of activities. These include the transportation of cargos, passenger, dredging, search and rescue, environmental clean-up, oil and gas exploration and production, cable and pipe-laying, scientific research, fisheries, project construction, tourism, naval warfare and patrols, among many others.

Shipbuilding is a crucial activity that provides equilibrium between the demand and supply in the merchant shipping sector where it has indeed a strong and direct correlation between the performance of Shipbuilding and the global economy and trade. Further there is a noticeable trend in global Shipbuilding in the last two decades with the emergence of yards in developing nations.

As indicated in the previous year, the strong demand for energy as a result of industrialization in the Asian markets has given an impetus for the Offshore Vessels which has been probably the only sector to recover from the global recession fast. In addition the discovery of new deep water offshore oil reserves in the Brazilian waters has increased demand for OSV's exponentially. Especially the Brazilian Petrobras has a voracious appetite for newer tonnage and does not appear to diminish any time soon.

Continuous increase in the oil consumption and related activities will provide favorable conditions to the Offshore Vessels market.

The demand of Offshore Vessels has strong positive relationship with the many areas of the oil industry. Oil exploration is one area which can significantly affect the demand of offshore service, which in turn affect the demand of offshore new builds. The oil exploration has dramatically improved over the year in an upward trend, thus the demand of offshore service also increases affecting the new builds favorably.

Investment in offshore area has been continuously improved over the years and the investment expected to be growing further. This favorable pattern of investment will facilitate to improve the offshore sector where it also creates plenty of offshore new building opportunities as well.

Even though the world shipbuilding market has been flooded with a large number of vessels in past two decades, especially in last five years due to the expiration of old vessels and the amplified demand in the Marine industry, there are still some old ships which were going to reach end of its useful life time where new builders could fight to grasp such opportunities.

In the local context, there are emerging opportunities with the starting of the Hambantota Port and the Colombo South Harbour, which would open up new avenues for new business. Setting up a ship repair and building facility would mean an enormous investment. Hence, decisions need to be taken through a meticulous study and only when the world economic conditions are ripe for such an investment.

The development of the shipbuilding sector has the potential to positively impact the local economy and bring about a positive socio economic influence. To realize its true growth potential, the sector needs to establish and build up more capacity and by way of upgrading existing facilities as well as invest in new capacity which will enable the Company to go in to the construction of large offshore steel structures such as rigs and platforms.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Ship Repair

	2013	2012
Repaired in dry-docks		
No. of Vessels	**76**	78
Total DWT	**833,117**	707,472
Total GRT	**568,315**	495,980
Afloat Repairs		
No. of Vessels	**83**	71
Total DWT	**1,493,939**	719,233
Total GRT	**996,238**	505,779
Total No. of Vessels		
No. of Vessels	**159**	149
Total DWT	**2,327,056**	1,426,705
Total GRT	**1,564,553**	1,001,759

Overview of the Sector and Market Changes

If the year 2012 was marked as a challenging year, the year 2013 exceeded the threshold for difficultly level market wise. As presumed the recession conditions reached the bottom during this historical year. As many in the shipping industry has been grappling to figure out when it will turn around and start to ascend, towards the end of 2013 we have seen a glimmer of hope that the worst is over and turn-around has taken place, as many marine industry pundits predict.

The year 2013 can be termed as one of the trickiest and harshest years in terms of unpredictability of global / regional economic conditions.

This year was worse affected than 2012, where the repair sector had experienced numerous instances, where owners have differed drydocking repairs by postponement of scheduled dockings. This trend had been continuing over the past 2-3 years, with the owners taking extreme measures to spend even tightly to survive the difficult times.

The ship owner's survival strategy in recession times is to minimize spending and delaying the repairs as much as possible within the statutory regulations. This has resulted in owners focusing on the mandatory classification society identified repairs.

We have seen many small time private ship owners succumb and going out of operation, while the smart ones have survived. Survival strategies adopted by the bigger vessel owners to lay-up their non-performing fleet to minimize losses with the intension of re-activating the fleet when the markets return to pre-recession operable levels continued with no specific change.

Overcapacity: the New Normal?

The Seatrade December 2013 Issue highlights a condition of "Overcapacity" being the new norm.

Quote : *"Highlighting the fact that four to five year backlog at major shipbuilding yards meant that ships ordered at the highest prices ever in Mid 2008 immediately before the economic crisis broke ' are just sailing out of the yards right now' (2013/14) adding to the impression of endemic oversupply. Has a permanent - at least for the foreseeable future- supply demand imbalance set in, and overcapacity becomes the "new normal" for most of the shipping markets, as some might feel, if so what to do about it ? Or are we merely suffering a prolonged backlash to the so called "supercycle" of 2003-2008 when all markets simultaneously went into overdrive, and now they are all sharing a "super down cycle" that will eventually self right? : Unquote.*

These sentiments shed light why the shipping rates are remaining at rock bottom; due to oversupply of vessels competing for a recession hit reduces volumes of cargo being shipped across the globe.

Market Pressures on pricing and time / Regional Competition

The ship repair sector had faced continued and augmented pressure from market conditions coupled with new yards starting up operations in the region, (L&T Shipbuilding in Katupalli Village in Tamil Nadu - East Coast India and Lavgan Dockyard Private Limited, Goa – West Coast India) where downward pressure on price intensified with competition extending lower price structures. The owners demand for speedier turn-around and lower prices as competition squeezes tighter with yards hungry for business as the available pie is shared amongst new comers and the old players on the block.

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

This has resulted in a continuation of the smaller size vessels being accommodated for repairs, with multiple drydockings taking place frequently.

The aggressive drive to fill in the void created by reducing number of tankers due to market conditions as well as size restrictions has been successfully addressed by targeting other types of vessels. Mainly container carriers, dredgers, bulk carriers and offshore support vessels.

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

Proportionate revenue contribution to total revenue of the Company

In the year 2013 the balance on ship repair to shipbuilding still tilts towards shipbuilding, ship repairs generating 22% and 78% from shipbuilding. This has been the general trend in many ship yards world-wide.

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

During the year in review the Dock No. 01 (30,000 DWT) drydock has been released for shipbuilding for 303 days of the 365 calendar days.

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

Key Operational Initiatives and achievements

The number of vessels repaired during the year 2013 has been 159 as against the 149 repaired during 2012. The Dead Weight handled during the year 2013 have increased to 2,327,056 Tons from 1,426,705 Tons in 2012.

The total number of vessels repaired in drydock is 76 (833,117 DWT) in 2013 as against 77 (707,472 DWT) in 2012.

The reduction in number of vessels / DWT handled repaired reflected in 2013 figures are also as a result of few long duration project occupying the drydocks. One major projects handled in drydock No. 03 - SLNS Suranimala occupying the drydock for 92 days.

The 125,000 dwt drydock No.04 which usually accommodated tankers were utilized to accommodate multiple vessels.

The Dock No. 01-30,000 DWT drydock handled 2 (20) vessels with total of 1,423 DWT (131,684Dwt) (Released for Shipbuilding for 303 days), the Dock No.04-125,000 DWT Drydock handled 47 (44) vessels with a total 763,897 DWT (589,371 DWT) and Dock No. 03-9,000 Dwt drydock handled 23(13) vessels with a total Dwt of 23,701 (15,673 DWT).

New Markets and strategies / Entry into Diving Support vessel sector

Focus was placed on markets that are least affected by the extended global recession, such as the offshore related repairs.

Strategies adopted to secure new business from this focus area was successful, when the first Diving / Multipurpose support vessel was secured for major drydocking and lay-up repairs.

The Diving Support Vessel Samudra Sevak owned by Oil and Natural Gas Corporation, India and Managed by Shipping Corporation of India Ltd., was successfully handled, meeting owners / managers and classification society requirements.

This type of project involved maintenance of highly sophisticated machinery and equipment; the shipyard mustered a experienced team to tackle this breakthrough project successfully.

Successful entry into this sector opens up new avenues into high end repair of Diving / Multipurpose support vessels.

Multipurpose/ Diving Support Vessel Samudra Sevak accommodated in Drydock No. 04 during her repair call to Colombo.

Major Dredger operators call Colombo:
Colombo Dockyard has been a favored location for dredger repairs over the past decades. Colombo is ideally located close to many of the dredging hot spots in India.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

During the year 2013, we handled two of the biggest dredgers operating globally Dredger **Queen of the Netherlands** from Baggermaatschappij Boskalis B.V. and Dredger **Ham 318** from Van Oord Ship Management BV, Netherlands.

Dredger Queen of the Netherlands accommodated in Dock No. 04 during her call for repairs.

The aggressive sales promotion campaigns in Europe, Far East and the Indian subcontinent have been generating successful inquiries and repeated business. Sales visits to Greece and Germany to promote the ship repair faculty with the active influence of the respective representatives in the territories had been successful, where good business has been generated.

MT. Theo T - Greek owned tanker accommodated in Dock No.04 during her call.

During September 2013 in Hamburg a client cocktail was hosted to selected ship owners and managers to promote the Colombo Dockyard brand in this market. Aggressive sales visits were undertaken in Greece, Athens and Piraeus to augment the Colombo's presence in the Greek ship owner's decision making process.

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

Afloat Repair Unit

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

One of the significant repairs carried out as an afloat project this year was the MV. Sunrise, this vessel which had been a regular caller came in for her final call where the owners Salgaocar Mining Industries Pvt. Ltd. Goa decided to remove her cargo related equipment prior to sending the vessel off to scrap. (After 4 decades of operation) The afloat repair team handled this project utilizing the yard facilities successfully. It was a heartfelt moment when the grand lady bid her final good bye to Colombo and set sail for the scrap yard in India.

The MV. Sunrise in afloat condition during the dismantling process, the deck machinery and cranes removed.

The Machinery and equipment dismantled from MV. Sunrise awaiting to be loaded to Barge for re-export to Owners site.

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

The afloat repair projects handled during the year 2013 were 83 (1,493,939 DWT) as against 71 (719,233 DWT) handled in 2012.

New Owners to Colombo

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

M.V. "HUANG JUN 238"	CHINA	CHINA HARBOUR ENGINEERING COMPANY LTD
M.V. "MCP VIENNA"	CYPRUS	OESTERREICHISCHER LLOYD SEEREEDEREI (CYPRUS) LTD
M.V. "RETRIEVER"	GREECE	FAIRPORT SHIPPING LIMITED
M.T. "THEO T"	GREECE	IONIA MANAGEMENT SA - GREECE
M.T. "EAGLE MEERUT"	INDIA	DOEHLE DANAUTIC INDIA PRIVATE LTD
M.T. "SILVER EXPRESS"	JAPAN	DOUN KISEN CO. LTD
F.T. "ORIENTAL KIM"	KOREA (REPUBLIC OF) - SOUTH KOREA	DONGWON INDUSTRIES
CRANE BARGE "57 NAMHAE HO"	KOREA (REPUBLIC OF) - SOUTH KOREA	SEA TECH DEVELOPMENT CO.
M.V. "LCT BEAGLE"	MALDIVES	COCO BODU HITHI
F.T. "TAI YUAN NO.227"	MALDIVES	MARINE MALDIVES PRODUCTS PVT. LTD
DREDGER "QUEEN OF THE NETHERLANDS"	NETHERLANDS	BAGGERMAATSCHAPPIJ BOSKALIS B.V.
T.S.H.D. "HAM 318"	NETHERLANDS	VAN OORD SHIP MANAGEMENT B.V.
M.V. "WINTERSET"	POLAND	SMT SHIP MANAGEMENT & TRANSPORT LTD
M.V. "GLORY RIVER"	SINGAPORE	KGJ CEMENT (SINGAPORE) PTE LTD
M.V. "IMARA"	SINGAPORE	SEACHANGE MARITIME (S) PTE LTD
DSV "SAMUDRIKA"	SRI LANKA	LUNG TEH SHIPBUILDING CO LTD
LAUNCH "SHARAF ENERGY"	SRI LANKA	DIAMOND SHIPPING SERVICES (PVT) LTD
F.T. "KEIFUKU MARU NO.1"	SRI LANKA	NICHILAN FISHERY (PVT) LTD
M.V. "NOBLE SW"	TAIWAN, PROVINCE OF CHINA	SHIH WEI NAVIGATION CO. LTD
M.V. "SAMSUN"	TURKEY	DENIZCILER TURIZM ve DENIZCILIK A.S.

Turbulent times continue globally

The super-cycle recession continued spilling into 2013 and is expected continue into the 2014 as well. In this scenario the least affected sectors in this year was the Offshore Support vessels; as a result this specific sector had been targeted by all global yards for survival. This meant increased level of competition as all regional and global shipyards focused on the offshore sector as the only relatively stable sector.

Unfortunately for Colombo, we had faced increased competition from Indian yards along with non tariff barriers that hindered considerable number of potential Indian vessels that were differed from calling Colombo, due to custom issues at the Indian end when re entering. Colombo Dockyard has taken all possible steps to lobby the Indian authorities for removal of these practices with the support of the Ministry of Commerce. The process is taking time due to bureaucratic process issues taking time to react. We are optimistic that these issues will be sorted out in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Many of the regional offshore players were affected by the slowdown of the economy and the slow moving oil industry; they were also seen getting extensions to postpone scheduled repairs.

The recession impact was also visible, where three owners defaulted the agreed payment terms; company had to resort to legal action to recover the funds. This was a new development in our history of operations. This unique situation has resulted in prudent selection of the owners/ jobs that we undertake, filtering out owners that do not fulfill / meet the termed out payment settlement criteria. These measures have also worked adversely as many competing yards offer relaxed payment terms to attract business.

To counter these operational threats internal processors have been streamlined to mitigate the increased risk areas; looking at best practices used in other international shipyards to address this situation suitably.

Survival in tough times until better market conditions

The ever increasing tough conditions in the market have resulted in many ship owners now standing on shaky financial foundations, invariably not visible to the outside world. The network of contacts in the industry has proven to be essential in gaining the required background information on new clients as well as updates on existing clients.

In our 'Odyssey of Excellence" we have safely navigated through difficult recession phases during the 1970's and the 1990's and now in 2008-13, continuing to serve our global client base efficiently and along the way improving our technical know how to meet the ever changing requirements of the industry.

Ship Repair projects are usually not clear cut as shipbuilding, in essence the yards ability to manage the project professionally in a customer centric manner, meeting the client's requirements efficiently and speedily will give true for money, resulting in returning satisfied clients.

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

In conclusion the ship repair sector has performed relatively well in a challenging time and one of the toughest years yet, sharing available resources with the shipbuilding sector releasing Dock No. 01 for Shipbuilding for 303 days and managing to improve the value addition level to 69% (2013) as against 68.1 % (2012) even in relatively worse market conditions and utilizing lesser yard resources.

Heavy Engineering Sector

Dockyard General Engineering Services (Pvt) Ltd (DGES), a fully owned subsidiary of Colombo Dockyard PLC (CDPLC) has emerged as a competent and reliable engineering entity meeting challenging needs in the engineering and heavy engineering sectors and allied services, in Sri Lanka. This transformation was mainly due to the repositioning of the heavy engineering arm of CDPLC to merge with DGES in 2009, in order to enhance the operating capacity. The focus diversified from general engineering services & maintenance for which it was established, to higher end engineering work. The focus on distinctive fields of engineering such as, general infrastructure, petrochemical, power of energy and irrigation was intensified after the strategic change. In furtherance of its operations DGES is concentrating on the possible exploitation on the non-conventional renewable energy market in Sri Lanka, and perhaps in South Asia in the long term. Several projects are in the pipe line in this regard.

Thus, the intention of DGES is to capture sufficient engineering and heavy engineering work, expand into new engineering segments, and to build capacity and skills, blending with the emerging new trends and markets, for its long term sustenance, realising a possible saturation in the conventional engineering sectors.

The Marine Hardware and Techno Commercial Division of DGES, conveniently located in Colombo in the hub of hardware businesses of the country, hold agencies for several international paints and other higher–end products, such as marine coatings, cathodic protections, structural metal plates & profiles, surface cleaning material & equipment, and chemicals, which are marketed and sold. Whilst it carries on its own business of marketing the products, it has also been an added source of strength to DGES in all the projects it has undertaken where international paints and coating systems is part of the offer at a competitive price. Over the years, DGES is considered as an acclaimed and trusted supplier cum genuine and a dependable source for

engineering material and services of appropriate quality. DGES also caters to a discerning clientele who yearns for quality and performance and this range consists of Kemppi welding plants (high performing inverter technology), airless paint spray packages, elcometer gauges, instrumentations for paint industry, grit blasting accessories etc. Though no particular risk factor is apprehended in the sales and marketing in the new strategies are being identified and this is aimed at increasing the customer base.

DGES Engineering Business Spectrum	
General Infrastructure	**Petrochemical**
• Heavy Structures (RCC & Steel) • Roads, Highways and Bridges(RCC & Steel) • Plants & Building Complexes • Structure Repairs(RCC & Steel) • Ports - Jetties & Slipways • Water Tanks & Circular Piping Systems	• LPG/ Petroleum Tanks & Tank Farms • Product Pipelines & Piping System • Fire Fighting Systems • Repairs & Modifications • Re-certification
Power & Energy	**Irrigation**
• Hydro Power Plants • Thermal Power Plants • Power Transmission & Distribution • Power Houses & Stations • Mini Hydro Power Projects • CNC Power Projects • Repairs & Modifications	• Rehabilitation of Irrigation System • Stop log Fabrication • Sluice, Radical Gates • Canals & Water ways • Maintenance of Gate • Hoist System • Dam Safety • Repairs & Modifications

DGES, being a wholly owned subsidiary of CDPLC, is governed by a Board of Directors comprising the Chairman, MD/ CEO and another director of CDPLC. All operational and executional aspects are under the purview of the General Manager, an engineer with more than 20 years of experience who, incidentally, is also a former employee of CDPLC. Though the employment contingent is relatively small, DGES possesses a qualified and experienced Senior Management Team of engineers of each discipline (mechanical, civil, electrical) and a set of technocrats, blending interdisciplinary skills to the best advantage and benefit of the company.

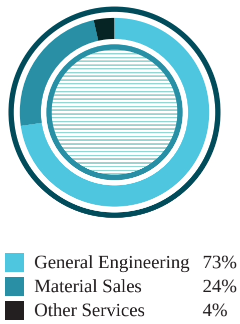
Additionally, support and guidance being always available from the Board of Directors, commercial decisions are prudently taken, evaluating risk – reward measures, and other market considerations. Although not accredited by any standards certification, DGES has adopted the standards and guidelines of its parent company of ISO 9001 in its business activities, thus retaining the highest quality and standards in all of its products and services.

Naturally, DGES also follows the due diligence, transparency, and accountability measures in all of its activities and other process developments in administration and day-to-day management of the affairs of the company.

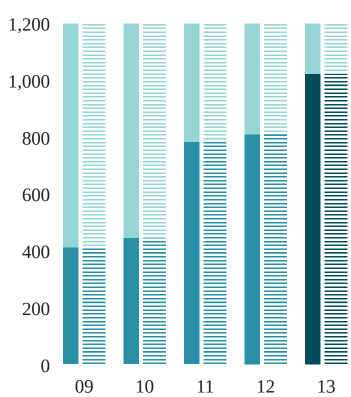
DGES places high importance on the environment, health and safety in conducting its business activities and this extends beyond its own employees to include subcontractors engaged in the process. A policy for health, safety and environment is in place. Risk assessments

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

DGS Revenue - Category Wise



DGES Total Revenue (Rs. Mn)



carried out in most of the completed projects during the year under review are zero, evidencing strict compliance to health and safety.

During the year under review, DGES has achieved 25% growth in revenue compared to the previous year and the graph below illustrates the continuous progress of revenue category and sector wise performance.

Thus redefining the markets, opportunities and challenges are being duly addressed. Being a truly local company, deploying local engineers and labour, with such improvements and changes, DGES will continue to add value to the nation. With the ambitious vision of being "the Premier Heavy Engineering Solutions Provider in South Asia,' coupled with its potential and capabilities, DGES will forge ahead adapting to changing environments nationally and internationally to sustain itself in the medium and long term.

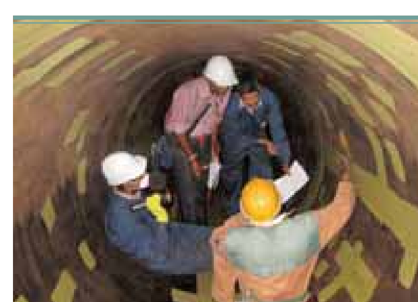
The following is a synopsis of major projects which contributed to the year 2013 revenue.

Mechanical Work for construction of aviation fuel storage facilities and fuel hydrant system of Hambantota International Airport for Ceylon Petroluem Corporation

DGES successfully completed, fabricated, installed and tested 3 Jet A-1 Aviation Fuel Storage tanks with the capacity of 1200m3 each, and firewater tank the capacity of 571 m3, and designed, fabricated, installed and tested 03 pressure vessels, for the client, Ceylon Petroleum Corporation. This is another landmark project, a diversification from petrochemical sector to aviation fuel, where DGES worked with an internationally reputed company, Amana Pipeline LLC of UAE.

64 Ton Per Day Air Separation unit at LINDEL Industrial Estate Sapugaskanda for Ceylon Oxygen Ltd

This plant, comprising cold box, static equipment, both aluminium/stainless steel and carbon steel piping system and 320T MT liquid oxygen storage tank was carried out for Ceylon Oxygen Ltd, a longstanding client, where all the civil & structural work, mechanical installation of moving machinery was carried out by DGES. DGES is proud to mention that it received high commendations from the client the commissioned plant in operation at its fullest capacity, as opposed to other plants in the region. This is therefore considered the best in the South Asian region. DGES prides itself in having worked hand in hand with the British Oxygen Company of India who was the consultant of the project.



Sand Blasting and painting of Inner Surface of Laxapana Penstock for Ceylon Electricity Board

DGES is specialized in providing a total solution to corrosive protection and is the preferred service provider for many clients who value quality and standards. DGES carried out the sand blasting and painting of the inner surface of the existing penstocks of Old Laxapana Power Station (Penstock diameter vary from 1.3 m to 0.7 m for 2.5 Km length) and New Laxapana Power Station(penstock –the diameter vary from 1.3 m to 0.7 m for 1.7 Km length).

LPG and fire water pipeline for new pump house at Kerawalapitiya LPG terminal for Litro Gas Ltd.

The company has become a trustworthy partner to Litro Gas Lanka Ltd (elderly Shell Gas Lanka Ltd) from the installation of LPG terminal at Kerawalapitiya in the late nineties. Since then DGES has been involved in many rectification, repair and modification work of their terminals. In 2013 DGES successfully completed the entire piping system of LPG and fire water of new pump house of Kerawalapitiya LPG Terminal.

Repair of ferry Boat at Pungudutive Island (for deploying in Kurikaduwan-Nainatee Service)

DGES has successfully completed the repair work of the ferry boat which the Road Development Authority uses to transport thousands of pilgrims visiting Nagadeepa Vihara and the people living in the Nagadeepa island. The ferry is capable of transport people and vehicles up to 80 tons.

Remedial work for Polgolla Dam for Mahaweli Authority of Sri Lanka

This is yet another project where DGES has excelled. Rehabilitation, repair and remedial work related to existing dams of Sri Lanka is an area where DGES is sought after. The project is 70% complete including civil, mechanical and electrical works for spillway gates and outlet gates and renovation of the irrigation tunnel intakes.

Civil Work related to Gammaduwa Hydro Power Project Gammaduwa Hydro Power (Pvt) Ltd

The project is located in Kosgolla Oya valley of Gammaduwa and Karagahatanne mountains. The wire is constructed across Kosgolla Oya. DGES is involved in the civil work of the project i.e. construction of weir, headrace channel, fore bay tank, spillway, piers and anchors for penstock and power house. 90% of the work is complete.

Greater Colombo Urban Transport Development Project, Outer Circular Highway to the City of Colombo (North Section 1) for Road Development Authority

The work comprises of supply and fabrication of permanent steel casings and other steel structural parts for road construction work. The main contractor, Taisei Corporation has recognized the DGES standards for quality and timely

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

delivery and continues to provide further orders for steel fabrication work of the project.

Repairs and pawing works for South Asia Gateway Terminals Ltd. (SAGT)

Due to the standard level of quality and safety, SAGT has obtained DGES services for many of their projects. During 2013, DGES has continued the repair work of the deterioration on the soffit of the landside crane beam using highly pressurized water to break the concrete prior to instituting the repair. DGES examines the utilization of used copper slag, a by- product of ship hull surface blasting process, to manufacture heavy duty interlocking block and kurb stones for industrial flooring and road construction work by carrying out pilot project at SAGT.

Pipeline projects for Next year

- Supply, fabrication and erection of ship loading pipeline at Litro-Hambanthota - Litro Lanka Gas Pvt Ltd.
- Fabrication, supply and erection of steel structures for Development of Intelligent Transportation System for Express ways of Sri Lanka - DAIMEI SLK (PVT) LTD.
- Painting of outer surface of new Laxapana Penstock No: 01 & 02 - Ceylon Electricity Board.
- Coconut Processing Factory for CBL - Alawwa - Ceylon Biscuit Ltd.

FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS

For the Year (Rs. Mn)	2013	2012	Change	%
Statement of Comprehensive Income				
Revenue	**16,741.8**	16,388.4	353.4	2.16
Gross Operating Profit	**1,884.3**	2,950.7	(1,066.4)	(36.15)
Profit for the Year	**929.1**	1,989.9	(1,060.8)	(53.31)
Statement of Financial Position				
Total Assets	**17,044.9**	18,335.6	(1,290.7)	(7.04)
Total Liabilities	**5,989.6**	7,792.3	1,802.7	23.14
Shareholders' Funds	**11,055.5**	10,543.3	512.2	4.86
Net Cash & Cash Equivalent	**3,519.8**	4,006.0	(486.2)	(12.14)
Interest Bearing Borrowings	**2,151.5**	1,712.7	(438.8)	(25.63)
Financial Ratios				
Earning Per Share (Rs.)	**12.89**	27.87	(14.98)	53.75
Dividend Per Share (Rs.)	**4.00**	8.0	(4.0)	(50.00)
Net Assets Per Share (Rs.)	**153.8**	146.4	7.4	5.05
Gearing Ration (%)	**0.00**	0.12	0.12	100.00
Return on Total Assets (%)	**5.5**	10.8	(5.3)	(50.00)
Working Capital to Assets (%)	**41.8**	38.3	3.5	9.14

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

With total assets of Rs. 17,044.9 Mn as at end 2013, the Group serves a global customer base through its core business activities of ship repairs, shipbuilding and heavy engineering services 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 Management's opinion, determines the Group's financial condition or the profitability of the Company operations.

FINANCIAL REVIEW CONTD.

FINANCIAL PERFORMANCE

Group Revenue

The Group achieved a total revenue of Rs. 16,741.8 Mn for the financial year 2013 showing growth of 2.2% (Rs. 353.4 Mn) as against last year which recorded Rs. 16,388.4 Mn primarily owing to new shipbuilding deliveries and value of Work-In-Progress at the end of 2013.

Segmental Contribution to the Group Revenue

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

Export Revenue

The Group's export revenue includes the revenue generated mainly from shipbuilding and ship repairs operations. Total export revenue remains unchanged compared to last year. The major overseas market of the Group during the year becomes Singapore with 51% (Rs. 8,551.1 Mn) of the total export revenue followed by the India with a revenue of 34% (Rs. 5,674.3 Mn).

However, the Indian market continued to be the major overseas market for the Ship repair sector, with a contribution of 47% of the total export Ship repair revenue under 2013.

The dominant currency for export continued be the US dollar, accounting for 100% of total exports. The depreciation and appreciation of the Sri Lanka 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. 1,293.9 Mn during the year compared last year figure of Rs. 2,355.7 Mn. The reduction was primarily due to the negative growth on ship repairs revenue during the year compared to 2012.

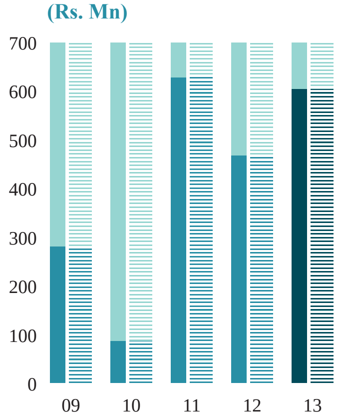
Other Operating Income

Other operating income of the Group excluding interest income has increased to Rs. 551.9 Mn during the year from Rs. 461.7 Mn recorded for last year. The increase of 20% (Rs. 90.2 Mn) was mainly due to gain on exchange rates difference of Rs. 443.5 Mn as against the exchange gain of Rs. 269.5 Mn recorded for 2012.

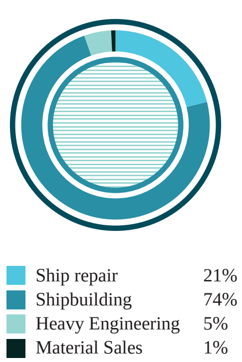
Profit after Tax

The Company recorded a profit after tax of Rs. 823.7 Mn during the year under review representing a 56.4% negative growth relative to the year 2012 figure of Rs. 1,889.3 Mn. This reduction was mainly attributed to the drop on ship repair business volume and severe competitiveness on attracting new shipbuilding orders compared to last year. The Company has achieved 5.2% net profit margin during the year compared to 12.0% recorded for year 2012.

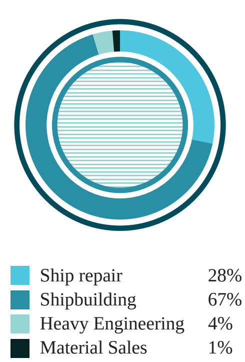
Other Operating Income (Rs. Mn)



2013 - Group Revenue



2012 - Group Revenue



Contribution to Sri Lankan Economy

The Sri Lankan economy grew by 6.3 per cent in real terms during the first half of 2013. The impact of unfavourable weather conditions, subdued global growth and the lag effect of tight monetary policy measures introduced during the first half of 2012 slowed the growth momentum, although Sri Lanka continues to grow faster than most emerging market economies. The Industry sector continued to post strong growth of 10.4 per cent, largely driven by construction and manufacturing sub-sectors.

The direct value addition generated by the Company was Rs. 4,784.1 Mn, (2012- Rs. 5,590.5 Mn). This mainly comprised revenue generated from shipbuilding, ship repairs, heavy engineering and other non operating income. The local value addition generated by the Company was Rs. 7,987.8 Mn (50.4%) compared to Rs. 6,573.2 Mn (41.8%) recorded for 2012. The details of Company direct value distribution is given on page 79.

Exchange Rates

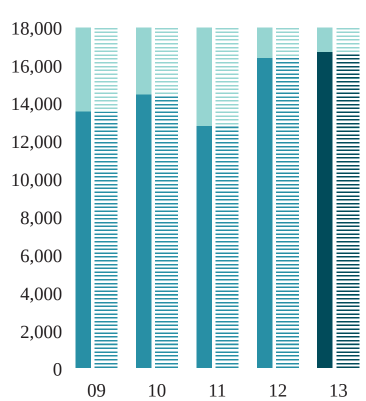
The exchange rate policy in 2013 was focused on maintaining flexibility in the determination of the external value of the Sri Lanka Rupee. The Sri Lanka Rupee which was stable until mid-June 2013, depreciated through August 2013, due to the demand for foreign exchange to settle import bills and the expectation of unwinding by foreign investors from the government securities market in response to the announcement of a possible tapering of the US Federal Reserve's quantitative easing measures. However, with the receipt of higher foreign exchange inflows to the banking sector, the rupee stabilised thereafter. Consequently, the Sri Lanka Rupee depreciated against the US dollar only by 2.9 per cent during the year to end October 2013, unlike other Asian currencies such as the Indian rupee and the Indonesian Rupiah, which have depreciated by 10.7 per cent and 14.2 per cent, respectively against the US Dollar during the corresponding period. Given cross currency exchange rate movements during the year up to end October 2013, the rupee appreciated against the Indian Rupee (8.74 per cent), the Australian Dollar (6.24 per cent) and the Japanese Yen (11.19 per cent) but depreciated against the Euro (6.55 per cent) and the Pound Sterling (2.19 per cent).

FINANCIAL POSITION

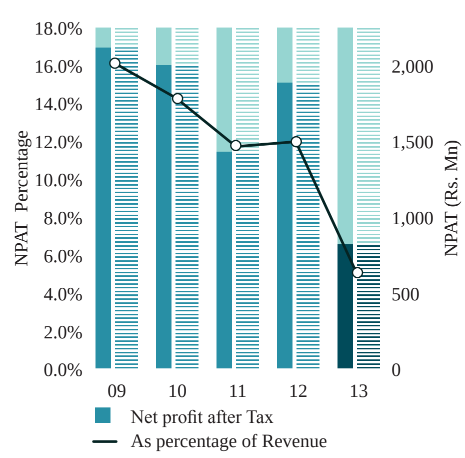
Total Assets

Company's total assets as at 31 December 2013 were Rs. 16,228.4 Mn, as against Rs. 17,538.6 Mn, the 7.4% reduction (Rs.1,310.1 Mn) was mainly due to the drop on inventories and cash & cash equivalents. Total non-current assets value of Rs. 4,678.5 Mn is an increase of 5.8% (Rs. 256.6 Mn) against last year representing a growth on Property, Plant & Equipment.

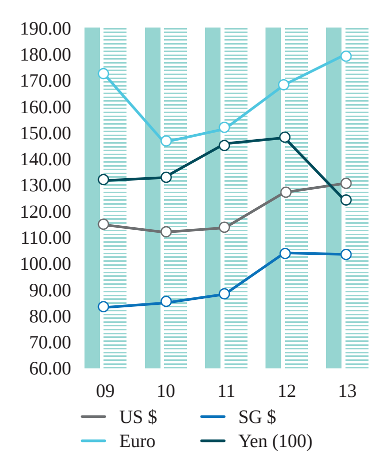
Group Revenue (Rs. Mn)



Net Profit after Tax



Exchange Rates



FINANCIAL REVIEW CONTD.

Current Assets

Current assets of the Company has decreased from Rs. 13,116.6 Mn in 2012 to Rs. 11,549.8 Mn in 2013, the reduction of Rs. 1,566.7 Mn (11.9%) against last year and it is mainly attributed to the decrease of trade debtors, cash & cash equivalent and Inventories.

Working Capital

The net working capital continued to remains almost unchanged during the year under review with Rs. 6,620.9 Mn as against last year figure of Rs. 6,647.7 Mn.

Cash flow

Cash generated from Group's operations before working capital changes stood at Rs. 1,292.8 Mn in 2013 compared with Rs. 2,508.7 Mn in the previous year. Cash generated from operations decreased compared to the previous year, due to negative working capital changes when compared with last year.

Net cash used in investment activities was Rs. 376.9 Mn during 2013, as against Rs. 1,496.5 Mn the previous year. The group invested a total of Rs. 1,946.8 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December was Rs. 3,519.8 Mn, which is 12% (Rs. 486.2 Mn) drop over last year.

Net Assets Value Per Share

In line with capacity and facility expansion, the net assets value per share of Company increased by 2.2% from Rs. 140.36 to 145.89 per share as at 31st December 2013.

Capital Structure

Total assets of the group stands at Rs. 17,044.9 Mn as at 31st December 2013, compared with Rs. 18,335.6 Mn in the previous year. Assets were funded by shareholders funds (65 per cent), non-current liabilities (5 per cent) and current liabilities (30 per cent).

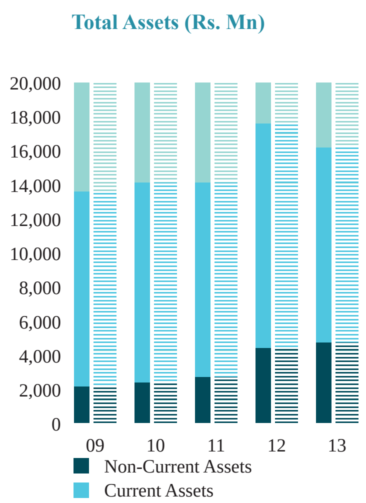
Debt

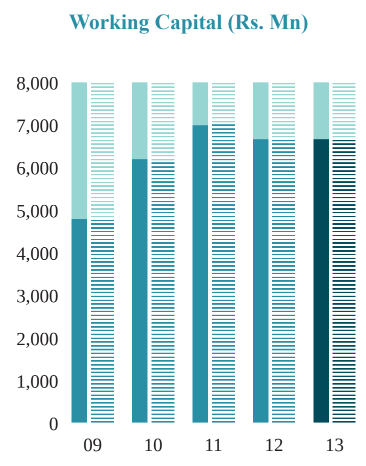
Group's total debt was Rs. 2,151.5 Mn as at balance sheet date, 25.6% (Rs. 438.8 Mn) more than in 2012. This was primarily due to the increase on short term interest payable borrowings. Group's long-term debts continued to reduce and as at 31st December 2013, total long-term debt was zero.

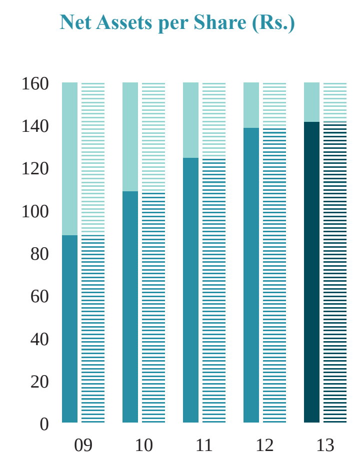
The Company gearing level has reduced to zero percent points, from 0.10% in 2012.

Performance of the Share

The share price of the Company as at 31st December 2013 recorded at Rs. 189.6, a drop of 15% compared to last year's closing price of 224.00. Similar reduction trend is noted in All Share Price Index in the Colombo Stock Exchange. The share







price recorded the highest price of Rs. 248.80 on 09th May 2013 and lowest of price of 170.00 on 6th December 2013.

Financial Reporting

Colombo Dockyard PLC is committed to adopting best practices the financial reporting by providing most updated and developments in the financial reporting and disclosure. The financial reports on page 114 to 162 have been prepared in compliance with Sri Lanka Accounting Standards.

Our Achievement

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

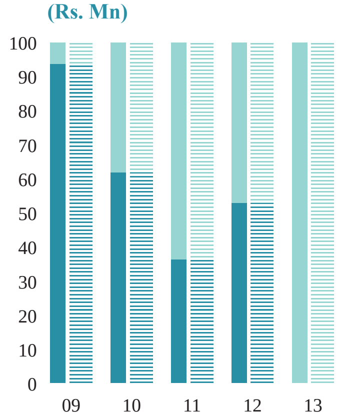
As a result our 2012 Annual Report was awarded Gold in the Service Sector at the 2012 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka. This is the third consecutive year we have won the Gold Award. The following table summarise the total awards received during last five years.

Year	Awards
2013	Gold Award
2012	Gold Award
2011	Gold Award
2010	Silver Award
2009	Gold Award

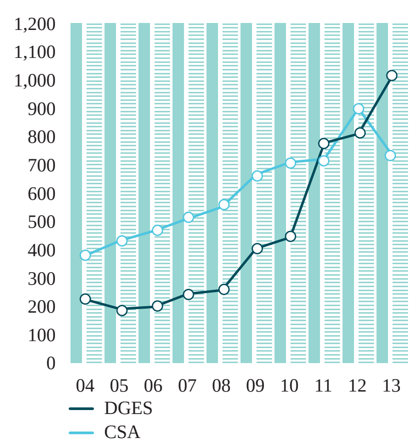
Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,750.6 Mn of which Rs. 1,017.1 Mn from wholly owned Subsidiary of Dockyard General Engineering Services (Pvt) Ltd and Rs. 733.6 Mn (SGD 7.1 Mn) from Ceylon Shipping Agency (Pte) Ltd with 51% holding.

Group Longterm Debts (Rs. Mn)



Subsidiary Revenue (Rs. Mn)



CORPORATE GOVERNANCE

Colombo Dockyard PLC (CDPLC) is committed to meeting high standards of Corporate Governance. Its Corporate Governance Principles reflects its strong belief in protecting and enhancing shareholder value in sustainable way. The Group firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls are prime concerns that will enable us to preserve long-term value and returns for its shareholders.

Overview

Under the guidance of its Board, Colombo Dockyard PLC is committed for achieving high standards of Corporate Governance to protect shareholder value. The Company recognizes the important role that clearly defined Corporate Governance processes play in enhancing corporate accountability and sustainability.

This report outlines the Company's Corporate Governance processes and activities for the financial year 2013 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 be complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and ethics at work-place 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 a number of Board Sub Committees, including the Audit Committee and Remuneration Committee. These committees are primarily made up with Non-Executive Directors. The respective roles and responsibilities of each Board Sub Committees are included in this report.

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

The current Board comprises nine Directors; six of them are Non-Executive Directors. The Board's chairman, Mr. A. Nakauchi and Mr. Kijima are Executive Directors. Mr. Mangala P B Yapa 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. L. Ganlath are independent except for the fact that they hold offices over nine consecutive years, which has been duly ratified and determined by the Board that they are nevertheless independent for the current year, as provided under the Listing Rules of CSE, as they have been duly reelected by the shareholders at the Annual General Meeting of each year.

The Board so determine based on the annual declaration submitted by the non executive Directors.

Director	Position on the Board	Date of Appointment	Nature of Appointment
A. Nakauchi	Chairman	28 Oct. 2009	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-Executive/Nominee Director
Mangala P. B. Yapa	Managing Director/CEO	22 April 2004	Executive/Nominee Director
Y. Kijima	Director	25 Mar 2008	Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-Executive/Nominee Director
L. Ganlath	Director	21 June1993	Non-Executive/Public Director (Independent)
H.A.R.K.Wickramathilake	Director	28 April 1995	Non-Executive/Public Director (Independent)
Janaki Kuruppu	Director	25 August 2010	Non-Executive/Nominee Director
Piyadasa Kudabalage	Director	3 May 2011	Non-Executive/Nominee Director

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

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

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	06	88.88%
Audit Committee	04	91.67%
Remuneration Committee	01	66.67%

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

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

Audit Committee

The Audit Committee comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H.A.R.K. 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 ensures the independence of the External Auditors and confirms the compliance with the requirements under the Act in relation to appointment, re-appointment and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate. The External Auditors are duly appointed by the shareholders at the Annual General Meeting of each year.

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

The Committee 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

CORPORATE GOVERNANCE CONTD.

and shortcomings were rectified and systems were improved by obtaining services of experts in relevant fields.

- Stores Management (outside party)
- Investment Management
- Invoicing (SR)

In additions to the above Committee regularly reviews the quarterly accounts and audited accounts before these are presented to the Board of Directors.

During the period under review the Committee met on 04 occasions and reports on meetings were presented to the Board.

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

Remuneration Committee

The Remuneration Committee comprises of three Non-Executive Directors namely Mr. H.A.R.K. Wickramatileka, Chairman and Mr. 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 stake holders of the Company.

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

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

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 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 & Exchange Commission of Sri Lanka Act.

Annual General Meeting

The Company's 30th Annual general Meeting (AGM) was held on 27th day of March 2013 at the AGM 144 shareholders were present by person or by proxy.

The resolutions passed at the AGM were as follows:

- To receive Annual Report of the Board of Directors on the affairs of the Company, the Audited Accounts for the year ended 31st December 2012 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 2013 and to authorize the Directors to approve their remuneration.
- To authorize the Directors to determine donations for the year 2013 and up to the date of next AGM.

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

Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report , Company is in compliance with the Corporate Governance Rules	Compliance	Please refer page 58.
7.10.3 (a)	Names of independent Directors should be disclosed in the annual Report.	Compliance	Please refer page 59.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Compliance	Please refer page 58.
7.10.3 (c)	A brief resume of each Director should be published in the annual Report including the areas of expertise.	Compliance	Please refer pages 24 - 25.
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliance	Please refer page 24 - 25.
7.10.5	A listed company shall have a Remuneration Committee.	Compliance	Please refer the Remuneration Committee report on page 60.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or a majority of independent Non-Executive Directors, whichever is higher.	Compliance	The Remuneration Committee comprises a majority of independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliance	Mr. H.A.R.K Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/Chief Executive Officer.	Compliance	Please refer the Remuneration Committee report on page 60.
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliance	Please refer page 60.
	A statement of remuneration policy.	Compliance	Please refer the Remuneration report on page 60.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliance	Committee report on pages 60.
7.10.6	A listed company shall have an Audit Committee	Compliance	Please refer the page 60.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or a majority of independent Non-Executive Directors, whichever is higher.	Compliance	The Audit Committee comprises a majority of independent Non-Executive Directors.

CORPORATE GOVERNANCE CONTD.

Rule No	Requirement	Compliance Status	Details
	One Non-Executive Director shall be appointed as chairman of the Audit Committee by the Board.	Compliance	Mr. H.A.R.K. Wickramathilake functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliance	The CEO and CFO attended all Committee meetings.
	The Chairman or one member of the Committee should be a member ofa recognized professional accounting body.	Compliance	The Chairman of the Audit Committee is a member of professional accounting bodies.
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliance	Please refer Audit Committee report on page 59.
7.10.6 (c)	The annual report shall set out:		
	The names of the Directors who comprise the Audit Committee.	Compliance	Please refer Audit Committee report on page 59.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliance	Please refer Audit Committee report on page 59.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliance	Please refer Audit Committee report on page 59.

The Management of the Company is committed to assists 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 and monitors the performance of such companies, by 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 social and 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 General Manager (HRD&A).

The Company Secretary

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

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

Communication with Shareholders

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

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

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

RISK MANAGEMENT

Introduction

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

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

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

Today, risk management has become an integral part of proper management practices, placing equal importance as financials 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.

Marine and shipping industry in the wide meaning of the term, involves highly specialized activities and is also referred to 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: objective being, to assess all the risks identified determine their most probable impact, and take precautions as far as reasonably practicable by taking prompt actions to mitigate them.

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

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

Internal Risks:

OPERATIONAL RISK MANAGEMENT

Our Concern:

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

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

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

Our Impact:

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

Our Response:

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

In addition, the framework under ISO 9001 : 2008 Quality Management System audited and certified by an accredited International Agency; namely, Lloyd's Register of Quality Assurance provides a prudent framework for encompassing all operational procedures to an integrated management System, giving sound control to the Management of what is being done in the Organisation.

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

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

The measures taken are updating operating manuals and standard operating procedures, regular check on the accuracy of functionality of tools, equipment and machinery, delegation of authority, permit to work systems, 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 pay very special attention to inculcate an organization culture that allows two-way communication process, free debate and discussion, consensus decision making process and transparency, resulting in creating sustainable industrial harmony

The assignment of internal audit to a third party is another step to taken to improve transparency and accountability. Thus, both the Quality Management Systems Procedures is 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 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.

RISK MANAGEMENT CONTD.

External Risks:

MARKET (STRATEGIC) RISK & MANAGEMENT

Our Concern:

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

Our Impact:

The pressure from international price competition on our SR, NC and OE market share too will have a serious impact on business generation. The absence of protectionism in the local market and severe competition on Heavy Engineering business by other local contenders too affect the generation of business volumes and price. The country risk, attributed by the security situation, though completely beyond the control of the Company, is covered by financial instruments, satisfying and easing the prospective customers, where in an 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 the competitive advantage.

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

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

FINANCIAL RISK MANAGEMENT

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

To manage these risks, the Group's policies and financial authority limites are reviewed periodically
The Group's activities expose 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 US dollar, Euros and Singapore dollars, are 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 a matching sales or purchase of a 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 un-necessary financing costs to the bottom line.

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

Credit Risk

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

Our Impact:
Possibility of incurring bad and doubtful debts and cost increases.

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

PRODUCT RISK MANAGEMENT

Our Concern:
Our core business operations, of building of ships, repair of ships, offshore and heavy engineering, is to acceptable quality and to international standards. As such, we have to align ourselves continually with the 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 ISO 9001-2008 quality management system, certified by Lloyd's Register of Quality Assurance. Further, all our products and services are strictly subject to the approval and certification by Classification Societies, such as:

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

Moreover, product & technological innovation is given high priority and relevant employees are trained overseas to remain competitive in an evolving market.

CORPORATE MILESTONES

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

Year	Event
1992	Commencement of Aluminium Shipbuilding in Sri Lanka. Yard No. 106: Fast Patrol Boat for Sri Lanka Navy.
1993	Major re-structuring of CDL & CDD and Collaboration with Onomichi Dockyard, Japan.
1997	Diversification of business activities - Commencement of Heavy Engineering Sector. HE/0001: Sapugaskanda Power Plant Extension Project; Client - MAN B&W Diesel AG, Germany/ Ceylon Electricity Board.
1998	First Aluminium Vessel to the Republic of Maldives and the first vessel to the National Security Services: Yard Nos. 122/123 - Coastal Surveillance Vessels (CSV).
1999	International Quality Accreditation - Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
2002	Upgrading the Quality Management System to ISO 9001: 2000.
2004	Commencement of Offshore Engineering Activities - Diversification:
2005	Internationalization of Shipbuilding Activities & Breakthrough to Middle Eastern Market. Expansion of the entrance to the Dock No. 2 for enhancing the capacity for Shipbuilding.
2006	The largest Aluminium Hull built in Sri Lanka (NC 200) - 40 M Fisheries Protection Vessel for the Republic of Maldives. Building of first Tug Boat to an International Client (NC202, NC203 & NC204).
2007	Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment. • Delivery of 6 New Constructed ships during the year 2007. • In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel. • Building of first Anchor Handling Tug/Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India) Ltd.

Year	Event
2008	Structural adjustments: Shifting to a New Head Office Building, Expansion of shipbuilding facilities up to total land area of 2,575 square meters, Building of Deck Barge for enhance of Shipbuilding capacity. New technological adaptation: Use of “line heating” technology, Computer Aided Designs (CAD) and Computer-Numerically Controlled Plate Marking and Cutting technologies for Steel aluminum, MIG, TIG and Submerged Arc welding techniques.
2009	The year of Success despite the global Economic Crisis. • Enhancing crane capacity by 20 tonnes and operation capacity of Dry Dock No 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs. • Completion of first ever 250 passengers cum 100 tonnes cargo vessel “Arabian Sea” built for the Government of India. • Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.
2010	The year of Economic Prosperity • Completions of five largest vessels in the history 2010 (NC209,NC210, NC215, NC216 and NC217). • Start of operation of Kelani River Yard (KRY site) and built first passenger vessel (NC221) to RDA in the Site. • Implementation of Performance Standard for Protective Coating (PSPC) process based on IMO resolution. • Upgrading the Quality Management System to ISO 9001:2008.

Year	Event
2011	The year of Market Pressure • Construction of intermediate dock gate Dry-Dock 01 to enhance efficiency and effectiveness of Ship repair and Shipbuilding activities with an investment of Rs. 152 Mn. • Commencement of repairing LPG carriers and establishment of related infrastructural facility “Cryogenic Workshop” with an investment of Rs. 1 Mn. • Construction of 250 tonnes bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects.
2012	The year of Sustainability in Stormy Waters • Keel laying of largest vessel to be built by Colombo Dockyard PLC, yard No NC/0229-0230 400 Passenger Cum 250T Cargo Vessels to India. • Installation of largest crane lifting facility with 160 Ton capacity. • Commissioning of 2nd plasma cutting machine at KRY Site. • Export revenue generated over 98% of total revenue for the first time. • Highest capital investment of Rs. 1,889 Mn in one financial year.
2013	The year of Operational Environment Risk • Commissioning of largest crane lifting facility with 160 Tons level luffing ship yard crane. • Securing of DSV / MSV vessel to Colombo Dockyard - this is a major breakthrough into this high end repair sector. • Successfully delivery and handing over 3 shipbuilding contracts namely “Greatship Ragini”, “Executive Valour” and “Executive Courage” to owners meeting all contractual and technical specifications. • Award of 4 new shipbuilding contracts to a Singapore Customer. • Celebrations of 20 years Management collaboration with Japanese Shipyard, our Parent Company Onomichi Dockyard Co Ltd. Japan. • Keel laying of last vessel of the 4 series vessels to a Singapore customer. • Commissioning of ultrasonic cooler cleaning plant with waste water treatment.

THE OPERATIONAL IMPACT OF 365 DAYS

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

Rs.16 Bn.

Total Revenue

The Group managed to reach total revenue of Rs. 16.7 Bn recording the highest ever figure in our history despite in global economic recession and declining trends in the shipping industry.

97%

Foreign Revenue

Export earnings generated in 2013 was over 96.7% of the total Revenue. This represents 100% foreign generated Shipbuilding revenue.

3,200

Direct Employment

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

Rs. 1,900 Mn

Capital Expenditure

Company added above capital values for yard productivity improvements and infrastructure development during 2013 which includes Rs. 590.0 Mn WIP Projects.

7,865 Tons

Steel Output

The Company achieved 7.8% growth on Steel Output during 2013 with 7,865 Steel tons as against 6,900 steel tons done in 2012.

Rs. 7,956 Mn

Local Value Addition

Company operation generates over 50% local value addition.

3 Nos

Delivery of New Vessels

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

99.5%

Employee Retention

Despite many economical downturns both locally and globally, we have had few employee resignations during 2013.

A STEADY COURSE...

WHAT IS SUSTAINABILITY

A SUSTAINABILITY REPORT IS A REPORT PUBLISHED BY A COMPANY OR ORGANIZATION ABOUT THE ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS CAUSED BY ITS EVERYDAY ACTIVITIES. A SUSTAINABILITY REPORT ALSO PRESENTS THE ORGANIZATION'S VALUES AND GOVERNANCE MODEL, AND DEMONSTRATES THE LINK BETWEEN ITS STRATEGY AND ITS COMMITMENT TO A SUSTAINABLE GLOBAL ECONOMY.

AN INCREASING NUMBER OF COMPANIES AND ORGANIZATIONS WANT TO MAKE THEIR OPERATIONS SUSTAINABLE AND CONTRIBUTE TO SUSTAINABLE DEVELOPMENT. SUSTAINABILITY REPORTING CAN HELP ORGANIZATIONS TO MEASURE, UNDERSTAND AND COMMUNICATE THEIR ECONOMIC, ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE. SUSTAINABILITY – THE ABILITY FOR SOMETHING TO LAST FOR A LONG TIME, OR INDEFINITELY – IS BASED ON PERFORMANCE IN THESE FOUR KEY AREAS.

SYSTEMATIC SUSTAINABILITY REPORTING HELPS ORGANIZATIONS TO MEASURE THE IMPACTS THEY CAUSE OR EXPERIENCE, SET GOALS, AND MANAGE CHANGE. A SUSTAINABILITY REPORT IS THE KEY PLATFORM FOR COMMUNICATING SUSTAINABILITY PERFORMANCE AND IMPACTS – WHETHER POSITIVE OR NEGATIVE.

SUSTAINABILITY REPORTING IS THEREFORE A VITAL RESOURCE FOR MANAGING CHANGE TOWARDS A SUSTAINABLE GLOBAL ECONOMY – ONE THAT COMBINES LONG TERM PROFITABILITY WITH ETHICAL BEHAVIOR, SOCIAL JUSTICE AND ENVIRONMENTAL CARE.


GREATSHIP RACHNA
SINGAPORE
IMO 9607332

SUSTAINABILITY REPORT

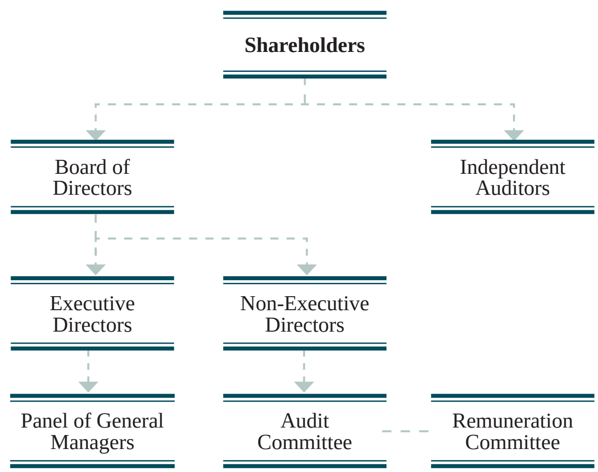
The Preface

Given that we place key sustainability practices at the forefront of our business and comply uncompromisingly with GRI G3 guidelines, we firmly believe that the sustainability principles we practice at corporate levels will eventually become a global concept. This enables us to visualize the path we intend to map for our company's sustainability, supporting us in our journey to excel at corporate sustainability.

Period of Reporting

This Corporate Sustainability Report is prepared for the period from 1st January 2013 to 31st December 2013.

The Governing Structure of Colombo Dockyard PLC



Stakeholder Engagement

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

Governance of Sustainability

Colombo Dockyard functions on a stringent top down approach in all its functions to ensure visionary leadership and good imbuing of best practices. Similarly, sustainability practices too are practiced on these lines. The visionary strategies of the Chairman and Board of Directors are communicated to the CEO and senior management, who enact these policies while fine-tuning them for maximum efficiency.

Governance and Risk Management

Ours is a Company that continually raises the bar in every aspect, which has resulted in the extraordinary results, both qualitative and quantitative we consistently post.Governance and risk management goes hand in hand with our improvement initiatives as we are cognizant that Colombo Dockyard is a business that operates in a cyclical environment, where global milieus can have impacts on our business, where standards and environmental compliance is imperative and where we must exploit opportunities but remain prudent to untoward risk. You will find the governance and risk management initiatives that govern our company on pages 58 - 64 in this Annual Report for a more comprehensive detail of the stringent features we introduce constantly into our inner workings to ensure that the business remains sustainable on all fronts.

External & Internal Audit Standards

As a tenet of good corporate governance, financial statements are audited by professional auditors, whose appointment is approved by the shareholders of Colombo Dockyard at the Annual General Meeting. The auditors express opinion in accordance with the relevant auditing and reporting standards and any other internal standards that may be prevalent.

We remain very conscious of our obligation to provide accurate and factual financial information to all stakeholders who include international customers. Thus our accounting and reporting principles are aligned to the best of our ability to internationally accepted reporting standards to imbue absolute levels of transparency and accountability into our operations. We adopt uniform accounting and reporting principles that provide a true, fair and comparable picture of the performance of the Company. The Chief Financial Officer and his team is responsible for the enforcement of these standards and management complies with them without compromise.

Colombo Dockyard Reporting Standards

Being a public quoted company traded on the Colombo Stock Exchange, it is imperative that Colombo Dockyard must comply with the reporting and disclosure standards prevalent under the umbrella of both the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. Our Statements of Account remain consistent with our reporting standards, complying with the rules and regulations set out by the Institute of Chartered Accountants of Sri Lanka. The Chairman and Board of Directors are responsible for the presentation of such reports and accounts and we have ensured that these comply with timelines and reporting frameworks as required by the regulatory and controlling bodies.

Colombo Dockyard Compliance Policy

A well integrated approach to compliance is chartered for Colombo Dockyard to ensure that we comply stringently with external laws and regulations that impact the industry both locally and globally. We remain well aware of international maritime regulations as well as environmental compliance rules that are implemented from time to time and are enforced by the regulatory bodies.

Commitment to Sustainable Management and Governance

With sustainability being driven on the ground primarily by the CEO, who has to remain uncompromising on his principles and standards to ensure that Colombo Dockyard remains an organization that drives sustainability for positive impact, we have thus infused a number of best practices and quality standards into our inner workings.

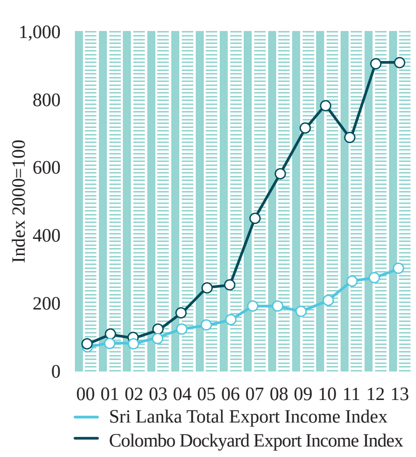
Economic Sustainability

As an export oriented company, Colombo Dockyard contributed 1.14% of the total national export, generating Rs. 15,355 Mn revenue from export earnings during 2013. Domestic Value Addition (DVA) of Colombo Dockyard for its total shipbuilding and ship repair is 50%.The ship repair sector created approximately 86% of Domestic Value Addition, while the shipbuilding sector created 34% of Domestic Value Addition in 2013. This high rate of DVA has been achieved due to the use of indigenous expertise, skills and competency we have within our team to build and repair ships that are accepted by an international clientele.

At present, Colombo Dockyard has proved that its far-reaching business plans and policies are astute. The Company has recorded a consistent growth rate in its export revenue over the last thirteen years since 2000, despite the slight drop in 2011, as illustrated by the graph. However, due to the downturn in global maritime industry, only a slight increase is seen in our export revenue growth during 2013.

The shipbuilding sector singularly recorded 12% growth in export revenue, while the ship repair sector posted 30% drop in export revenue, during 2013 (in Rupee terms).

Export Income Indices



Creating Shareholder Wealth

Our Shareholders

Colombo Dockyard PLC (CDPLC) takes a proactive approach in reaching out to our institutional and retail shareholders. Among the numerous avenues provided for this, we ensure that shareholders have access to management and have adopted a policy of regular, fair, timely and open communications with investors. The Group also 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 Company Secretary and Legal Officer are assigned to maintain long-term relationships with investors and analysts, addressing their queries on the Group's business activities.

CDPLC is committed to ensuring open dialogue and proper communication with its shareholders and other investors. Thus, during the year, the Company continued to provide timely, accurate disclosures through quarterly financial announcements, media releases, interviews with the media and the publication of the Annual Report.

In encouraging complete participation of shareholders at the Annual General Meetings and Extraordinary General Meetings, adequate notice is given together with Annual Report giving our shareholders ample time for advance preparation.

SUSTAINABILITY REPORT CONTD.

Shareholder visit to Yard

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2013	2012
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	3,812	3,346	3,908	4,795	15,861	15,727
Gross Operating Profits	681	252	357	325	1,615	2,700
Profit after Tax	314	79	159	272	824	1,889
Shareholders' Fund	9,737	9,815	9,974	10,483	10,483	10,086
Total Assets	27,640	21,500	16,640	16,228	16,228	17,539

Given the Company's concern and need to adhere to statutory societal commitments, the Company's audited Financial Statement and Balance Sheet for the year 31st December 2013 has been made available to the CSE within three months of the Balance Sheet date.

	31/12/2013	31/12/2012
Stated Capital Rs.	718,589,240	718,589,240
Number of Shares	71,858,924	71,858,924
Number of Shareholders	4,946	5,040
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 15,861.4 Mn (2012 - Rs. 15,727.5 Mn.) and net profit of Rs. 823.7 Mn. (2012- 1,889.3 Mn) strengthening shareholder value. This is an increase of 4.2% (Rs. 393.9 Mn) over the last year.

From	To	No of Share Holders	No of Shares	%
1	1,000	3,885	656,314	0.91
1,001	10,000	901	2,530,531	3.52
10,001	100,000	129	3,968,288	5.52
100,001	1,000,000	25	6,304,569	8.78
1,000,001 above		6	58,399,222	81.27
		4,946	71,858,924	100.00

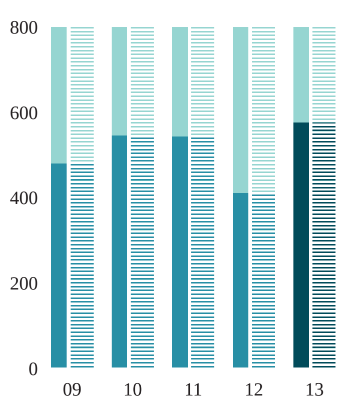
Dividend Approved

The Directors have approved a first and final dividend of Rs. 4.00 per Share (2012 - Rs. 8.00) based on the profit for the year 2013.

Dividend Pay Out Ratio

As per the Colombo Stock Exchange Listing Rule No: 7.6 (xi), the Company Dividend Payout Ratio was 34.9% during 2013, compared to 30.7% recorded for 2012.

Dividend Paid (Rs. Mn)



Financial Reporting

CDPLC's commitment to adopting best practices in financial reporting was well evidenced when the Company was presented a Gold award in the Service Sector at the 2013 Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka.

This is the third consecutive year we have won the Gold Award for Service Sector Annual Report Award.

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, the percentage of shares held by the public as at December 2013 is 34.12% (2012 – 34.12%)

List of Largest 20 Shareholders

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

Composition of Shareholding

The total number of shareholders at CDPLC is 4,946 as at 31st December 2013, which is a decline of 1.9%, compared to 5,040 as at 31st December 2012.

	No. of Shareholders	No. of Shares	%
Local Individuals	4,623	4,912,146	6.83
Local Institutions	216	28,679,234	39.91
Foreign individuals	90	587,115	0.82
Foreign institutions	17	37,680,429	52.44
	4,946	71,858,924	100.00

	Name	2013-12-31	%	2012-12-31	%
01	Onomichi Dockyard Company Ltd	36,648,051	51.000	36,648,051	51.000
02	Employees Provident Fund	10,649,365	14.820	10,649,365	14.820
03	Sri Lanka Insurance Corporation Ltd - General Fund	3,592,998	5.000	3,592,998	5.000
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,592,548	4.999	3,592,548	4.999
05	Sri Lanka Ports Authority	2,186,191	3.042	2,186,191	3.042
06	Employees Trust FundBoard	1,730,069	2.408	1,203,940	1.675
07	J B Cocoshell (Pvt) Ltd	689,838	0.960	614,025	0.854
08	National Savings Bank	642,075	0.894	642,075	0.894
09	AIA Insurance Lanka PLC A/C No. 07	586,118	0.816	-	-
10	Bank of Ceylon No. 1 Account	413,700	0.576	413,700	0.576
11	MAS Capital (Private) Ltd	369,259	0.514	369,259	0.514
12	Bank of Ceylon No. 2 Account	336,000	0.468	336,000	0.468
13	Mellon Bank N.A. Florida Retirement System	291,161	0.405	291,161	0.405
14	Star Packaging (Pvt) Ltd	266,000	0.370	173,000	0.241
15	Union Assurance PLC/No-01 A/C	238,350	0.332	238,350	0.332
16	Peoples Bank	222,362	0.309	-	-
17	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
18	DFCC Bank A/C 1	200,000	0.278	245,831	0.342
19	Cocoshell Activated Carbon Company Limited	194,342	0.270	-	-
20	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	191,736	0.267	161,736	0.267

SUSTAINABILITY REPORT CONTD.

Market Value per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of 2013, the share price recorded a decrease of 15.4% compare to the previous year's closing price.

Market price per Share	As at 31/12/2013	As at 31/12/2012
Highest during the year	248.80 (09/05/2013)	252.90 (24/02/2012)
Lowest during the year	170.00 (06/12/2013)	183.00 (14/06/2012)
As at end of the year	189.60 (31/12/2013)	224.00 (31/12/2012)

Market Capitalization

CDPLC has recorded a market capitalization as at the balance sheet date of 31st December 2013 as Rs. 13,624.0 Mn. (2012 - Rs. 16,096.0 Mn.). CDPLC represents approximately 1% of the total market capitalization.

	2009	2010	2011	2012	2013
Shareholders Fund (Rs. Mn)	6,048	7,515	8,522	9,998	10,236
CDPLC Market Capitalization (Rs. Mn)	16,750	18,820	16,343	16,096	13,624
Total Market Capitalization of CSE (Rs. Mn)	1,092,138	2,210,100	2,269,722	2,167,582	2,459,896
As a % of CSE	1.53	0.85	0.72%	0.74%	0.55%

Share Trading

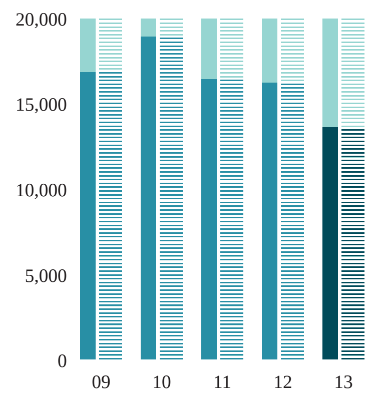
	As at 31-12-2013	As at 31-12-2012
No of Transaction	2,193	2,304
No of Shares traded	2,335,458	2,207,504
Value of Share traded (Rs.)	505,509,224	480,518,079

Earnings Per Share

The Earning Per Share (EPS) of Rs. 11.46 in the year 2013 recorded a reduction of 56.6%, compare to last year's EPS value of Rs. 26.58. 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.

Market Capitalisation (Rs. Mn)



Best Practices

Colombo Dockyard follows best practices at its production process to ensure that a good quality product is delivered. Welding and fabrication are very significant to the shipbuilding process; therefore this component is given priority and is continually under assessment by the Quality Control Department of the company. In addition, the Company's Quality Control Department is tasked with ensuring the production process complies with the most stringent international standards.

- The Company holds around 100 (Hundred) class approved welding procedures endorsed by the IACS approved classification societies such as Lloyd's Register of Shipping (LRS), American Bureau of Shipping (ABS), Germanischer Lloyds (GL), Det Norske Veritas (DNV), etc.
- In house and third party certification of all welders including sub-contract welders in compliance with international standards such as ASME , BS-EN, ISO etc.

- A team of qualified NDT inspector’s accordance with the international standard ISO 9712, IAEA-TECDOC – 407 & 628 and SNT-TC-1A keep abreast welding / quality control.
- The welding practices of the Company conform to the best shipbuilding standards. Facilities for radiography & ultrasonic inspections are also available.
- In house facility/equipment to carryout following NDT techniques to inspect welding and fabrication:
    - Ultrasonic testing
    - Radiography testing
    - Dye penetrant testing
    - Magnetic particle testing
    - Visual Inspection

Statement of Company Value Addition

	2013 Rs. 000	2012 Rs. 000
Total Revenue & Other Income	16,421,136	16,183,403
Less: Cost of Materials & Services purchased from External Sources	11,637,015	10,592,903
VALUE ADDITION	**4,784,121**	**5,590,500**
Value Addition as a % on Revenue	29.1%	34.5%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,297,516	3,188,820
To Shareholders as Dividends	574,871	410,622
To Lenders as Interest	100,131	41,076
To Government Taxes	157,700	165,094
Retained in the Business		
-as Depreciation	405,013	306,190
-as Revenue Reserves	248,890	1,478,698
VALUE DISTRIBUTION	**4,784,121**	**5,590,500**
Value Distribution %	-	-
To Employees as Remuneration & Benefits	68.9%	57.0%
To Shareholders as Dividends	12.0%	7.3%
To Lenders as Interest	2.1%	0.7%
To Government Taxes	3.3%	3.0%
To Retained in the Business	13.7%	31.9%

Approvals from Relevant Classification Societies for the Process of Shipbuilding

LRS	Approved service supplier for Thickness Measurement of Hull Structures
DNV/GL	Authorized, Category 1 service supplier to do measurement on all types and sizes of ships classified by class DNV Approved firm engaged in thickness measurements of hull structures of vessels classified with class GL Approved firm for welding of Hull structures and piping systems class I - III according to GL rules - Code I/1/2 - Section 11
ABS	Approved Hull gauging firm and Approved for Enhanced Survey Procedure (ESP) Hull Gauging firm for vessels classified with class ABS
BV	Certified firm in Thickness Measurement of Hull Structures
NKK	Approved firm for Thickness measurement on ships classified with ClassNK
IRS	Approved firm for Thickness Measurement of Hull Structures of vessels classified with IRS class

SUSTAINABILITY REPORT CONTD.

Third party certification as approved service provider

Thickness measurements connected to special and intermediate surveys of ships submitted to the IACS Enhanced Survey Programme may only be performed by approved companies, assessed by classification societies and in receipt of Certificates of Approval.

Stringent Classification rules and periodic inspections demand, careful assessment on the condition of a ship's hull and its structural members and with dry dock demand costs increasing daily, ship owners demand timely assessments of costs for various classes of periodic inspections.

Having figured out the dynamics of the evolving regulatory requirements and its impact on ship owning business, the Quality Control department has emerged as a professional company that provides 24/7/365 "Requisite service of Ultrasonic thickness measurement of Ships hull structure" to worldwide ship owners.

Headed by experienced QC Engineers, the Quality Control team is highly qualified and extremely knowledgeable in working with national as well as international surveyors and floating staff. They remain strongly committed to meeting customer aspirations, ensuring astute judgments, adhering to safety norms and delivering high quality services. The team has been equipped with the latest Multiple Echo digital meters for through coating thickness measurement such as Cygnus, Sonatest and Krautkramer ultrasonic equipment. We are also professionally equipped to carry out hull thickness surveys on all types of vessels including Bulk Carriers, General Cargo Ships, Container Ships, Tankers, LPG Carriers and Chemical Tankers, on CAP, CAS, special, intermediate & annual surveys.

Our competitive edge:

- A professional and responsive attitude when addressing issues
- Efficient Project management by the onsite and offsite teams
- Quick turnaround when urgent issues arise
- Determination to meet stringent deadlines without compromising on quality
- Effective co-ordination with the clients' technical team and end user

Evaluation of Quality Management Systems

Lloyds Registry of Quality Assurance carried out an audit on the selected process as scheduled on surveillance visit for both Production and Service sectors at CDPLC. Two senior auditors spent six man-days on this audit, and CDPLC processes were found in line with ISO 9001:2008 international standard.

Quality improvement schemes

Quality improvement measures are also implemented in compliance with the upgraded ISO 9001:2008 International Quality management system. CDPLC successfully completed the LRQA surveillance audit during 2013/14 as scheduled.

Customer Feedback (both internal and external), Corrective Action Requests, Non Conformance Reports, Outcomes of Internal/ External Quality Audits and Management Review Meetings are used to identify the Quality of Services and Products provided by CDPLC.

CDPLC is focusing on continual improvement of its quality management system and each department of the Company is recording their performance under inputs Vs output. These records will be evaluated at the end of the period in view observing justifiable improvements of the processes.

In terms of product development, the Company continues to expand the facilities of its 'Design Department', which work on detailed design drawings of shipbuilding projects using in-house resources of both manpower and computer facilities. Using outsourced modern software like "Ship Constructor" for the design of detailed drawings and industry standard, our engineers now have the ability to quickly develop detailed drawings, saving time and incorporating customer requirements while adhering to the changes and modifications. The designers use in-house communication facilities to communicate with production designers to ensure accuracy of drawings. Thereby raw material usage is efficient and wastage is minimal. We are confident that these practices cascade to our vendors, who will also gain from the positive influence.

Environmental Concern

The Company with a holistic view initiated a new approach for environment concern. The approach was creating a good environment for employees to stand themselves volunteer towards the corporate need for better environment conservation.

An inclusive approach is continuing with new initiatives for a continual improvement of the total environment management system parallel to the Health and safety aspects of the Company.

However, for a shipyard to carry out its inherent business portfolio in a 100% environment friendly manner is a challenge. Therefore, Colombo Dockyard has conscientiously taken initiatives to minimize harmful effluents by ensuring each segment utilizes environment friendly practices, such as:

a) Reduction and management of industrial wastes of all types
b) Efficient and productive utilization of raw materials, energy and other natural resources
c) Adopting environmentally friendly production approaches
d) Designing and manufacturing ships that are more energy efficient, environmentally friendly and non-polluting

To institute the above is definitely challenging and involves considerable investment of time, energy and funding. However, we are also emphatic that corporate stewardship is a responsibility that cannot be taken lightly. Therefore the features implemented to create an environmentally friendly shipyard has seen a sharp turnaround to positively reflect not only on the environmental front but also on the quantitative front, where customers are recognizing our endeavours and rewarding us with more orders, which gives us a competitive edge to venture further out and market our ship yard in a more progressive and positive manner.

Some Salient Achievements

Some of salient achievement recorded during the year is highlighted below.

- Environmental Friendly Designs Compliance to the latest IMO Resolutions.
- Individual Commitment for Environmental Concern with extra 10,000 labour hours per annum.
- Guaranteed internal coating systems for a minimum life-span of 15 years.
- KRY Site, the Environmentally friendly production around Rs. 200 Million investment.
- Waste Management is Fully Streamlined; Steel wastage reduced by 23% of NC projects.
- Electricity, Power Factor Improvement is Rs.4.7 Million saving per annum.
- Welding consumables saved by 6% by transforming MMAW to FCAW process.

An Inclusive Approach for Cleaner, Tidier and Safer Yard

The introduced monthly Yard Cleaning Day, where the entire CDPLC team from the Chairman to downwards physically engage is continued successfully. The team cleans every facet of the yard including the drainage system, improves garbage disposal and eliminates mosquito breeding and other hazardous elements.

Apart from routine cleaning, the company continues to implement Dengue eradication and awareness campaigns to ensure a Dengue-free work zone. The last Thursday of every month is dedicated to cleaning the yard, and aptly titled ‘Yard Cleaning Day’ - where an hour or more is spent to scour the Yard. Furthermore the internal media source, Yard TV, and CDL Radio disseminate information on Dengue eradication that has assisted the project’s success. Our Dengue extermination efforts are not limited to the company alone for we constantly unite with the nationwide Dengue campaigns to extinguish mosquito breeding grounds.

The Company fundamentally adopts a 3-R approach: Reduce, Reuse and Recycle and has designed and instituted production processes, skill levels and operational approaches to comply with this.

Sustaining Our Community

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

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

We have focused therefore on uplifting our employees' lifestyles via rewards and remuneration including introducing higher salaries and advances and streamlining processes and systems that instigates a good work/life balance. We have instituted initiatives that encourage employees to take all their statutory leave, have implemented transport and recreational facilities and have begun working with sub-contract associations, suppliers and customers to implement some of the best practices. Having instituted a culture where we encourage our team to look beyond themselves and into the community, we have seen our team volunteer in social projects that they have found themselves, working in the field to make their

SUSTAINABILITY REPORT CONTD.

communities better. This permeation comes from top management but has seen an intrinsic ownership taken over by the team which is commendable.

Human Resource Development

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

Our HR perspective is both unique and powerful; it establishes the linkages between employee commitment, customer requirements, and stakeholder interests. The “New CDPLC Man” who is economically stable, socially responsible, organizationally loyal, internally disciplined, technically competent, functionally knowledgeable & equipped with shared goals takes lead role in the organizational HR transformation process.

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

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

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

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

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

Workforce Strength

CDPLC has a total workforce of 1,773 as at 31st December 2013, excluding subcontract employees.

Workforce Strength and Employment by Sex, 2013

Job Category	No of Employees	Male		Female	
Top Management	9	9	100	-	-
Executive	210	201	96	9	4
Supervisory	247	245	99	2	1
Clerical	62	38	61	24	39
Industrial	1,245	1,245	100		
Total	1,773	1,738	98	35	2

Employment by Age Group 2013

Job Category	No of Employees	Age Group (Years)					
		18 to 30		30 to 40		40 & Above	
Top Management	9	0	0%	1	0%	8	1%
Exe/Engineers	210	35	8%	62	12%	113	13%
Supervisory / Foremen	247	34	8%	32	6%	181	22%
Clerical & Allied	62	9	2%	23	4%	30	4%
Industrial	1,245	337	81%	401	77%	507	60%
Total	1,773	415	100%	519	100%	839	100%

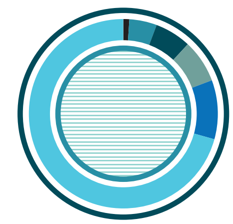
Priority is given to those trainees who have successfully completed their training within the Company itself, developing required technological skills, absorbing organizational values and transforming attitudinal modifications, compatible with the CDPLC culture and corporate vision. In addition, preference is also given to employees' children who are armed with required knowledge and fortified with positive attitudes under the recruitment policy. This is a strong antecedent in building and sustaining organizational commitment of our employees, taking the Company beyond the team concept towards a family milieu.

Segmental Analysis of the Workforce 2013

Employee Turnover 2013		
Employment	No of Employees	Turnover Ratio
Permanent	1,336	0.45
Contract	437	2.52
Total	1,773	

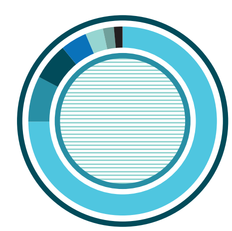
The Company's employee turnover ratio in 2013, which is close to zero, proves that the job satisfaction and job security are at a very high level. The turnover ratio of contract employees too is significantly low, recording a marginal 2.52%.

Professionalism Analysis



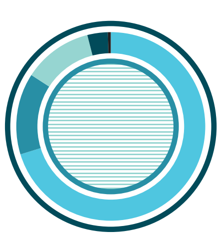
Finance	1%
Safety / Quality	5%
Commercial / Logistics	6%
HR & Admin	7%
Mgmt/IT/Design/Engineering	10%
Industrial / Technical	71%

Recruitment Analysis - Provincial wise



Western	75%
Southern	8%
Sabaragamuwa	6%
Wayamba	5%
Central	3%
North Central	2%
Uva / Eastern	1%

Job Category Analysis



Industrial	70%
Supervisory	14%
Executive	12%
Clerical	3%
Top Management	1%

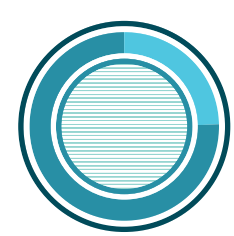
Service / Experience Analysis

Below 5 Years	33%
5+ to 10	12%
10+ to 15	12%
15+ to 20	10%
20+ & Above	33%

Employees' Age Analysis

18 to 30 Years	23%
30+ to 40	26%
40+ & above	51%

Employment by Contract Type



Contract & Internal Trainees	25%
Permanent	75%

SUSTAINABILITY REPORT CONTD.

Rewards, Remuneration and Benefits

Employee Recognition

Colombo Dockyard provides high salary and remuneration benefits to our team, well above local industry standards. The Company recognizes the right of employees to engage in Collective Bargaining and uses such initiatives to engage in a dialogue to address issues of mutual interest and relevance when deciding levels of annual remuneration and benefits granted to employees. The following benefits are provided to all employees together with a rich basket of benefits:

- Bonuses for all employees
- Loans for housing and vehicles
- Welfare Facilities
    - Subsidised meals; snacks and tea free of charge
    - Budget Shop managed by the Welfare Association, to procure essentials at discounted prices
    - Laundry facilities for washing overalls
    - Canteens
    - Financial contributions for funerals and weddings
    - Distress Loans available through the Welfare Association
    - Holiday Bungalow in Nuwara Eliya managed and operated by the Welfare Association

The above initiatives have been instrumental in ensuring industrial harmony, creating a milieu of long lasting relationships between our team and the management.

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

The annual Best Employee Awards of the Company was held on the 24th of August 2013 at the University of Visual & Performing Arts Colombo 07, for the tenth consecutive year. 23 employees were awarded certificates and trophies, including two high achievers who received special awards for their excellent commitment towards the ISO quality management system. One award was for Social and Employee Welfare, while the other was presented to a sub-contract team member for excellent production performance. Six Special Merit Awards were also presented to the best divisions. The Company infused an investment of Rs. 700, 000 for this event in 2013.

We also recognized the dedicated services of all those team members who have served the Company over a long period of time. During the last 16 years, we have had a total of 1,330 team members with us, serving over 15 and 25 years. These long standing team members were awarded gold sovereigns.

Number of employees awarded with Gold Sovereigns during last 16 years:

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

Training and Development

Training and development plays an integral part in skill and knowledge development in our endeavour to create a learning culture within our organization. We actively support and encourage this knowledge gaining culture, matching individual aspirations with the Company vision and mission, aligning training and development initiatives to gain optimum results. We also encourage those who pursue professional and higher education initiatives, complimenting these with state of the art training facilities that will create for us a team that is knowledgeable and competent, excelling in an adaptive business culture.

Training and Development provided during 2013

Course Category	Number of Participants				
	Executive	Supervisory	Clerical	Industrial	Total
Electrical Engineering	9	9		53	71
Electronics And Automation		3		10	13
English			1		1
Financial Management	14		1		15
General Management	19	42	3	41	105
Human Resource Development and Administration	6	6	2		14
Industrial Safety and Health	10	55		114	179
Law	2		2		4
Marine Engineering	14	6		10	30
Mechanical Engineering	3	13		145	161
Productivity And Quality	29	10	1	86	126
Supply And Material Management	10		11	2	23
Yard Operations	8	2		23	33
Grand Total	124	146	21	484	775

In-House Training Center (Knowledge Center)

The knowledge center, which functions directly under the Department of Human Resource Development, provides facilities for training and skill development programs for all team categories, ranging from craftsmen welders to engineers and managers. We use the expertise of engineers, managers and training coordinators based within the Company, as well as external intellectuals, trainers and other professionals sourced locally and overseas as resource persons at the Knowledge Center.

The Training Center is registered at TVEC on Clause No. 14 of the Tertiary and Vocational Education Act no. 20 of 1990. The Accreditation of the current training programmes and the establishment of the Quality Management System required by TVEC, facilitated the upgrading of our Training Center to Grade A+.

National Vocational Qualification NVQ for Employees

CDPLC's in-house Training Center was upgraded to A+ status in 2011 by TVEC resulting in the conducting of NVQ programs.

A Partnership Agreement was signed between NAITA and CDPLC for the RPL - NVQ process for the positions of welder, fabricator, fitter and machinist.

Filling in of any gaps that emerged prior to NVQ final assessments, were conducted in-house.

A request was made by us to TVEC on the development of the new National Competency Standards (NCS) required for some occupations, which are not specific to shipbuilding, but also related to many other fields including construction and heavy engineering. These areas significantly contribute to the infrastructure development projects in Sri Lanka and will undoubtedly develop and improve the skill levels of the prevalent workforce in the country.

Therefore, CDPLC developed a National Competency Standard for riggers in collaboration with NAITA and TVEC. The programme was funded by CDPLC. The first batch of CDPLC Riggers were assessed and conferred with NVQ certification. marine electricians also gained NVQ certification, as the NCS pertinent to electricians was modified.

CDPLC also sponsored the NCS development scaffolders and paint blasters in 2013.

The existing NCS for electricians was modified to marine electrician, with participation of NAITA and TVEC, enabling marine electricians to qualify for NVQ.

Further, CDPLC developed the NCS for supervisors in the shipyards as Shipyard Supervisor in 2013

86 % of permanent employees of CDPLC have applied for NVQ so far and 9781% of them have obtained NVQ by the end of 2013.

SUSTAINABILITY REPORT CONTD.

National Acceptance for Competency In Welding

Employees of Colombo Dockyard won 1st place to 8th place in the trade of welding whilst the third place won in the trade of machinist at the National Competition on Skills, Innovations and Educational Exhibition 2013 held at BMICH.

Facilities and Welfare

In order to optimize productivity and efficiency and to institute our policy of a good work/life balance among our team, we have provided quarters and dormitory facilities for single and married employees at very concessionary rates. All employees and trainees are provided breakfast, tea and snacks free of charge, while lunch and dinner is provided at a subsidized rate.

The Company's Welfare Association (CDLWA) with a membership encompassing all permanent employees, operates as a voluntary movement taking a lead role in the Company's CSR projects. In turn, the Association provides a range of benefits and other welfare facilities to its members.

Sports days, religious and cultural festivals, family days and annual trips, as well as community oriented projects are also organized by the Welfare Association.

CDPLC provides scholarships for undergraduate children of its team members annually. The value of a scholarship is Rs. 4,000 per month per student and is granted for twelve months a year during the entire period of his/her university career. During 2013, the Company provided new scholarships for 12 undergraduates with total value of Rs. 576,000, excluding the previous years' scholarships which monthly remittances are still continuing.

The Welfare Association joined the management of CDPLC to grant scholarships to thirty students excelling in the Grade Five Scholarship Examination, who are children of employees and sub-contract employees. The ceremony to award these scholarships "Diriya Pranama" was conducted at the in-house Training Center on the 14th December 2013. A student's value development and exam preparation seminar series was also conducted, for next year's candidates.

Medical Facilities

Believing in a strong work/life balance, we have always striven to ensure that the working environment is safe and hassle free for our team.We have exclusive medical facilities for all permanent and trainee employees, with the added benefit of extensive medical insurance benefits too provided for all employees including family members.

In-House Medical Center

The Company maintains our own medical centre engaging the professional services of two MBBS doctors providing 24 hour treatment. Medical doctors work only during the day, but are on call for emergencies. The Medical Center has been facilitated with necessary medical tests in collaboration with Asiri Surgical Hospital PLC. First aid-points also have been placed at critical operational areas in the Yard with two ambulances ready with 24-hour services. Health assessments are conducted on an annual basis for employees working at various health risk points.

Employee Extracurricular Activities

Believing strongly that extracurricular activities hone leadership capabilities, teamwork and unity, Colombo Dockyard together with the Welfare Association provides maximum facilities for the development of sport activities among team members. The initiatives have certainly borne fruit given that CDPLC won fourth place at the Mercantile Athletic Games organized by the Mercantile Athletic Federation of Sri Lanka in 2013 gaining a total of 51 medals; 22 gold medals, 14 silver and 15 bronze medals.

Company employees participated for 2013 athletic events

Health, Environmental and Safety Performances

Health, Safety, and Environment (HSE) performance at CDPLC is a key element for our business success in operational excellence and meeting client expectations. We fully understand that our reputation and safety implementation are valued by our clients and can be a major differentiator in contract awards.

As such, we have adopted a corporate-wide approach using a performance-based HSE system that maximizes empowerment in our business, with vision and governance at our enterprise level. This methodology allows customizing an HSE approach that fits their client needs, specific regulatory and statutory requirements and market considerations, while aligning with our corporate governance model that forms a framework for both guiding and overseeing HSE performance.

Safety Performance

The Safety Policy of the CDPLC highlights the needs of creating a safe work environment, maintaining a high standard in Occupational Health and also of protecting the Environment. In this context we have instituted numerous initiatives throughout the year 2013 to ensure that our employees work in a Healthy and Safe work environment.

We are aware and concerned about the Hazards and Risks our employees face in their day to day activities, and the effects on the Health of employees due to their occupation. In this perspective a Hazard Identification and Risk Assessment process is carried out of all operational functions by the relevant departments to identify the possible Risks and Hazards and introduce effective controls. The Safety Dept will do a facilitative role with recommendations for safety assurance, periodic monitoring and providing management feedback.

This methodology which was carried out is an essential tool in OHSAS 18001:2007 Safety Management System which is an internationally recognized OH&S management system. In this framework a large volume of documentary work is involved. During this year (2013) the documentary work on the Legal Requirements Identification of OHSAS 18001:2007 has been completed with respect to OHSAS 18001:2007 .We have done to update existing OH&S manual in order to meet the requirements stipulated in OSHAS.

Year 2013 showed a gradual decrease in the Safety performance indices (Accident Severity Rate & Accident Frequency Rates) when compared to year 2012. However these two indicators are within the linear limits of ASR and AFR.

Safety Performance Frequency Rates (%)

Health, Environment & Safety (HES)

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

Compliance

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

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

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

One initiative was, installing a state of art ultrasonic cooler cleaning equipment/ facility and effluent water treatment plant to achieve zero emission. The facility was started last year (2013) and visited by Central Environment Authority (CEA) & Board of Investment (BOI).

Chart shows Economic Value Addition of Ultra-Sound Cooler Cleaning Process (USCC Process) Against Chemical Cooler Cleaning Process (CCC Process).

Efficiency Ratios in terms of Cost Saved	%
Energy Usage	90%
Fresh Water Usage	65%
Land Usage	11%
Labour Usage	95%
Cumulative Effectiveness	89%
Time Consumed	38%

The “theme of the month” campaign

The “theme of the month” campaign is a comprehensive year long program structured to inform and improve employees and contractor’s attitudes

SUSTAINABILITY REPORT CONTD.

and behaviour with regards to health, environment and safety. This was initiated in the Joint committee for Productivity improvement of the CDPLC which represent all communities and the management in the yard.

This will be an opportunity for organization and our employees to focus on HES issues of relevance to their workplace in particular or simply to further their knowledge and understanding of how to manage work health and safety risks.

Month	Theme
October 2013	Ey Protection
November 2013	Prevent Diabetes
December 2013	Reporting Accidents & near misses
January 2014	Electrical Safety
February 2014	Cleanliness and House Keeping
March 2014	Personal Protective Equipment
April 2014	Manual Handling and Ergonomics
May 2014	Fire Prevention
June 2014	Waste Management
July 2014	Clear/use Walk Ways
August 2014	Work at Heights
September 2014	Tools/Machines & Equipment Safety

During the theme of the month camping health, environmental and safety promotion activities are being conducted across the yard and civic leaders were appointed to lead the campaign of their sectors with the representation of their safety inspectors , members of trade unions, members of engineering associations and representation of the sub contract association for inducting the importance of the theme of the particular month and host their own events.

Ozone Depletion

In keeping with the Montreal Protocol, Sri Lanka is obliged to completely phase out chlorofluorocarbon which is widely used in refrigeration and air conditioning with in next few years.

In order with commitment, Awareness Programme and Training programme on Ozone Friendly Technologies was carried out by the National Ozone Unit of Ministry of Environment and Renewable energy at the CDPLC auditorium on 20th December 2013 with the participation of Secretary to the Ministry of Environment and Renewable Energy Mr. B.M.U.D. Basnayake and other senior official of the National ozone unit and Marine Protection and Prevention Authority . Secretary to the Ministry of Environment and Renewable Energy made a special statement by emphasizing of National Compliance Action plan for Ozone depleting Substances phase out program in the Awareness Programme. He donated Recovery & Recycling equipment as a token to our MD /CEO in front of a large gathering.

Donation of an equipment by CEA to MD/CEO (CDPLC)

Personal Protective Equipment / Protective Attire

Personal Protective Equipment (PPE) refers to protective clothing, helmets, goggles, or other garments or equipment designed to protect the wearer's body from injury. The hazards addressed by protective equipment include physical, electrical, heat, chemicals, biohazards, and airborne particulate matter. Protective equipment may be worn for job-related occupational safety and health purposes, as well as for sports and other recreational activities.

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

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

Safety Patrol/Safety Inspections and Audits

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

Safety functions at the Kelani River Yard

A number of Health, environment and Safety Audits/inspections were carried out at the Kelani River Yard-(KRY) during the year (2013). An Environmental Noise survey and monitoring of dust level was carried out in the entire KRY site in order to comply with the CEA, BOI and Colombo municipal council regulation and laws and in the process of obtaining annual EPL too. Modification repairs and maintenance were being carried out in the areas where identified as noise and dust level was marginally different from the stipulated level mentioned in the national standard (CEA).

Transparency and Open Dialogue

We strongly believe in a culture of open dialogue and have continued to institute effective communication strategies that will propagate this culture. From cross functional teams, to open forums, to numerous communication channels, we have effectively managed a two way conduit that empowers our team to comment, give ideas and discuss Company issues that will have an impact on the macro picture of the organization. Magazines, reports, proposals, circulars, notices, an Employee Suggestion Scheme, in-house radio and television channels used as communication tools play a prominent role in creating a communicative culture within the Company.

Yard TV: The In-House Television Channel

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

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

“APE HANDA” - In-House Radio Channel

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

Quarterly In-House PublicatioN “VINIVIDA”

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

SUSTAINABILITY REPORT CONTD.

CDPLC MIS and Local Area Network

As many as 425 PCs functioning as work stations are integrated to a LAN. We use this medium to communicate and exchange information which includes data input related to attendance, job opportunities, material requisitions, issues, purchases, stocks, financial, minutes of meetings and the CDPLC Quality Management System. These are all integrated to the CDPLC Management Information System, which is accessible by a large pool of employees at different levels of authority. It is also possible to share and deliberate on designs and drawings through the LAN.

Internal email facilities are provided for 425 of employees including managerial personnel, while 531 employees have access to Internet through any PC. Trade Unions as well as the Welfare Association are also provided e-mail facilities.

Tele & Radio Communications

700 employees are extended internal telephone facilities for external communication through the Company exchange. 97 managerial level personnel have been provided with Company sponsored mobile phone facilities. In addition, 120 hand-held 5 watt capacity two-way VHF Transceivers plus five Mobile/Fixed 25 watts capacity VHF Transceivers are used to coordinate mission critical repair work and operations at field level. The Public Address System covers the entire 11.1 hectares territory of the CDPLC work place including offices and workshops.

Cross Functional Committees (Teams):

The following Cross Functional Committees (Teams) comprising Executives and Non-Executives including Trade Union Representatives have been established to work on identified issues:

- Work Improvement Committees
- CSR Committee
- Yard Development Committee
- “Suhada Hamuwa” Organising Committee

In addition, a series of meetings are held regularly to augment the culture of communication into our inner workings:

- Board Meetings -deals with policy matters and sustainable growth of the Company
- Management Committee Meetings - Held monthly to deal with Operational Management Decisions, Strategy Development and related issues.
- Lead Meetings - Monthly
- Sales Meetings - Monthly
- Management Meetings - Monthly
- Health, Environmental and Safety Advisory Committee meeting (HEASAC) - Every six months
- Training Committee Meetings - Quarterly
- Management Review Meetings - Twice a year
- Shipbuilding Progress Review Meetings – Weekly
- Ship repair Progress Review Meetings - Daily
- Divisional Meetings - As relevant by the Division
- Tool Box Meetings - Short meetings, at the commencement of work daily
- Meetings with Trade Unions and Welfare Association
- Group Discussions

Social Inclusiveness

Knowledge Development: The CDPLC Knowledge Centre

While training our very own team, the Knowledge Center, is a learning ground for university students, trainees from the National Apprenticeship & Industrial Training Authority NAITA, the Colombo International Nautical Engineering College (CINEC), Asian Aviation Centre and Apprentice Training Institute. A majority of the programmes are conducted free of charge or for a nominal fee, which is used for refreshments and protective equipment. However, the Company spends around Rs. 61 million annually as expenses for meals, uniforms, shoes, tools and other necessary requisites.

Institution	Number of Trainees	
N.A.I.T.A. - National Apprentice and Industrial Training Authority	195	45%
CINEC - Colombo International Nautical & Engineering College	38	11%
A.T.I. - Apprenticeship Training Institute	40	13%
NIFNE - National Institute of Fisheries And Nautical Engineering	39	7%
CGTTI - Ceylon German Technical Training Institute	10	1%
Universities (internships)	29	3%
I.E.T. - Institute of Engineering Technology	21	2%
Other Vocation Training Institutes	34	9%
Other Trainees(from Miscellaneous Institutions)	63	8%
Grand Total	469	100%

As illustrated above, the Company continues an active educational partnership role with almost all related universities and professional institutions for the development of entrepreneurship skills. Listed below are some of the important interactions:

- In-plant training for Engineering, Management, Computer Science Undergraduates from Peradeniya, Moratuwa, Ruhuna, Colombo and Kelaniya universities.

- On the job training for employees of Sri Lanka Ports Authority and other government institutions and for private institutions on request.

- Participation and sponsorship at IESL, local universities, Institute of Marine Engineering, Science and Technologists (ImarEST) events and in conducting seminars, discussions, workshops, symposium and exhibitions.

- Interaction with the Ceylon Chamber of Commerce, National Chamber of Commerce, International Chamber of Commerce, National Chamber of Exporters, Company of Master Mariners, IESL, IMarEST, the Central Bank of Sri Lanka, the Directorate of Merchant Shipping, National Apprenticeship & Industrial Training Authority (NAITA), Chartered Institute of Marketing, Chartered Institute of Sri Lanka and the Post Graduate Institute of Management (PIM), Road Development Authority and related entities.

Re-Activating Ancient Technology for the Future

With the country's reputation as being the epicenter in the resurgence of South Asian technology during the Anuradhapura and Polonnaruwa eras, it is interesting that the country had indigenous technology for smelting steel from local iron ore (yapas) using natural wind power, from the third century BC, which is almost 2,300 years ago.

Artefacts have been discovered in ancient steel smelting sites in the area of Pambahinna, close to Beli Hul Oya. The furnace used was unique where long pieces of steel could be smelted. Ancient scripts also suggest that this technology later moved to Japan as well. Charcoal from special trees (Yakada Maran) were used and the heavy winds prevalent during the South-West monsoon created a unique aero-dynamic system that fuelled the furnace to reach extremely high temperatures that could produce crucible steel.

Being in the frontier of Sri Lankan industrialisation, CDPLC's desire to learn from the past and build for the future led us to seek further avenues to co-relate the connectivity between this technology and our team, the majority of whom are steel workers.

Joining the widely published Professor Gillian Juleff, PhD FSA, Senior Lecturer in Archaeology at the University of Exeter in the UK, who had previously performed a demonstrative smelt using the same ancient wind technology used in Sri Lanka, CDPLC invested Rs. 800,000 to repeat the steel smelting process in July 2013 as a learning experience that would enable us to understand our ancient technology better. The exercise was a collaboration between CDPLC and DGES.

CDPLC Team with Prof. Gillian Juleff at Steel melting site

Contributions Towards National Heritage

The Welfare Association of CDPLC initiated a full day Shramadhana Campaign at the the 67.5 feet tall granite Samadhi Buddha statue at the Monaragala Viharaya, Rambodagalla, Kurunegala.This was a project that called on employee volunteers and was extremely successful given the time and effort expended by our team members towards a national cause.

CDPLC Employees assisting for construction of Buddhas Statue at Ranbodagalla

Social Philanthropy:Praja Sathkaraka Bethigee Saraniya

Sahurdhayamaya, our team members volunteer movement held Praja Sathkaraka Bethigee Saraniya at the Seleena Alwis Gunarathna Elders Care Home at Suwarapola, Piliyandala in June 2013. Our team members conducted a Buddhist religious programme, distributed

SUSTAINABILITY REPORT CONTD.

books, electronic appliances, clothes, consumables, meals, snacks and drinks, whilst conducting a Buddhist song series (bathi gee).They also spent time with these elders exchanging views and ideas and giving them hope for the future.

The Praja Sathkaraka Bathi Gee Saraniya

Boat Renovation for Police

The Company renovated a tsunami destroyed surveillance boat (P0005) at no charge for the Police Marine Division of the Colombo Harbour. The renovated boat was handed over to the police in February 2013.

Project “RUN” : Mother Sri Lanka

The Company joined RUN, a national project initiated by Mother Sri Lanka, a collaborative effort of the public, non-governmental and private sectors designed to leverage on the strengths in each sector under leadership and direction from the President’s Office. Two team members from CDPLC volunteered to help at the schools' project evaluation in the Gampaha and Kelaniya zones in July 2013.

Scholarship Awards for University Students

The Company awarded Rs. 4,000 of monthly scholarships for a period of four years for 12 students, who are team members' children. These scholars have been selected to universities by the University Grants Commission. The awards ceremony was held at the Knowledge Center,with the added incentive of a students’ value development session and service appreciation session for those parents at CDPLC being held on that day.

‘Diriya Pranama’ The Scholarship Awards Ceremony

The Welfare Association joined with the management of CDPLC to grant thirty scholarships to team members' children, both permanent and sub-contracted, in recognition of their excelling at the Year Five Scholarship Examination. The award ceremony “Diriya Pranama” was held at the In-house Training Center in December 2013, added to with a series conducted for student’s value development and exam preparation for next year's candidates, conducted by two eminent external resource personnel.

The Students who have been awarded scholarships - 2013

School Renovation

The Company renovated the main auditorium, playground and the fence of St. Andrew's College, Lunupokuna, Colombo 15. Once completed, the project was officially handed over to the students the 27th of March 2013, commemorating the day on which DPLC celebrated a twenty year successful business collaboration with the Onomichi Dockyard Ltd. of Japan.

The official opening ceremony of renovated hall

School Renovation

The Welfare Association conducted another series of seminars for candidates sitting the Ordinary Level examination in the Mattakkuliya Area, with the assistance of external resource personnel.

Aid For Flood Victims

The Welfare Association of the Company organized a fund raising campaign within the Company to donate special relief packages in excess of Rs. 1 Mn for flood victims in the Thamankaduwa and Lankapura divisional secretariats in Polonnaruwa.

Blood Donation

The annual blood donation campaign organised by the Welfare Association was held in March, with 204 team members donating blood to the National Blood Bank of Sri Lanka.

The annual Blood Donation campaign - 2013

Temple Renovation

A Shramadana campaign was conducted over eight days in addition to the temple renovation campaign at the Deepaduththaramaya, Kotahena from the 8th to the 15thNovember 2013.

The renovated temple at Kotahena

Badulla Ellethota Viduhala and Maligathenna Viduhala

Team members volunteerd at the Company sponsored CSR projectsat Ellethota Viduhala and Maligathenna Viduhala in the Welimada Educational Zone, Badulla. Both schools are located in remote and economically challenged locations, managing with very limited facilities. By investing Rs. 300,000, the project succeeded in renovating sanitary and toilet facilities, upgrading the tube well system, provided gifts for both students and teachers and added books for the library.

Our Compliance to Global Reporting Initiatives (GRI) G3

The Global Reporting Initiatives (GRI) G3 is a widely accepted framework/ guideline for reporting sustainability and corporate social responsibility initiative of organizations. Therefore, we used the GRI G3 guidelines to develop our Sustainability and Corporate Social Responsibility Report 2013, being published as a separate section within our Annual Report 2013. Although few of sub-criteria given in the GRI G3 guidelines are not applicable to CDPLC, taken as a whole,the guidelines were very useful in assisting us to develop a good Sustainability and Corporate Social Responsibility Report. The GRI index refers to the information provided under the Sustainability Report and other sections of our Annual Report 2013.

We assess our Sustainability and Corporate Social Responsibility Report as A grade report by ourselves.

	2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared					✓	
Optional	Third Party Checked						
	GRI Checked						

Future Direction on Sustainability

Lack of focus and spiritual well being are causes for many of society's contemporary problems. CDPLC believes that these maladies can be resolved through a process of social inclusiveness, one that originates from employee concern; placing the people first and have values cascade towards family and society.

History has shown us that social inclusivity is a process; one that is long and arduous, given the deterioration of modern values. Therefore our future direction, in reaching new heights of sustainability, revolves solely around our employees. We are confident that this focus will develop right minds, correct thoughts and better actions, whilst these positive reverberations will then create the right kind of social inclusiveness.

Mr. Ranil Wijegunawardane,
General Manager (Finance)
Tel.: + 94 11 2429 007(direct),
+ 94 11 2429 000 Ext: 9007,
Mob: + 94 777 743 874
Fax: + 94 11 2333 519, +94 11 2471 335,
E mail:ranilw@cdl.lk,
Web: www.cdl.lk

SUSTAINABILITY REPORT CONTD.

Global Reporting Initiatives (GRI) Index

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
Profile			
1.	**Strategy and Analysis**		
1.1	Vision statement	Vision	3
1.1	Chairman, MD/CEO statement,	Chairman's Review and CEO's Review	10 - 23
1.2	Description of key impacts, risks and opportunities	Risk Management	64 - 67
2.	**Organizational Profile**		
2.1	Name of the reporting organization	Colombo Dockyard PLC	-
2.2	Primary brands, products and services	Ship repair, Shipbuilding, Heavy Engineering and Offshore Engineering	-
2.3	Operational structure of the organization	The Governing Structure	58
2.4	Location of organizational head quarters	Port of Colombo	-
2.5	Number of countries	One	-
2.6	Nature of ownership and legal form	A Holding Company, Public Limited Company	-
2.7	Markets served	Chairman's Review and CEO's Review	10 - 23
2.8	Scale of the organization	Large Scale	-
2.9	Significant changes during reporting period	Corporate Milestones	68 - 69
2.1	Awards received in the reporting period	Financial Reporting	57
3.	**Report Parameters**		
	Report Profile		
3.1	Reporting period	2013/01/01 – 2013/12/31	-
3.2	Date of most recent previous report	2012/12/31	-
3.3	Reporting cycle	Once a year	-
3.4	Contact point for questions regarding the report or its contents	Contact Details for Sustainability Report	93
	Report Scope and Boundary		
3.5	Process for defining report content	Content of the Report	7
3.6	Boundary of the report	No	-
3.7	Limitations on the scope	No	-
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and /or between organizations	Accounting Policies	120 - 131
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Simple statistical calculations with help of MS Excel	-

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
3.1	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	None	-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Significant Accounting Policies	120 - 131
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report	Global Reporting Initiatives (GRI) Index	94 -101
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report	None at present	-
4.	**Governance, Commitments, and Engagement**		
	Governance		
4.1	Governance structure of the organisation	The Governing Structure	58
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Yes	-
4.3	For organisations that have an unitary board structure, state the number of members of the highest governance body that are independent and/ or non-executive members	Corporate Governance	59 - 63
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Sustainability Report - Transparency & open dialogue	74 - 93
4.5	Linkage between compensation for members of the highest governance body, senior manager, and executives and, the organisation’s performance	Not estimated yet	-
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Sustainability Report - Creating shareholder wealth and Transparency & open dialogue	74 - 93
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation’s strategy on economic, environmental, and social topics	(Not revealed)	-
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Sustainability Report	74 - 93
4.9	Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	MD/CEO’s Review and Chairman’s Review,	10 - 23

SUSTAINABILITY REPORT CONTD.

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
4.1	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	None	-
	Commitment to External Communities		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk Management Report	64
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Sustainability Report - Total waste management	74 - 93
4.13	Memberships in associations and /or national/ international advocacy organizations in which the organization	Sustainability Report - Our corporate citizenship	91
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report - Stakeholder Engagement	77
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	-
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report - Stakeholder Engagement	74 - 93
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Sustainability Report - Stakeholder Engagement	74 - 93

Management Approach and Performance Indicators

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Economic				
		Disclosure of Management Approach		
Economic Performance Indicators				
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Sustainability Report - Statement of Company Value Addition	79
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Risk Management Report	64
	EC3	Coverage of the organisation's defined benefit plan obligations	Notes to the Financial Statements	154
	EC4	Significant financial assistance received from government	None	-
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Comparable with Industry Level	-
	EC6	Policy, practices, and proportion of spending on locally- based suppliers at significant locations of operation	Sustainability Report - Partnering our Valued Business Partners	-
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	No specific procedure for local hiring.	-
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Sustainability Report	74 - 93
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report	74 - 93
Environmental				
		Disclosure of Management Approach		
Environmental Performance Indicators				
Materials	EN1	Materials used by weight or volume	MD/CEO Review	21
	EN2	Percentage of materials used that are recycled input materials	Not estimated yet	-

SUSTAINABILITY REPORT CONTD.

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Energy	EN3	Direct energy consumption by primary energy source	None	-
	EN4	Indirect energy consumption by primary source	None	-
	EN5	Energy saved due to conservation and efficiency improvements	None	-
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	None	-
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	None	-
Water	EN8	Total water withdrawals by source	None	-
	EN9	Water sources significantly affected by withdrawal of water	None	-
	EN10	Percentage and total volume of water recycled and reused	None	-
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	-
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	None	-
	EN13	Habitats protected or restored	None	-
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None	-
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable	-

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Emissions, Effluents, and Wastes	EN16	Total direct and indirect greenhouse gas emissions by weight	None	-
	EN17	Other relevant indirect greenhouse gas emissions by weight	None	-
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	None	-
	EN19	Emissions of ozone-depleting substances by weight	None	-
	EN20	NO, SO, and other significant air emissions by type and weight	None / Not applicable	-
	EN21	Total water discharge by quality and destination	None	-
	EN22	Total weight of waste by type and disposal method	None	-
	EN23	Total number and volume of significant spills	None	-
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex i, ii, iii, and viii, and percentage of transported waste shipped internationally	None	-
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation’s discharges of water and runoff	None	-
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	None	78 - 79
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	No packaging process involved in the Company	-
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No such fines have been imposed against the Company	-
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce	Not applicable	-
Overall	EN30	Total environmental protection expenditures and investments by type	Not estimated	-

SUSTAINABILITY REPORT CONTD.

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Social				
		Disclosure of Management Approach		
Social Performance Indicators				
Labour Practices and Decent Work				
Employment	LA1	Total workforce by employment type, employment contract, and region	Sustainability Report	82 - 83
	LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainability Report	82 - 83
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not revealed	-
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	100% permanent employees	-
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not applicable	-
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management- worker health and safety committees that help monitor and advise on occupational health and safety programs	None	-
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Sustainability Report - Health Safety & Environmental Performance	87
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report	85 - 90
	LA9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report	85 - 90
Training and Education	LA10	Average hours of training per year per employee by employee category	Sustainability Report	85 - 90
	LA11	Programs for skills management and lifelong learning that support the continued employability of employee and assist them in managing career endings	Sustainability Report	85 - 90
	LA12	Percentage of employees receiving regular performance and career development reviews	All employees, annually and time to time	-

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Board of Directors/Senior Management, Workforce Strength	24 - 27 82 - 85
	LA14	Ratio of basic salary of men to women by employee category	Sustainability Report / Ratio 1:1	82- 85
Human Rights				
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	None	-
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	None	-
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Sustainability Report – Social Sustainability	85 - 90
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	No such incidents reported	-
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Sustainability Report – Social Sustainability (Industrial Relations)	85 - 90
Child Labor	HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of the child labour	No child labor employed in the Company	-
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Not applicable	-
Security Practices	HR8	Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations	100% of security personnel are educated and trained so	-
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No such incident reported	-

SUSTAINABILITY REPORT CONTD.

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Society				
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Sustainability Report – Sustaining Our Community	90 - 93
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	None	-
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	All executives and Engineers signs a code of ethics to prevent from corruption	-
	SO4	Actions taken in response to incidents of corruption	No such incidents reported	-
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report - Our Corporate Citizenship	81
	SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	-
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None	-
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No such fines imposed against the company	-
Product Responsibility				
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Life cycle of vessels are defined by the international standards	-
	PR2	Total number of incidents of non– compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No such evidence reported	-

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Ships built by the Company comply with the international quality standards. Thus, all information is publicized.	-
	PR4	Total number of incidents of non- compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No such incident reported	-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	None	-
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not available	-
	PR7	Total number of incidents of non- compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not applicable	-
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No such evidence reported	-
Compliance	PR9	Monetary value of significant fines for non- compliance with laws and regulations concerning the provision and use of products and services	No such fines imposed against the company	-

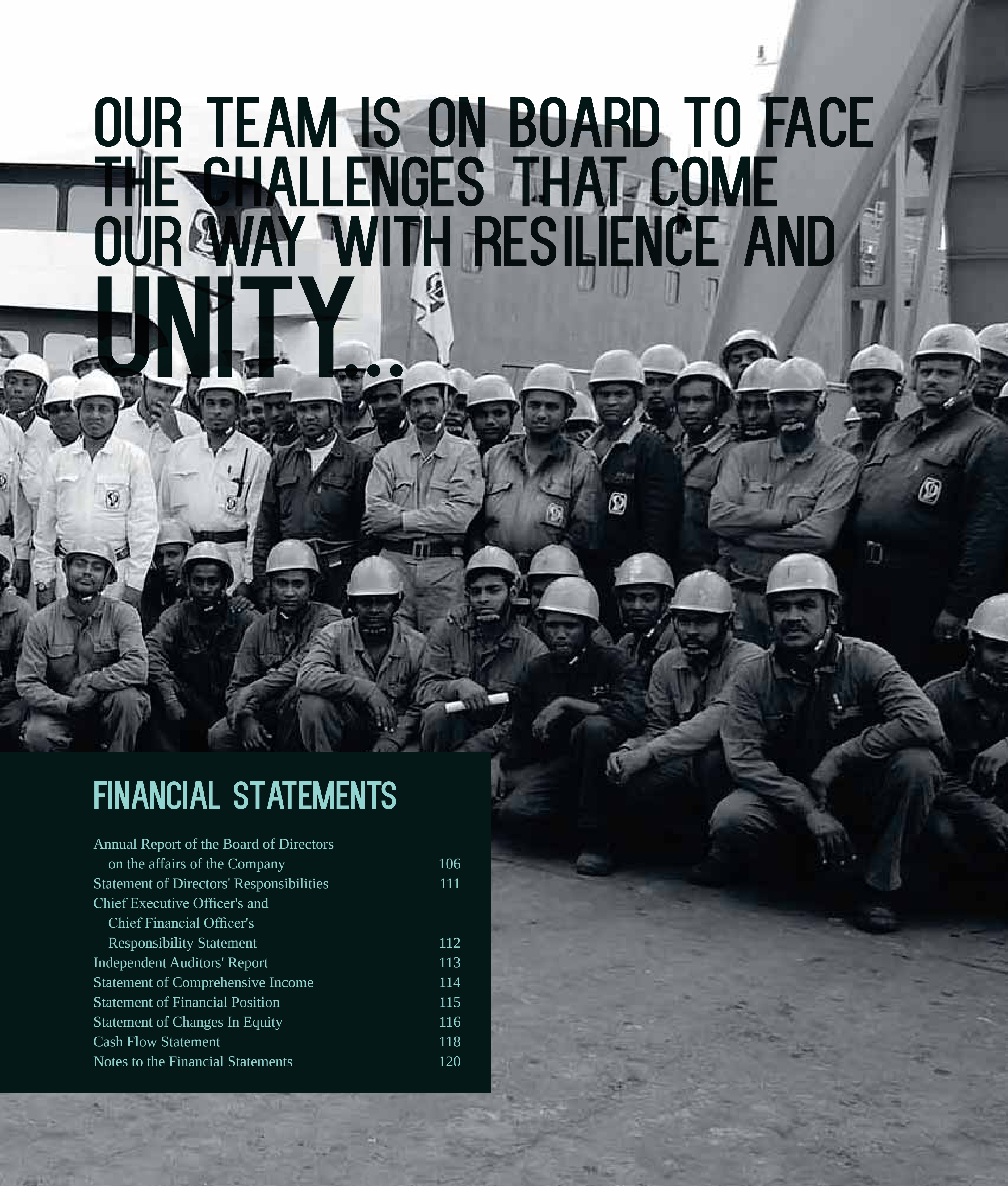
FINANCIAL CALENDAR 2013/2014

2013

Approval of Financial Statements	February 22	2013
Interim Report - 4th Quarter - 2012	February 28	2013
Despatch of Annual Report - 2012	March 04	2013
Payment of Dividend	March 15	2013
30th Annual General Meeting - 2012	March 27	2013
Interim Report - 1st Quarter - 2013	May 15	2013
Interim Report - 2nd Quarter - 2013	August 15	2013
Interim Report - 3rd Quarter - 2013	November 15	2013
Financial Year-end	December 31	2013

2014

Approval of Financial Statements	February 24	2014
Interim Report - 4th Quarter - 2013	February 28	2014
Ex-Dividend Date	March 06	2014
Despatch of Annual Report - 2013	March 07	2014
Payment of Dividend	March 17	2014
31st Annual General Meeting - 2013	April 10	2014
Interim Report - 1st Quarter - 2014	May 15	2014
Interim Report - 2nd Quarter - 2014	August 15	2014
Interim Report - 3rd Quarter - 2014	November 15	2014
Financial Year-end	December 31	2014



OUR TEAM IS ON BOARD TO FACE THE CHALLENGES THAT COME OUR WAY WITH RESILIENCE AND UNITY...

FINANCIAL STATEMENTS

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

The Directors presents 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 2013, 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 24th February 2014. 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 Chartered Accountant of Sri Lanka and Colombo Stock Exchange.

Review of Business

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Statement on pages 10 to 15 and Managing Director/ CEO's Review on pages 16 to 23 in this Annual Report. These reports form an integral part of the Report of the Directors'.

Principal Activities

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

Principal Business Activities	
Company	
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 purchasing and shipping to Colombo office with minimum time period.

Future Developments

An over view of the future prospects of the Company is covered in Chairman's Statement (pages 10 to 15), the Managing Director/CEO's Review (pages 16 to 23) and Management Discussion Analysis of this report (page 38 to 52).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2013 are duly certified by the General Manager (Finance) and approved by two Directors together with the Company Secretary in complying with the Companies Act No. 07 of 2007 are given on pages 114 to 166 of this Annual Report.

Auditors' Report

Company Auditors, Messrs KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2013, and the Auditors' Report issued thereon is given on page 113 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on pages 120 to 131 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

Going Concern

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

Gross Income

The revenue of the Group during the year was Rs. 16,741.8 Mn (2012 - Rs. 16,388.4 Mn), while Company's revenue was Rs. 15,861.4 Mn (2012-Rs. 15,727.5 Mn). Analysis of the revenue is given in Note No. 05 to the Financial Statement on page 132 of this Annual Report.

Dividends

The Board of Directors have authorized the payment of first and final Dividend of Rs. 4.00 per share for the year ended 31st December 2013 (2012 - Rs. 8.00).

Profit & Appropriation

Profit for the year:	2013 Rs.'000	2012 Rs.'000
Group post -tax profit	929,132	1,988,808
Amount attributable to Minority Interest	(3,053)	(7,385)
Profit attributable to the Shareholders of Colombo Dockyard PLC	926,079	1,981,423
Other Comprehensive Income	146,066	13,795
Retained Profit B/F	9,769,674	8,219,297
Bonus Issue	-	(34,219)
Dividends - Paid Rs. 8/- per share (2012 - Rs. 6/- per share)	(574,871)	(410,622)
Retained Profit C/F	10,266,948	9,769,674

Reserves

Total Group Retained Earning Reserves at 31st December 2013, was amounted to Rs. 10,266.9 Mn (2012 – Rs. 9,769.6 Mn). The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on page 116 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 135.

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

At the balance sheet date, the Company was solvent and the net current assets was Rs. 6,620.9 Mn (2012 - Rs. 6,647.7 Mn) and the value of company's assets less liabilities and stated capital was Rs. 9,769.4 Mn (2012 - Rs. 9,372.0 Mn). The profit of the company attributable to the equity holders of the company was Rs. 823.7 Mn (2012- Rs. 1,889.3 Mn), amount set aside for dividend has been Rs. 287.4 Mn (2012 - Rs. 574.8 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in the Sustainability Report from pages 75 to 78.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, plant and equipment during the year was amounted to Rs. 1,946.8 Mn. (2012 - Rs. 1,939.0 Mn).

The extent of the freehold lands held by the Company as at the balance sheet date is 1,103.70 perch (2012 - 1,091.01 perch) are recorded at cost.

The details of Property, plant and equipment are given in Note 11 to the Financial Statements on pages 140 - 145.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Company and Group as at 31st December 2013 is included in the accounts at Rs. 4,233.0 Mn. (2012 - Rs. 3,988.0 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out market value assessment of the Group's freehold land as at 31st December 2010. The details of freehold properties owned by the Company are given in Note 11.3 of the Financial Statement on page 144.

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

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 2013.

Pending Litigation

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 31(c) 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. 6,451,811/- (2012 - Rs. 473,768/-) 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 have 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 2013 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 114 to 166 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist Nine (2012-9) Directors with wide range Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on page 24 of this Annual Report.

Executive Directors

Mr. A. Nakauchi - *Chairman*
Mr. Mangala P. B Yapa
- *Managing Director/CEO*
Mr. Y. Kijima

Non-Executive Directors

Mr. S. De Costa - *Vice Chairman*
Mr. T. Nakabe
Mr. L. Ganlath
Mr. H.A.R.K. Wickramathilake
Mrs. Janaki Kuruppu
Mr. P. Kudabalage

Alternate Directors to Mr. Nakabe

Mr. Y. Imai
Mr. Noriaki Nishida
(Resigned w.e.f. 2014-01-09)
Mr. Kentaro Usu
(Appointed w.e.f. 2014-01-09)

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 24 of the Annual Report. The changes in the directorate from the date of the last report to this report is as follows:

Mr. Noriaki Nishida who was an Alternate Director to Mr. T. Nakabe since 13th January 2012 resigned with effect from 09th January 2014 and Mr. Kentaro Usu has been appointed in place of Mr. Noriaki Nishida with effect from 09th January 2014.

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Messrs. Akihiko Nakauchi, Sarath de Costa, Mangala P. B. Yapa, T. Nakabe and Y. Kijima and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mrs. Janaki Kuruppu and Mr. Piyadasa Kudabalage respectively continue to hold office.

Onomichi Dockyard Co Ltd intends to nominate and appoint Mr. Ranil Wijegunawardane who holds office of General Manager (Finance) of the Company at presents as its Nominee Director/Managing Director/CEO of the Company and will be so appointed with effect from 10th April 2014 immediately after the Annual General Meeting in terms of Article of Association of the Company, who will cease to hold office as the General Manager (Finance) of the Company prior to appointment to the Board, in place of Mr. Mangala P. B. Yapa Managing Director/CEO who will retire from his services immediately after the Annual General Meeting on 10th April 2014.

Board Sub-Committees

The Board of Directors have formed two Board subcommittees and their composition and attendances is given in pages 59 - 60 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 2013:

	31/12/2013	31/12/2012
Mangala P B Yapa	2,398	2,398
L. Ganlath	578	578
H A R K Wickramathilake	1,103	1,103

Interest Register

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

Human Resources

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and building an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company. Specific measures taken in this regard are detailed in the Sustainability Report on pages 74 to 93.

Environmental Protection

The Company and Group, to the best of its knowledge have not engaged in activity, which is detrimental to the environment. Specific measures taken to protect the environment are given in the Sustainability Report on pages 74 to 93 of this Annual Report.

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2013 was as follows:

	2013	2012
Group	1,800	1,777
Colombo Dockyard PLC	1,773	1,750

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 33 to the Financial Statement on page 160, 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 Board Meetings, and Board sub-committee meetings of Audit Committee and Remuneration Committee are presented on page 59 of this Annual Report.

Corporate Governance

The Board of Directors of the Company has acknowledged the adoption of good governance practices has become an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 58 of this Annual Report.

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

The Company confirms the compliance with the Corporate Governance Rules of 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 2013 are given on page 77 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 31 to the Financial Statements.

Events after Balance Sheet Date

No circumstances have arisen and no material events have occurred during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements other than those disclosed in the Note 34 to the Financial Statements on page 162 of this Annual Report.

Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 1 Sri Lanka at 10.00 a.m. on the 10th day of April 2014.

The Notice to the Annual General Meeting is given on page 170.

Auditors

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

For and on behalf of the Board,
Colombo Dockyard PLC

Akihiko Nakauchi
Chairman

Mangala P. B Yapa
Managing Director/CEO

Manori Mallikarachchi
Company Secretary

24th February, 2014
Colombo, Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

The Board of Directors 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 and a soft copy in a CD containing the Annual Report to all shareholders 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 113, set out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues and payable by the Company and its subsidiaries as at the Balance Sheet have been paid or provided where relevant except as specified in Note No. 31 to the Financial Statements on Contingent Liabilities on page 160.

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

24th February, 2014
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 2013 are prepared and presented in compliance to the following:

- Sri Lanka Accounting Standards (SLFSs) 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 Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Listed Rules of the Colombo Stock Exchange.
- Other applicable statutes to the extent applicable to the Company.

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

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs.

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

In order to ensure this, the Company has taken proper and adequate interest in internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Audit functions of the Company is provided the Internal Audit Staff (Financial & System Review) provided by the, B R De Silva & Co, Chartered Accountants, which reports directly to the Managing Director/CEO. All audit activities have conducted periodically to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, the Company's External Auditors. The Audit Committee of your Company meets periodically with the Internal Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

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

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances ; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 31 to the Financial Statements in the Annual Report.

Mangala P. B. Yapa
Managing Director/CEO

Ranil Wijegunawardane
General Manager (Finance)

24th February, 2014
Colombo, Sri Lanka

INDEPENDENT AUDITORS' REPORT

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Colombo Dockyard PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31st December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 114 to 166 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st December 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

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 31st December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG.

Chartered Accountants

24th February, 2014
Colombo

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December,	Note	Group 2013 (Rs.'000)	Group 2012 (Rs.'000) Re-stated	Company 2013 (Rs.'000)	Company 2012 (Rs.'000) Re-stated
Revenue	5	16,741,841	16,388,407	15,861,469	15,727,530
Cost of Sales		(14,857,533)	(13,437,619)	(14,246,088)	(13,027,686)
Gross Profit		1,884,308	2,950,788	1,615,381	2,699,844
Other Income	6	551,977	461,740	559,179	471,420
Distribution Expenses		(44,289)	(37,485)	(37,142)	(30,511)
Administrative Expenses		(1,779,445)	(1,484,876)	(1,659,896)	(1,367,370)
Other Expenses		(23,951)	(13,726)	(23,952)	(13,726)
Net Finance Income	7	289,519	159,527	278,925	143,580
Profit before Tax	8	878,119	2,035,968	732,495	1,903,237
Income Tax	9	51,013	(46,030)	91,266	(13,917)
Profit for the year		929,132	1,989,938	823,761	1,889,320
Other Comprehensive Income					
Fair Value Change of Available for Sale Financial Assets		3,457	595	3,457	595
Foreign Currency translation differences - Foreign operations		8,993	8,485	-	-
Defined benefit plan actuarial gains		162,631	14,425	161,539	13,047
Tax on other comprehensive income		(16,565)	(1,760)	(16,485)	(1,195)
Other Comprehensive Income for the year, net of tax		158,516	21,745	148,511	12,447
Total Comprehensive Income for the year		1,087,648	2,011,683	972,272	1,901,767
Profits attributable to;					
Owners of the company		926,079	1,982,553	823,761	1,889,320
Non - controlling interests		3,053	7,385	-	-
Profit for the year		929,132	1,989,938	823,761	1,889,320
Total Comprehensive Income attributable to;					
Owners of the company		1,080,188	2,000,140	972,272	1,901,767
Non - controlling interests		7,460	11,543	-	-
Total Comprehensive Income for the year		1,087,648	2,011,683	972,272	1,901,767
Earnings Per Share (Rs.)	10.1	12.89	27.89	11.46	26.58
Dividends Paid/ Authorised Per share (Rs.)	10.3	4.00	8.00	4.00	8.00

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.

(Figures in brackets indicate deductions.)

STATEMENT OF FINANCIAL POSITION

As at,	Note	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000) Re-stated	Group 01.01.2012 (Rs.'000) Re-stated	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000) Re-stated	Company 01.01.2012 (Rs.'000) Re-stated
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	11	**4,233,042**	3,988,342	2,560,056	**4,146,640**	3,900,338	2,513,657
Investment Property	12	-	-	-	**2,865**	2,865	2,865
Intangible Assets	13	**12,369**	3,436	3,175	**11,736**	3,436	3,175
Investment in Subsidiaries	14	-	-	-	**1,592**	1,263	1,107
Other Investments	15	**13,644**	73,062	68,091	**13,644**	73,062	66,091
Deferred Tax Asset	16	**114,290**	117,877	128,198	**114,290**	117,877	125,598
Other Financial Assets Including Derivatives	19	**395,543**	327,446	283,604	**387,816**	323,091	280,174
		4,768,888	4,510,163	3,043,124	**4,678,583**	4,421,932	2,992,667
Current Assets							
Inventories	17	**848,544**	1,315,114	667,469	**752,546**	1,201,926	638,187
Trade and Other Receivables	18	**7,713,755**	8,285,521	6,606,739	**7,278,117**	7,866,165	6,398,791
Other Financial Assets Including Derivatives	19	**142,068**	191,818	325,308	**140,157**	151,913	273,857
Amounts due from Related Parties	20	-	-	-	**8,789**	33,083	10,716
Income Tax Receivable	28	**40,854**	-	-	**40,854**	-	-
Cash and Cash Equivalents	21	**3,530,808**	4,033,080	4,097,698	**3,329,424**	3,863,586	3,892,177
		12,276,029	13,825,533	11,697,214	**11,549,887**	13,116,673	11,213,728
Total Assets		**17,044,917**	18,335,696	14,740,338	**16,228,470**	17,538,605	14,206,395
EQUITY AND LIABILITIES							
Stated Capital	22	**714,396**	714,396	684,370	**714,396**	714,396	684,370
Exchange Equalisation Reserve		**5,926**	1,340	(2,987)	-	-	-
Available for Sale Reserve		**13,534**	10,077	9,482	**13,534**	10,077	9,482
Retained Earnings		**10,266,948**	9,769,674	8,219,297	**9,755,873**	9,361,929	7,905,598
Equity Attributable to Equity holders of the Parent		**11,000,804**	10,495,487	8,910,162	**10,483,803**	10,086,402	8,599,450
Non-Controlling Interest		**54,780**	47,827	36,284	-	-	-
Total Equity		**11,055,584**	10,543,314	8,946,446	**10,483,803**	10,086,402	8,599,450
Non-Current Liabilities							
Deferred Tax Liability	16	**4,888**	1,365	12	-	-	-
Employee Benefit Liabilities	25	**829,024**	942,437	888,200	**815,745**	930,593	878,016
Other Financial Liabilities Including Derivatives	24	-	52,682	162,276	-	52,682	162,276
		833,912	996,484	1,050,488	**815,745**	983,275	1,040,292
Current Liabilities							
Interest Bearing Borrowings	23	**2,140,589**	1,633,005	349,643	**2,140,589**	1,633,005	349,007
Trade and Other Payables	26	**2,928,982**	4,826,672	4,074,152	**2,638,510**	4,418,631	3,869,297
Other Financial Liabilities Including Derivatives	24	**18,561**	246,986	189,330	**18,890**	247,142	189,486
Amounts due to Related Parties	27	-	-	-	**103,229**	135,261	49,116
Income Tax Payable	28	**33,087**	43,143	66,707	-	15,833	46,175
Dividends Payable	29	**23,278**	19,049	16,757	**23,278**	19,049	16,757
Bank Overdrafts	21	**10,924**	27,043	46,815	**4,426**	7	46,815
		5,155,421	6,795,898	4,743,404	**4,928,922**	6,468,928	4,566,653
Total Equity and Liabilities		**17,044,917**	18,335,696	14,740,338	**16,228,470**	17,538,605	14,206,395

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

Ranil Wijegunawardane
General Manager (Finance)

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.

Akihiko Nakauchi
Chairman

Mangala P. B. Yapa
Managing Director/CEO

Manori P. Mallikarachchi
Company Secretary

24th February 2014
Colombo, Sri Lanka

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Exchange Fluctuation Reserve (Rs.'000)	Total (Rs.'000)	Non-Controlling Interest (Rs.'000)	Total Equity (Rs.'000)
	Attributable to equity holders of parent						
Balance as at 01st January 2012 as previously stated	684,370	8,142,408	9,482	(2,987)	8,833,273	36,284	8,869,557
Re-statement adjustment (Note a)	-	76,889	-	-	76,889	-	76,889
Re-stated Balance as at 01st January 2012	684,370	8,219,297	9,482	(2,987)	8,910,162	36,284	8,946,446
Total Comprehensive Income for the year							
Profit for the year	-	1,982,553	-	-	1,982,553	7,385	1,989,938
Other Comprehensive Income	-	12,665	595	4,327	17,587	4,158	21,745
Transactions with owners of the company, recognized directly in equity							
Contributions by and distributions to owners of the company;							
- Bonus Issue of Shares	34,219	(34,219)	-	-	-	-	-
- Dividends Paid	-	(410,622)	-	-	(410,622)	-	(410,622)
- Share Issue Expenses	(4,193)	-	-	-	(4,193)	-	(4,193)
Balance as at 31st December 2012	**714,396**	**9,769,674**	**10,077**	**1,340**	**10,495,487**	**47,827**	**10,543,314**
Total Comprehensive Income for the year							
Profit for the year	-	**926,079**	-	-	**926,079**	**3,053**	**929,132**
Other Comprehensive Income	-	**146,066**	**3,457**	**4,586**	**154,109**	**4,407**	**158,516**
Transactions with owners of the company, recognized directly in equity							
Contributions by and distributions to owners of the company;							
- Dividends Paid	-	**(574,871)**	-	-	**(574,871)**	**(507)**	**(575,378)**
Balance as at 31st December 2013	**714,396**	**10,266,948**	**13,534**	**5,926**	**11,000,804**	**54,780**	**11,055,584**

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Total Equity (Rs.'000)
Balance as at 01st January 2012 as previously stated	684,370	7,828,709	9,482	8,522,561
Re-statement adjustment (Note a)	-	76,889	-	76,889
Re-stated Balance as at 01st January 2012	684,370	7,905,598	9,482	8,599,450
Total Comprehensive Income for the year				
Profit for the year	-	1,889,320	-	1,889,320
Other Comprehensive Income	-	11,852	595	12,447
Transactions with owners of the company,recognized directly in equity				
Contributions by and distributions to owners of the company;				
- Dividends Paid	-	(410,622)	-	(410,622)
- Bonus Issue of Shares	34,219	(34,219)	-	-
- Share Issue Expenses	(4,193)	-	-	(4,193)
Balance as at 31st December 2012	**714,396**	**9,361,929**	**10,077**	**10,086,402**
Total Comprehensive Income for the year				
Profit for the year	**-**	**823,761**	**-**	**823,761**
Other Comprehensive Income	**-**	**145,054**	**3,457**	**148,511**
Transactions with owners of the company,recognized directly in equity				
Contributions by and distributions to owners of the company				
- Dividends Paid	**-**	**(574,871)**	**-**	**(574,871)**
Balance as at 31st December 2013	**714,396**	**9,755,873**	**13,534**	**10,483,803**

Note (a)

Due to the adoption of amendments to LKAS 19 - Employee Benefit which is in effect from 1st January 2013, the Company/Group has seized the recognition of actuarial (gain) / loss on Retirement Benefit Obligation under the corridor method which was permitted by the previous standard. Therefore the resultant difference has been adjusted retrospectively in Retirement Benefit Obligation, Retained Earnings, Deferred Tax and Other Comprehensive Income as appropriately. Those adjustments are more fully described in Note 36.

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

CASH FLOW STATEMENT

For the year ended 31st December	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
Cash Flow from Operating Activities				
Profit Before Tax	878,119	2,035,968	732,495	1,903,237
Adjustments for;				
Depreciation of Property, Plant and Equipment	410,453	317,049	397,240	307,971
Amortization of Intangible assets	5,335	2,795	5,335	2,795
Provision for Retirement Benefit Obligations	157,637	144,936	154,732	141,898
Provision/(Reversal) for Bad and Doubtful Debts	480	(258,005)	1,684	(258,802)
Provision for/(Reversal) of Obsolete Stocks	7,586	(1,563)	8,617	1,251
(Profit)/Loss on Disposal of Property, Plant and Equipment	(8,776)	(3,966)	(8,776)	(3,958)
Foreign Exchange (Gain)/Loss (Unrealised)	110,822	427,510	101,812	419,058
Net Change in Fair Value of Financial Instruments	(50,746)	49,416	(50,746)	49,416
Amortization of Corporate Guarantees	-	-	(156)	(156)
Interest Income	(236,771)	(244,628)	(226,518)	(228,702)
Dividend Income	(194)	(225)	(6,284)	(8,325)
Interest Expenses	18,928	39,471	18,902	39,412
Operating Profit Before Working Capital Changes	1,292,873	2,508,758	1,128,337	2,365,095
(Increase)/Decrease in Inventory	458,984	(646,082)	440,764	(564,991)
(Increase)/Decrease in Trade and Other Receivables	571,287	(1,420,775)	586,362	(1,208,571)
(Increase)/Decrease Amounts Due from Related Parties	-	-	24,294	(22,367)
Increase/(Decrease) Trade and Other Payable	(1,876,009)	752,520	(1,758,440)	549,337
Increase/(Decrease) Amounts Due to Related Parties	-	-	(32,032)	86,145
Cash Generated from Operating Activities	447,135	1,194,421	389,285	1,204,648
Interest Paid	(18,928)	(39,471)	(18,902)	(39,412)
Gratuity Paid	(108,419)	(76,274)	(108,041)	(76,274)
Income Tax Paid	(31,032)	(59,680)	-	(37,733)
Stamp Duty Paid	-	(4,193)	-	(4,193)
Net Cash Generated from Operating Activities	288,756	1,014,803	262,342	1,047,036

For the year ended 31st December	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(658,755)	(1,752,702)	(647,127)	(1,702,052)
Proceeds from Disposal of Property, Plant and Equipment	12,360	11,365	12,361	11,357
Interest Received	236,771	244,627	226,518	228,701
Staff Loans granted during the year	(202,709)	(197,900)	(197,118)	(196,522)
Staff Loans recovered during the year	148,596	134,388	146,385	134,389
Redemption of Short Term Investment	38,000	70,909	-	58,908
(Investment) / Redemption of Debentures	62,875	(4,375)	62,875	(6,375)
Acquisition of Intangible Assets	(14,268)	(3,056)	(13,635)	(3,056)
Dividend Received	194	225	6,284	8,325
Net Cash used in Investing Activities	(376,936)	(1,496,519)	(403,457)	(1,466,325
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(27,470)	(27,624)	(27,470)	(27,624)
Repayment of Short Term Loans	(6,738,885)	(8,363,780)	(6,738,885)	(8,363,780)
Loans Obtained during the period	6,939,531	9,237,240	6,939,531	9,237,240
Repayment of Leases	-	(636)	-	-
Dividend Paid	(571,149)	(408,330)	(570,642)	(408,330)
Net Cash Generated from/(used in) Financing Activities	(397,973)	436,870	(397,466)	437,506
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	(486,153)	(44,846)	(538,581)	18,217
Cash and Cash Equivalents at the beginning of the period (Note 21)	4,006,037	4,050,883	3,863,579	3,845,362
Cash and Cash Equivalents at the end of the period	3,519,884	4,006,037	3,324,998	3,863,579

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Colombo Dockyard PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company's registered office is situated in the Port of Colombo.

The Consolidated Financial Statements of the Company as at and for the year ended 31st December 2013 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, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) 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 (SLFRSs/ LKASs).

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

These Financial Statements include the following components:

- **The Statement of Comprehensive Income:** providing information on the financial performance of the Group and the Company for the year. (Refer page 114)
- **The Statement of Financial Position:** providing information on the financial position of the Group and the Company as at the year-end. (Refer page 115)
- **The Statement of Changes in Equity:** providing information on the movements of stated capital and reserves of the Group and the Company during the year under review. (Refer page 116-117)
- **The Statement of Cash Flow:** providing information on the generating cash and cash equivalents and utilization of the same. (Refer page 118)
- **Notes to the Financial Statements:** comprising accounting policies and other explanatory notes. (Refer page 120 to 166)

The Financial Statements were authorized for issue by the Board of Directors on February 24, 2014.

2.2. Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis except for the following material 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 Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in a different economic environment. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. BASIS OF CONSOLIDATION

The Consolidated Financial Statements (referred to as the "Group") comprise 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. 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 measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency.

3.2.2. Foreign Currency Transactions

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

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

- Assets and liabilities of each Statement of Financial Position presented are translated at the date of that Statement of Financial Position.
- Income and expense for each Statement of Comprehensive Income are translated at the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognized in Other Comprehensive Income

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

In the Consolidated Financial Statements such exchange differences are recognized initially in the Other Comprehensive Income and when a foreign operation is disposed of, the relevant amount in the translation reserves is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.2.4. Foreign exchange forward contracts

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

3.3. ASSETS AND THE BASES OF THEIR VALUATION

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be 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 and Equipment

3.3.1.1. Recognition and Measurement

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

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different 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 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, use in the production or 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 and 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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 - 25	4% - 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, if appropriate.

3.3.2. Intangible Assets

Intangible Assets are 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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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 of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisabale 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 which 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.

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 profit or loss.

3.4. Financial Instruments

3.4.1. Financial Assets

a) Initial recognition and measurement

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

All financial assets are 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 or 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 profit or loss.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at 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, 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 or loans and borrowings, 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.

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 up to December 31, 2012 were recognized to the profit or loss using the “corridor” approach and it splits the actuarial gains and losses into unrecognized and recognized portions.

Due to the adoption of amendments to LKAS 19 - Employee Benefit which is in effect from 1st January 2013, the Company has seized the recognition of actuarial gains or losses under the corridor method which was permitted by the previous standard and recognizes such gain or losses immediately in Other Comprehensive Income. Therefore the resultant difference has been adjusted retrospectively in Retirement Benefit Obligation, Retained Earnings, Deferred Tax and Other Comprehensive Income as appropriately. Those adjustments are more fully described in Note 25.

Local Subsidiary

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, using the projected unit credit (PUC) method. Any gains or losses and the related deferred tax is recognized in the Other Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.7. STATEMENT OF COMPREHENSIVE INCOME

3.7.1. Revenue

The Group revenue represents revenue from shipbuilding, 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, Shipbuilding, 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.

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 profit or loss in arriving at the profit for the year. Provision has also been made for impairment of financial assets, slow moving stocks, all known liabilities and depreciation on property, plant and equipment.

3.7.2.2. Warranty Claims/Provisions

Costs incurred by the Company under the terms of warranty entered with the customers are charged to the profit or loss.

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) is recognised in the comprehensive income except to the extent it relates to items recognized directly in equity or in OCI. The group recognises liabilities for anticipated taxes, based on estimates of taxable income, where the final tax outcome of these matters may different 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 for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax on Sri Lankan operation is based on the elements of income and expenditures reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

Income tax has been provided on overseas operations in accordance with the relevant statutes in force in the countries in which operations are carried out.

The relevant details are disclosed in the respective notes to the Financial Statements. (Note 09 and 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.10. CASH FLOW

The cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'. Cash and cash 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 re payable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flow.

3.11. EARNINGS PER SHARE

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

3.12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events after the reporting period are those events favourable and un-favourable, 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 (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

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

a) SLFRS 9 – Financial Instruments

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

b) SLFRS 10 – Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that address the accounting for Consolidated Financial Statements. SLFRS 10 establishes a single control model that applies to all entities including special purposes entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entitles are controlled and therefore are required to be consolidated by the parent. This standard becomes effective for annual periods beginning on or after January 01, 2014.

c) SLFRS 11 – Joint Agreements

SLFRS 11 replaces LKAS 31 Interest in Joint Ventures and removes the option to account jointly control entities using proportionate consolidation. Under the new standards joint ventures must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 01, 2014.

d) SLFRS 12 – Disclosure of interest in other entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. A number of new disclosers are also required. This standard becomes effective for annual periods beginning on or after January 01, 2014.

e) SLFRS 13 – Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required use fair value, but provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 01, 2014.

3.14. RE-STATEMENT OF FINANCIAL STATEMENTS

The "Corridor Approach" of recognizing actuarial gains or losses of retirement benefit obligation is no more applicable with effect from January 01, 2013 due to the amendment to the Sri Lanka Accounting standard, LKAS 19 – Employee Benefits. This amendment requires the actuarial gains or losses to be recognized immediately to the other comprehensive income. The comparative figures have been retrospectively adjusted appropriately due to this accounting policy change. Those adjustments are more fully described in Note No 36.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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	09	135
Property, plant and equipment	11	140
Intangible assets	13	146
Deferred tax assets / liabilities	16	147
Employee benefits	25	154
Provision for warranty claims	26	155

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group		Company	
	2013 (Rs.'000)	2012 (Rs.'000)	2013 (Rs.'000)	2012 (Rs.'000)
5. REVENUE				
Ship repair	3,533,120	4,619,548	3,533,120	4,619,548
Shipbuilding	12,314,837	11,013,298	12,314,837	11,013,298
Heavy Engineering	775,944	549,055	13,512	94,684
Material Sales	125,406	211,216	-	-
Gross Revenue (Note 5.1 , 5.2)	16,749,307	16,393,117	15,861,469	15,727,530
Sales Related Taxes	(7,466)	(4,710)	-	-
	16,741,841	16,388,407	15,861,469	15,727,530
Less: Cost of Sales	(14,857,533)	(13,437,619)	(14,246,088)	(13,027,686)
Gross Profit / Operating Results (Note 5.3)	1,884,308	2,950,788	1,615,381	2,699,844

5.1 Project Types Segment Revenue (Business Segment)

Ship Repair				
Tankers	622,531	683,639	622,531	683,639
General Cargo	137,940	376,448	137,940	376,448
Container Carriers	656,141	572,588	656,141	572,588
Passenger Vessels	234,722	345,038	234,722	345,038
Fishing Trawlers	18,850	14,395	18,850	14,395
Tugs	156,488	441,103	156,488	441,103
LPG Tankers	-	11,851	-	11,851
Dredgers	165,920	780,284	165,920	780,284
Naval Vessels	231,500	91,245	231,500	91,245
Cement Carriers	100,770	130,228	100,770	130,228
Offshore Support Vessels	649,060	261,463	649,060	261,463
Barge	179,650	93,580	179,650	93,580
Bulk Carriers	196,910	317,720	196,910	317,720
Research Vessels	24,320	90,381	24,320	90,381
Others	158,318	409,585	158,318	409,585
	3,533,120	4,619,548	3,533,120	4,619,548
Shipbuilding				
Passenger Vessels	4,018,988	463,703	4,018,988	463,703
Supply Vessels	8,295,849	10,549,595	8,295,849	10,549,595
	12,314,837	11,013,298	12,314,837	11,013,298

For the year ended 31st December,	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
5.1 Project Types Segment Revenue (Business Segment) Contd.				
Heavy Engineering				
Heavy Fabrication	739,183	393,918	6,896	78,148
Services	24,222	16,537	6,616	16,537
Power Generation	12,359	138,600	-	-
	775,944	549,055	13,512	94,685
Material Sales				
Material Sales	125,406	211,216	-	-
Total Revenue	16,749,307	16,393,117	15,861,469	15,727,530
5.2 Geographical Segment Revenue				
France	3,839	261,816	3,839	261,816
India	5,674,338	2,855,751	5,674,338	2,855,751
Korea	78,640	97,624	78,640	97,624
Maldives	301,790	366,912	301,790	366,912
Canada	10,120	-	10,120	-
Belgium	8,687	2,159	8,687	2,159
China	33,810	186,761	33,810	186,761
Netherlands	94,800	-	94,800	-
Sri Lanka	1,359,394	1,021,460	502,085	355,873
Singapore	8,551,102	10,626,249	8,528,039	10,626,249
Japan	47,330	1,316	47,330	1,316
Germany	9,537	32,767	9,537	32,767
Greece	154,020	231,766	154,020	231,766
USA	20,844	29,227	20,844	29,227
Thailand	-	14,394	-	14,394
Egypt	-	347,447	-	347,447
Samoa	-	116,244	-	116,244
Norway	77,960	-	77,960	-
Poland	85,940	-	85,940	-
Others	237,156	201,224	229,690	201,224
	16,749,307	16,393,117	15,861,469	15,727,530
5.3 Segmental Operating Results				
Ship repairs	718,663	1,351,331	718,663	1,351,331
Shipbuilding	891,376	1,332,480	891,376	1,332,480
Heavy Engineering	239,191	188,381	5,342	16,033
Material Sales	35,078	78,596	-	-
	1,884,308	2,950,788	1,615,381	2,699,844

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
6. OTHER INCOME				
Exchange Gain (both realized and unrealized)	**392,823**	269,530	**392,823**	269,530
Scrap Sales	**132,840**	175,625	**132,840**	175,625
Dividend Income	**194**	225	**6,284**	8,325
Profit on disposal of Property, Plant and Equipment	**8,776**	3,966	**8,776**	3,958
Management Fees	**-**	-	**918**	918
Amortization of Corporate Guarantees	**-**	-	**156**	156
Amortization of Government Grants	**697**	1,664	**697**	1,664
Lease Rentals	**-**	-	**1,347**	1,224
Miscellaneous Income	**16,647**	10,730	**15,338**	10,020
	551,977	461,740	**559,179**	471,420

7. NET FINANCE INCOME

For the year ended 31st December,	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
Interest Expense				
Interest on Finance Lease Obligations	**-**	(36)	**-**	-
Unwinding of Grant	**(697)**	(1,664)	**(697)**	(1,664)
Interest on Bank Overdrafts and Short Term Loans	**(18,928)**	(39,435)	**(18,903)**	(39,412)
Net Change in fair value of Financial Instruments at fair value through profit or loss	**-**	(49,416)	**-**	(49,416)
	(19,625)	(90,551)	**(19,600)**	(90,492)
Interest Income				
Interest Income from Investments	**192,832**	209,410	**183,402**	193,484
Other Interest Income	**43,939**	35,218	**43,116**	35,217
Unwinding of Pre-paid Staff Benefits	**21,627**	5,450	**21,261**	5,371
Net Change in fair value of Financial Instruments at fair value through profit or loss	**50,746**	-	**50,746**	-
	309,144	250,078	**298,525**	234,072
Net Finance Income	**289,519**	159,527	**278,925**	143,580

For the year ended 31st December,	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
8. PROFIT BEFORE TAX				
Is stated after charging all expenses including the following,				
Directors' Emoluments	21,818	20,565	21,509	20,258
Auditors Remuneration - On statutory audit	4,802	4,405	2,000	1,830
- For other services	60	310	60	310
Business Promotion Expenses	44,289	49,225	37,142	49,225
Depreciation on Property Plant & Equipment	410,453	317,049	397,240	307,971
Amortization of Intangible Assets	5,335	2,795	5,335	2,795
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	480	(258,005)	1,684	(258,802)
- Obsolete and Slow Moving Stocks	7,586	(1,563)	8,617	1,251
Staff Related Cost				
- Salaries and Wages	3,057,999	2,965,995	2,992,472	2,899,455
- Defined Benefit Plan Cost - Gratuity	157,637	144,936	154,732	141,898
- Defined Contribution Plan Cost - EPF	147,112	135,118	143,253	130,499
- ETF	36,778	33,813	35,813	32,658
Donations	6,452	474	6,452	474
Amortization of Staff Cost	21,626	5,450	21,261	5,371
9. INCOME TAX EXPENSE / (REFUND)				
On the Current years Profit (Note 9.4)	37,243	37,975	635	7,391
Under / (Over) Provision in previous years	(78,801)	(1,859)	(79,003)	-
Deferred Taxation (Note 9.6) / (Note 16.3)	7,110	11,674	3,587	7,721
Tax on Total Comprehensive Income	(34,448)	47,790	(74,781)	15,112
Less: Tax (Expense) / Income on Other Comprehensive Income	(16,565)	(1,760)	(16,485)	(1,195)
Total Tax Expense / (Refund) on profit or loss	(51,013)	46,030	(91,266)	13,917

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,

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

(Further refer 9.3 for applicable tax exemptions and concessions)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Subsidiary

Dockyard General Engineering Services (Pvt) Ltd

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

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

(ii) Income Tax on Overseas Operations

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

9.2 Economic Service Charge

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

9.3 Tax Exemptions and Concessions

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

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

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

For the year ended 31st December,	Group		Company	
	2013 (Rs.'000)	2012 (Rs.'000)	2013 (Rs.'000)	2012 (Rs.'000)
9.4 Reconciliation between current tax expense and the accounting profit				
Profit before tax	878,119	2,035,968	732,495	1,903,237
Disallowable Expenses for Taxation	645,249	504,228	622,217	495,082
Allowable Expenses for Taxation	(1,395,601)	(1,329,964)	(1,366,394)	(1,309,111)
Profit Exempt from Tax	(811,047)	(1,291,041)	(811,047)	(1,291,041)
Statutory Profit/(Loss) from Business	(683,280)	(80,809)	(822,729)	(201,833)
Statutory Profit/(Loss) from Colombo Dockyard PLC	(822,729)	(201,833)	(822,729)	(201,833)
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt) Ltd	130,317	111,140	-	-
Statutory Profit/(Loss) from Ceylon Shipping Agency (Pte) Ltd	9,132	4,736	-	-
Other sources of Income	3,488	40,607	3,488	40,607
Tax Loss / Incentives claimed during the year	(7,424)	(14,213)	(1,221)	(14,213)
Taxable Income	135,513	142,269	2,267	26,395

For the year ended 31st December,	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)
9.4 Reconciliation between current tax expense and the accounting profit Contd.				
Tax at the Rate of 12% (2012 - 12%)	283	1,005	-	-
Tax at the Rate of 17% (2012 - 17%)	498	805	-	-
Tax at the Rate of 28% (2012 - 28%)	36,462	36,165	635	7,391
Provision for Taxation on Current Year Profit	37,243	37,975	635	7,391
9.5 Reconciliation of Tax Loss				
Tax Loss Brought Forward	1,157,197	895,932	1,157,197	895,932
Tax Loss for the current year of assessment	822,729	201,833	822,729	201,833
Setoff against the current taxable income	(1,221)	(14,213)	(1,221)	(14,213)
Adjustment for the previous year of assessment	(51,858)	73,645	(51,858)	73,645
Tax Loss Carried Forward	1,926,847	1,157,197	1,926,847	1,157,197

9.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates,the deferred tax asset is arrived at by applying the income tax rates of 28%, 12% and 0% applicable for different sources of profits. The effective tax rate (Weighted Average) applicable for 31st December 2013 is 10%. (2012 - 9%).

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% to the temporary differences of Dockyard General Engineering services (Pvt) Ltd as at 31st December 2013.

Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of CSA as at 31st December 2013.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10. EARNINGS PER SHARE / DIVIDEND PER SHARE

10.1 Earnings Per Share

Earning per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirement of the Sri Lanka Accounting Standard - LKAS 33 on Earning per Share.

	Group		Company	
	2013	2012	2013	2012
Amount used as the Numerator				
Profit for the period (Rs.'000)	929,132	1,989,938	823,761	1,889,320
Non Controlling Interest (Rs.'000)	(3,053)	(7,385)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	926,079	1,982,553	823,761	1,889,320
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares (Note No. 10.2)	71,858,924	71,092,279	71,858,924	71,092,279
Earnings Per Share (Rs.) based on weighted average number of shares in 2013 EPS1	12.89	27.89	11.46	26.58

10.2 Weighted Average number of shares

Issued ordinary shares as at 1st January 2013	71,858,924	68,437,071	71,858,924	68,437,071
Effect of share issued on 23rd March 2012	-	2,655,208	-	2,655,208
Weighted Average number of shares as at 31st December,	71,858,924	71,092,279	71,858,924	71,092,279

Pursuant to an ordinary resolution adopted on the 22nd of February 2012 at a meeting of Board of Directors of the Company, the Directors resolved that a sum of Rs. 34,218,530/- be transferred from Retained Earnings to the Stated Capital (3,421,853 ordinary shares at a consideration of Rs. 10/-) and the said amount be utilized to make a bonus issue of fully paid ordinary shares in the proportion of 1:20 (one new ordinary share for every 20 existing ordinary shares).

10.3 Dividend Per Share

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

	Group		Company	
	2013	2012	2013	2012
Dividend Authorized (Rs.'000)	287,436	574,871	287,436	574,871
Number of Ordinary Shares ('000)	71,859	71,859	71,859	71,859
Dividend Per Share (Rs.)	4.00	8.00	4.00	8.00

In accordance with Sri Lanka Accounting Standard - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2013.

FOREIGN CURRENCY TRANSLATIONS

The principle exchange rates (average) used for conversion of foreign currency balances / transactions are as follows;

	Average Rate		Closing Rate			
	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)		2012 (Rs.)	
			Selling	Buying	Selling	Buying
U. S. Dollar	129.06	127.3	132.50	129.50	128.8	125.8
Euro	171.30	168.3	183.75	177.60	171.5	165.1
Danish Kroners	23.13	22.6	24.79	23.70	23.1	22
Singapore Dollars	103.34	104.1	105.23	101.78	106.1	102.3
Japanese Yen	1.34	1.4	1.27	1.23	1.5	1.4

NOTES TO THE FINANCIAL STATEMENTS CONTD.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

					FREEHOLD	
	Drydocks	Lands	Road ways	Buildings	Plant, Machinery & Equipment	Electrical Installations
COST	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January 2012	1,077,542	43,123	13,132	717,687	2,726,482	279,548
Additions during the year	8,456	-	-	51,639	504,053	9,878
Disposals during the year	-	-	-	-	(15,547)	-
Transfers during the year	-	-	-	-	(7,907)	-
Exchange Gain /(Loss)	-	-	-	-	-	-
Balance as at 31st December 2012	1,085,998	43,123	13,132	769,326	3,207,081	289,426
Additions during the year	4,083	19,827	-	159,193	1,052,690	3,411
Disposals during the year	-	-	-	-	(46,644)	-
Transfers during the year	11,155	-	-	-	(10,605)	-
Exchange Gain /(Loss)	-	-	-	(14)	-	-
Balance as at 31st December 2013	1,101,236	62,950	13,132	928,505	4,202,522	292,837
ACCUMULATED DEPRECIATION						
Balance as at 01st January 2012	493,424	-	2,753	342,857	1,478,802	170,201
Charge for the year	21,736	-	826	28,108	199,839	15,603
Disposals	-	-	-	-	(15,301)	-
Transfers	-	-	-	-	(1,581)	-
Exchange Gain/(Loss)	-	-	-	-	-	-
Balance as at 31st December 2012	515,160	-	3,579	370,965	1,661,759	185,804
Charge for the year	22,817	-	1,813	30,982	253,739	16,566
Disposals	-	-	-	-	(45,194)	-
Transfers	-	-	-	(605)	605	-
Exchange Gain/(Loss)	-	-	-	(14)	-	-
Balance as at 31st December 2013	537,977	-	5,392	401,328	1,870,909	202,370
CARRYING AMOUNT						
As at 31st December 2013	563,259	62,950	7,740	527,177	2,331,613	90,467
As at 31st December 2012	570,838	43,123	9,553	398,361	1,545,322	103,622
As at 31st December 2011	584,118	43,123	10,379	374,830	1,247,680	109,347

Motor Vehicles Rs.'000	Inventory Items Rs.'000	Office Equipment, Furniture & Fittings Rs.'000	Loose Tools Rs.'000	Boats & Launches Rs.'000	Leasehold Motor Vehicles Rs.'000	Capital Work In Progress Rs.'000	Total Rs.'000
125,120	41,235	261,647	239,022	6,494	4,335	88,767	5,624,132
21,406	1,481	35,323	67,422	-	-	1,240,334	1,939,993
(9,791)	(93)	(19,377)	(18,829)	-	-	-	(63,637)
4,335	-	-	-	-	(4,335)	(187,291)	(195,198)
-	-	412	-	-	-	-	412
141,070	42,623	278,005	287,615	6,494	-	1,141,810	7,305,702
27,967	8,810	21,301	58,705	-	-	590,909	1,946,895
(16,538)	(42)	(729)	(28,562)	-	-	-	(92,515)
-	-	-	-	-	-	(1,288,691)	(1,288,140)
-	-	(84)	-	-	-	-	(98)
152,499	51,391	298,493	317,757	6,494	-	444,028	7,871,844
95,085	32,557	202,136	239,022	2,906	4,335	-	3,064,076
14,829	2,148	18,889	14,503	567	-	-	317,049
(9,142)	(45)	(19,246)	(18,829)	-	-	-	(62,563)
4,335	-	-	-	-	(4,335)	-	(1,581)
	-	379	-	-	-	-	379
105,107-	34,660	202,158	234,696	3,473	-	-	3,317,360
14,387	2,700	19,254	47,628	567	-	-	410,453
(14,424)	(42)	(709)	(28,563)	-	-	-	(88,932)
-	-	-	-	-	-	-	171
-	-	(66)	-	-	-	-	(79)
105,070	37,318	220,637	253,761	4,040	-	-	3,638,802
47,429	14,073	77,856	63,996	2,454	-	444,028	4,233,042
35,963	7,963	75,847	52,919	3,021	-	1,141,810	3,988,342
30,035	8,678	59,511	-	3,588	-	88,767	2,560,056

NOTES TO THE FINANCIAL STATEMENTS CONTD.

11. PROPERTY, PLANT AND EQUIPMENT

11.2 Company

	FREEHOLD					
	Drydocks	Lands	Road ways	Buildings	Plant, Machinery & Equipment	Electrical Installations
COST	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Balance as at 01st January 2012	1,077,542	25,958	13,132	699,533	2,705,621	279,547
Additions during the year	8,456	-	-	51,639	462,521	9,878
Disposals during the year	-	-	-	-	(15,547)	-
Transfers during the year	-	-	-	-	(7,907)	-
Balance as at 31st December 2012	1,085,998	25,958	13,132	751,172	3,144,688	289,425
Additions during the year	4,083	19,827	-	159,193	1,046,409	3,411
Disposals during the year	-	-	-	-	(46,644)	-
Transfers during the year	11,155	-	-	-	(10,605)	-
Balance as at 31st December 2013	1,101,236	45,785	13,132	910,365	4,133,848	292,836
ACCUMULATED DEPRECIATION						
Balance as at 01st January 2012	493,424	-	2,753	324,702	1,473,694	170,200
Charge for the year	21,736	-	826	28,108	196,169	15,603
Disposals	-	-	-	-	(15,301)	-
Transfers	-	-	-	-	(1,581)	-
Balance as at 31st December 2012	515,160	-	3,579	352,810	1,652,981	185,803
Charge for the year	22,817	-	1,813	30,982	247,380	16,566
Disposals	-	-	-	-	(45,194)	-
Transfers	-	-	-	(605)	605	-
Balance as at 31st December 2013	537,977	-	5,392	383,187	1,855,772	202,369
CARRYING AMOUNT						
As at 31st December 2013	563,259	45,785	7,740	527,178	2,278,076	90,467
As at 31st December 2012	570,838	25,958	9,553	398,362	1,491,707	103,622
As at 31st December 2011	584,118	25,958	10,379	374,831	1,231,927	109,347

Motor Vehicles Rs.'000	Inventory Items Rs.'000	Office Equipment, Furniture & Fittings Rs.'000	Loose Tools Rs.'000	Boats & Launches Rs.'000	Capital Work In Progress Rs.'000	Total Rs.'000
107,157	41,235	251,895	223,135	6,495	88,767	5,520,017
16,606	1,481	32,247	66,181	-	1,240,334	1,889,343
(9,791)	(93)	(18,971)	(18,821)	-	-	(63,223)
-	-	-	-	-	(187,291)	(195,198)
113,972	42,623	265,171	270,495	6,495	1,141,810	7,150,939
25,289	8,810	19,373	57,964	-	590,909	1,935,268
(16,538)	(42)	(729)	(28,563)	-	-	(92,516)
-	-	-	-	-	(1,288,691)	(1,288,141)
122,723	51,391	283,815	299,896	6,495	444,028	7,705,550
86,631	32,557	196,358	223,135	2,906	-	3,006,360
11,069	2,144	17,624	14,125	567	-	307,971
(9,142)	(45)	(18,840)	(18,821)	-	-	(62,149)
-	-	-	-	-	-	(1,581)
88,558	34,656	195,142	218,439	3,473	-	3,250,601
9,955	2,700	17,745	46,715	567	-	397,240
(14,424)	(42)	(709)	(28,562)	-	-	(88,931)
-	-	-	-	-	-	-
84,089	37,314	212,178	236,592	4,040	-	3,558,910
38,634	14,077	71,637	63,304	2,455	444,028	4,146,640
25,414	7,967	70,029	52,056	3,022	1,141,810	3,900,338
20,526	8,678	55,537	-	3,589	88,767	2,513,657

NOTES TO THE FINANCIAL STATEMENTS CONTD.

11.3 The lands of the Group have been revalued by an independent chartered valuation firm, Sunil Fernando & Assocites (Pvt) Ltd, as at 31st December 2010. 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	-	5 Acres 1 Root and 12.5 Perches
Cost	-	Rs. 20,931,444/-
Valuation	-	Rs. 2,131,250,000/-

(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
Cost	-	Rs. 1,807,000/-
Valuation	-	Rs. 30,392,000/-

(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	-	2 Roots and 9.62 Perches
Cost	-	Rs. 3,219,000/-
Valuation	-	Rs. 53,772,000/-

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

Extent of the Land	-	2 Roots and 23.75 Perches
Cost	-	Rs. 2,865,000/-
Valuation	-	Rs. 31,125,000/-

Extent of the building is above freehold lands 25,134 sqm (2010- 25,134 sqm)

(e) Land depicted as Lot No. A in Plan No. 3247 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12.

Extent of the Land	-	7.15 Perches
Cost	-	Rs. 14,300,000/-
Valuation	-	Rs. 14,300,000/-

Extent of the building is 178 sqm

11.4 Land purchased during the year

The land depicted as lot No.3B in plan No. 2579 dated 29th November 1989 and lot No. 3C in the same plan. The Company has acquired the land situated in 24/2, Elie House Road, Colombo 15, during the year ended 31st December 2013 for the purpose of construction of main kitchen building. The Board of Directors is of the view that market value of the said land is not significantly varied from cost of the land.

Extent of the Land	-	12.69 Perches
Cost	-	Rs. 19,829,000/-

11.5 Details of Securities

Refer Note No. 24 for details on assets secured for loans.

11.6 Gross carrying amount of fully depreciated Property Plant and Equipment

	Group			Company		
As at 31st December	2013 (Rs.'000)	2012 (Rs.'000)	2011 (Rs.'000)	2013 (Rs.'000)	2012 (Rs.'000)	2011 (Rs.'000)
Freehold Drydocks	5,215	5,215	5,215	5,215	5,215	5,215
Freehold Buildings	126,204	97,347	97,347	108,049	79,192	79,192
Road Ways	147	147	147	147	147	147
Plant, Machinery and Equipment	857,037	901,187	914,156	854,405	898,572	912,215
Electrical Installations	124,905	123,528	123,528	124,905	123,528	123,528
Motor Vehicles	79,435	64,456	69,271	68,691	54,041	58,857
Inventory Items	45,074	27,384	27,537	29,149	27,384	27,537
Office Equipment, Furniture and Fittings	2,481	130,983	152,161	-	128,502	149,806
Loose Tools	-	220,264	239,021	-	204,314	223,135
Boats / Launches	-	2,717	2,717	-	2,717	2,717
	1,240,498	1,573,228	1,631,100	1,190,561	1,523,612	1,582,349

	Group			Company		
As at,	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
12. INVESTMENT PROPERTY						
Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	-	2,865	2,865	2,865

Land depicted as Lot No. 01 in Plan No. 250 at Mahawatte,Colombo 14, which is leased to Dockyard General Engineering services (Pvt) Limited, has been revalued by an independent chartered valuation firm, Sunil Fernando & Assocites (Pvt) Ltd, as at 31st December 2010.

Valuation details of the land is as follows:

Extent of the Land	2 Roots and 23.75 Perches
Cost	Rs. 2,865,000/-
Valuation	Rs. 31,125,000/-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at,	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000)	Group 01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
13. INTANGIBLE ASSETS						
Cost						
Balance at the beginning of the year	**26,614**	23,558	22,228	**26,614**	23,558	22,228
Additions during the year	**14,268**	3,056	1,330	**13,635**	3,056	1,331
Balance at the end of the year	**40,882**	26,614	23,558	**40,249**	26,614	23,558
Amortisation						
Balance at the beginning of the year	**23,178**	20,383	16,220	**23,178**	20,383	16,220
Charge during the year	**5,335**	2,795	4,163	**5,335**	2,795	4,163
Balance at the end of the year	**28,513**	23,178	20,383	**28,513**	23,178	20,383
Carrying Amount	**12,369**	3,436	3,175	**11,736**	3,436	3,175

The above intangible assets totally consist of the computer software acquired by the Company/Group and those softwares are used for more than one year. Those softwares are amortised over the period of three years or licence period provided by the vendors (Which ever is lower).

	No of Shares	Percentage Holding	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
14. INVESTMENTS IN SUBSIDIARIES					
Dockyard General Engineering Services (Private) Limited					
- Incorporated in Sri Lanka	49,999	100%	**500**	500	500
Add: Fair Value of Financial Guarantees			**735**	406	250
Ceylon Shipping Agency (Private) Limited					
- Incorporated in Singapore	21,500	51%	**357**	357	357
			1,592	1,263	1,107

14.1 The Director's assessment of the fair value of investments

The Board of director's assessed the fair value of investments in subsidiaries as follows based on the net assets attributable for the respective investments.

	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd.	**460,544**	360,996	258,736
Ceylon Shipping Agency (Pte) Ltd	**56,142**	49,778	37,764
	516,686	410,774	296,500

	Group			Company		
	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
15. OTHER INVESTMENTS						
15.1 Investments in shares						
Sri Lanka Port Management and Consultancy Services Limited	12,718	9,374	8,778	12,718	9,374	8,778
Associated Newspapers of Ceylon Limited	926	813	813	926	813	813
	13,644	10,187	9,591	13,644	10,187	9,591
15.2 Investments in debentures						
Bank of Ceylon PLC - Debentures (Redeemable)	-	62,875	56,500	-	62,875	56,500
Investment in Bonds	-	-	2,000	-	-	-
	-	62,875	58,500	-	62,875	56,500
	13,644	73,062	68,091	13,644	73,062	66,091

	Group			Company		
	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
16. DEFERRED TAXATION						
16.1 DEFERRED TAX ASSET						
Balance at the beginning of the year	117,877	128,198	59,583	117,877	125,598	55,567
(Provision) /Reversal during the year	(3,587)	(10,321)	68,615	(3,587)	(7,721)	70,031
Balance at the end of the year	114,290	117,877	128,198	114,290	117,877	125,598
16.2 DEFERRED TAX LIABILITY						
Balance at the beginning of the year	1,365	12	44	-	-	-
Provision/(Reversal) during the year	3,523	1,353	(32)	-	-	-
Balance at the end of the year	4,888	1,365	12	-	-	-
16.3 (PROVISION)/REVERSAL FOR THE YEAR						
(Provision) /Reversal during the year recognized in Profit or Loss	9,455	(9,914)	76,405	12,898	(6,526)	77,789
(Provision) /Reversal during the year recognized in Other Comprehensive Income	(16,565)	(1,760)	(7,758)	(16,485)	(1,195)	(7,758)
	(7,110)	(11,674)	68,647	(3,587)	(7,721)	70,031

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Group	2013 Temporary difference (Rs.'000)	2013 Tax effect on temporary difference (Rs.'000)	2012 Temporary difference (Rs.'000)	2012 Tax effect on temporary difference (Rs.'000)	2011 Temporary difference (Rs.'000)	2011 Tax effect on temporary difference (Rs.'000)
Temporary Difference on Property Plant & Equipment	**(1,856,302)**	**(194,960)**	(1,250,402)	(117,707)	(861,561)	(79,297)
Temporary difference on Retirement Benefit Obligations	**829,281**	**87,007**	942,438	88,603	878,017	83,785
Temporary Difference on Stock general Provision	**76,326**	**7,789**	67,709	6,206	66,458	6,091
Temporary Difference on Other Provision	**-**	**-**	-	-	93,113	8,534
Temporary Difference on Debtors general Provision	**1,448**	**148**	258,050	23,650	181,877	16,668
Temporary Difference on Warranty Provision	**125,320**	**12,788**	106,587	9,704	112,234	10,294
Temporary Difference on Tax Losses carried forward	**1,926,848**	**196,630**	1,156,961	106,056	895,694	82,111
	1,102,922	**109,402**	1,281,343	116,512	1,365,832	128,186

Company	2013 Temporary difference (Rs.'000)	2013 Tax effect on temporary difference (Rs.'000)	2012 Temporary difference (Rs.'000)	2012 Tax effect on temporary difference (Rs.'000)	2011 Temporary difference (Rs.'000)	2011 Tax effect on temporary difference (Rs.'000)
Temporary Difference on Property Plant & Equipment	**(1,825,719)**	**(186,311)**	(1,233,735)	(113,027)	(857,285)	(78,569)
Temporary difference on Retirement Benefit Obligations	**815,746**	**83,245**	930,594	85,287	878,017	80,469
Temporary Difference on Stock general Provision	**76,326**	**7,789**	67,709	6,206	66,458	6,091
Temporary Difference on Other Provision	**-**	**-**	-	-	93,113	8,534
Temporary Difference on Forward Contracts	**1,448**	**148**	258,050	23,650	181,877	16,668
Temporary Difference on Warranty Provision	**125,320**	**12,789**	106,587	9,704	112,324	10,294
Temporary Difference on Tax Losses carried forward	**1,926,848**	**196,630**	1,156,961	106,056	895,694	82,111
	1,119,969	**114,290**	1,286,166	117,877	1,370,198	125,598

As at,	Group 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
17. INVENTORIES						
Raw Materials	889,078	1,215,755	707,492	791,256	1,101,151	671,344
Consumable	-	-	16,293	-	-	16,293
Goods in Transit	37,616	169,923	15,811	37,616	168,484	17,008
	926,694	1,385,678	739,596	828,872	1,269,635	704,645
Less: Provision for						
Slow Moving Inventories (Note:17.1)	(78,150)	(70,564)	(72,127)	(76,326)	(67,709)	(66,458)
	848,544	1,315,114	667,469	752,546	1,201,926	638,187
17.1 Movement in Provision for Slow Moving Inventories						
Balance at the beginning of the year	70,564	72,127	134,115	67,709	66,458	127,408
Provision/(Reversal) made during the year	7,586	(1,563)	(61,988)	8,617	1,251	(60,950)
Balance at the end of the year	78,150	70,564	72,127	76,326	67,709	66,458
18. TRADE AND OTHER RECEIVABLES						
Trade Receivables	1,279,470	3,431,501	3,675,274	1,159,649	3,323,800	3,610,401
Less: Provision for Bad and Doubtful Debts	(38,217)	(37,737)	(295,742)	(38,217)	(36,533)	(295,335)
	1,241,253	3,393,764	3,379,532	1,121,432	3,287,267	3,315,066
Accrued Revenue	3,576,223	1,688,569	386,190	3,382,787	1,468,866	297,733
VAT Recoverable	255,547	242,321	212,505	252,870	242,321	212,369
Deposits and Prepayments	2,269,756	2,614,114	2,372,458	2,267,289	2,611,069	2,367,133
Economic Service Charges	123,959	104,278	76,860	123,722	104,278	71,555
Other Receivables	247,017	242,475	179,194	130,017	152,364	134,935
	7,713,755	8,285,521	6,606,739	7,278,117	7,866,165	6,398,791
19. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES						
Non Current						
Loans given to employees (Note No. 19.1)	344,090	289,168	259,052	337,297	285,146	255,904
Pre paid Staff Benefits (Not No. 19.2)	51,453	38,278	24,452	50,519	37,945	24,170
Derivatives	-	-	100	-	-	100
	395,543	327,446	283,604	387,816	323,091	280,174
Current						
Loans given to employees (Note No. 19.1)	116,520	135,999	122,731	114,835	134,073	121,374
Pre paid Staff Benefits (Note No. 19.2)	23,312	17,819	11,517	23,086	17,840	11,424
Derivatives	2,236	-	82,151	2,236	-	82,151
Short term investments	-	38,000	108,909	-	-	58,908
	142,068	191,818	325,308	140,157	151,913	273,857
	537,611	519,264	608,912	527,973	475,004	554,031

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at,	Group 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
19.1. Loans given to employees						
Balance at the beginning of the year	481,263	417,752	392,656	475,004	412,871	386,994
Loans Granted during the year	202,709	197,900	155,733	197,118	196,522	155,433
Loans Recovered during the year	(148,596)	(134,388)	(130,637)	(146,385)	(134,389)	(129,555)
	535,376	481,264	417,752	525,737	475,004	412,872
Transfer to Pre Paid Staff Benefits	(74,766)	(56,097)	(35,969)	(73,605)	(55,785)	(35,594)
Balance at the end of the year	460,610	425,167	381,783	452,132	419,219	377,278
Non Current	344,090	289,168	259,052	337,297	285,146	255,904
Current	116,520	135,999	122,731	114,835	134,073	121,374
Total	460,610	425,167	381,783	452,132	419,219	377,278
19.2 Prepaid Staff Benefits						
Balance at the beginning of the year	56,097	35,969	32,724	55,785	35,594	32,225
Additions during the year	41,645	25,578	9,774	40,431	25,562	9,666
Transfer due to early settlements	(1,350)	-	-	(1,350)	-	-
Amortization	(21,626)	(5,450)	(6,529)	(21,261)	(5,371)	(6,297)
Balance at the end of the year	74,766	56,097	35,969	73,605	55,785	35,594
Non Current	51,453	38,278	24,452	50,519	37,945	24,170
Current	23,313	17,819	11,517	23,086	17,840	11,424
Total	74,766	56,097	35,969	73,605	55,785	35,594

The Group provides loans to employees at concessionary rates. These loans are fair valued at initial recognition using level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for the similar loans. The difference between the cost and fair value of employee loans is recognized as prepaid staff benefits. The employee loans are classified as loans and receivables and subsequently measured at amortized cost.

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

	Housing Loans	Vehicle Loans
Colombo Dockyard PLC	6.5%	10%
Dockyard General Engineering Services (Pvt) Ltd.	7.5%	10%
Ceylon Shipping Agency (Pte) Ltd.	3.0%	

20. AMOUNTS DUE FROM RELATED PARTIES

As at,	Relationship	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000)	Group 01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd.	Subsidiary	**-**	-	-	**8,789**	33,083	10,716
		-	-	-	**8,789**	33,083	10,716

21. CASH AND CASH EQUIVALENTS

21.1 Favourable Balances

	Group 31.12.2013	Group 31.12.2012	Group 01.01.2012	Company 31.12.2013	Company 31.12.2012	Company 01.01.2012
Fixed Deposits	**3,291,035**	3,809,658	3,844,627	**3,192,729**	3,701,512	3,737,571
Repurchase Agreement	**17,000**	-	-	**-**	-	-
Call Deposits	**75,248**	63,251	366	**75,248**	63,251	366
Cash at Bank	**139,445**	152,450	245,065	**54,535**	92,234	147,600
Cash in Hand	**8,080**	7,721	7,640	**6,912**	6,589	6,640
	3,530,808	4,033,080	4,097,698	**3,329,424**	3,863,586	3,892,177

21.2 Unfavourable Balances

	Group 31.12.2013	Group 31.12.2012	Group 01.01.2012	Company 31.12.2013	Company 31.12.2012	Company 01.01.2012
Bank Overdrafts	**(10,924)**	(27,043)	(46,815)	**(4,426)**	(7)	(46,815)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	**3,519,884**	4,006,037	4,050,883	**3,324,998**	3,863,579	3,845,362

22. STATED CAPITAL

	Group 31.12.2013	Group 31.12.2012	Group 01.01.2012	Company 31.12.2013	Company 31.12.2012	Company 01.01.2012
At the beginning of the year 71,858,924 Ordinary Shares (2012-71,858,924 & 2011-68,437,071)	**714,396**	684,370	684,370	**714,396**	684,370	684,370
Capitalization of retained earnings by way of issuing Bonus Shares	**-**	34,219	-	**-**	34,219	-
Stamp Duty on issue of Bonus Shares	**-**	(4,193)	-	**-**	(4,193)	-
At the end of the year 71,858,924 Ordinary Shares (2012-71,858,924 & 2011-68,437,071)	**714,396**	714,396	684,370	**714,396**	714,396	684,370

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at,	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000)	Group 01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
23. INTEREST BEARING BORROWINGS						
Payable within one year						
Short Term Loans (Note No. 23.1)	2,140,589	1,633,005	349,007	2,140,589	1,633,005	349,007
Finance Lease Obligations (Note No. 23.2)	-	-	636	-	-	-
	2,140,589	1,633,005	349,643	2,140,589	1,633,005	349,007
23.1 Short Term Loans						
Balance at the beginning of the year	1,633,005	349,007	872,644	1,633,005	349,007	872,644
Loans obtained during the year	6,939,531	9,237,240	4,349,464	6,939,531	9,237,240	4,349,464
Loan Re-payments during the year	(6,738,885)	(8,363,780)	(4,941,163)	(6,738,885)	(8,363,780)	(4,941,163)
Adjustment in respect of Exchange Rate Fluctuations	306,938	410,538	68,062	306,938	410,538	68,062
Balance at the end of the year	2,140,589	1,633,005	349,007	2,140,589	1,633,005	349,007
23.2 Finance Lease Obligations						
Balance at the beginning of the year	-	671	2,125	-	-	-
Less: Payments made during the year	-	(671)	(1,454)	-	-	-
Gross Lease Obligation at the end of the year	-	-	671	-	-	-
Less: Interest in Suspense	-	-	(35)	-	-	-
Net Finance Lease Obligations at the end of the year	-	-	636	-		
Payable within one year	-	-	636	-	-	-
Payable after one year	-	-	-	-	-	-
	-	-	636	-	-	-

As at,	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000)	Group 01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
24. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES						
Non Current						
Grant	-	276	1,439	-	276	1,439
Danida Loan (Note No. 24.1)	-	13,067	34,629	-	13,067	34,629
Derivatives	-	39,339	126,208	-	39,339	126,208
	-	52,682	162,276	-	52,682	162,276
Current						
Grant	163	584	1,085	163	584	1,085
Danida Loan (Note 24.1)	14,713	27,689	23,567	14,713	27,689	23,567
Derivatives	3,685	218,713	164,678	3,685	218,713	164,678
Corporate Guarantees	-	-	-	329	156	156
	18,561	246,986	189,330	18,890	247,142	189,486
	18,561	299,668	351,606	18,890	299,824	351,762
24.1 Movement in DANIDA Loan						
Balance at the beginning of the year	41,616	60,720	85,387	41,616	60,720	85,387
Effect of Exchange Fluctuations	730	8,520	(590)	730	8,520	(590)
	42,346	69,240	84,797	42,346	69,240	84,797
Loan Re-payments during the year	(27,470)	(27,624)	(24,077)	(27,470)	(27,624)	(24,077)
	14,876	41,616	60,720	14,876	41,616	60,720
Recognition of Fair Value of Grant	(163)	(860)	(2,524)	(163)	(860)	(2,524)
Balance at the end of the year	14,713	40,756	58,196	14,713	40,756	58,196
Payable within one year	14,713	27,689	23,567	14,713	27,689	23,567
Payable after one year	-	13,067	34,629	-	13,067	34,629
Total	14,713	40,756	58,196	14,713	40,756	58,196
Grant						
Balance at the beginning of the year	860	2,524	6375	860	2,524	6375
Recognition of Fair Value of Grant	(697)	(1,664)	(3,851)	(697)	(1,664)	(3,851)
Balance at the end of the year	163	860	2,524	163	860	2,524

24.2 Details of Securities

With regard to the DANIDA Loan, the Government retains the right to movable and immovable assets of the Company to the extent of outstanding payments due to the Government at any time until the amount of loan is fully repaid.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at,	Group 31.12.2013 (Rs.'000)	Group 31.12.2012 (Rs.'000)	Group 01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 01.01.2012 (Rs.'000)
25. EMPLOYEE BENEFIT LIABILITIES						
Balance at the beginning of the year	**942,437**	888,200	958,974	**930,593**	878,016	951,433
Provision made in the profit / (loss) during the year (Note No. 25.2)	**157,637**	144,936	107,880	**154,732**	141,898	104,967
Payments made during the year	**(108,419)**	(76,274)	(94,007)	**(108,041)**	(76,274)	(93,737)
Actuarial (Gain) / Loss recognized in Other Comprehensive Income (Note No. 25.3)	**(162,631)**	(14,425)	(84,647)	**(161,539)**	(13,047)	(84,647)
Balance at the end of the year (Note No. 25.1)	**829,024**	942,437	888,200	**815,745**	930,593	878,016

	Group 2013 (Rs.'000)	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2013 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
25.1 Movement in the present value of defined benefit obligations						
Liability for defined benefit obligations as at 1st January	**942,437**	888,200	958,974	**930,593**	878,016	951,433
Actuarial (Gain)/ Loss	**(162,631)**	(14,425)	(84,647)	**(161,539)**	13,047	(84,647)
Benefit paid by the plan	**(108,419)**	(76,274)	(94,007)	**(108,041)**	(76,274)	(93,737)
Current service costs	**63,475**	55,228	43,899	**61,664**	53,172	42,287
Interest Cost	**94,162**	89,708	63,981	**93,068**	88,726	62,680
Liability for defined benefit obligations as at 31st December	**829,024**	942,437	888,200	**815,745**	930,593	878,016
25.2 Expense recognised in Profit or Loss						
Current service costs	**63,475**	55,228	43,899	**61,664**	53,172	42,287
Interest on obligation	**94,162**	89,708	63,981	**93,068**	88,726	62,680
	157,637	144,936	107,880	**154,732**	141,898	104,967
25.3 Gain/(Loss) recognised in the Other Comprehensive Income						
Actuarial Gain/(Loss)	**162,631**	14,425	84,647	**161,539**	13,047	84,647

Colombo Dockyard PLC

The Employee Benefit Liability of the Company is based on the actuarial valuations carried out by M/s Piyal S Goonetileke and Associates. The principle assumptions used in determining the cost of employee benefits were:

	2013	2012	2011
Rate of Interest	**10%**	10%	9.5%
Rate of Salary Increment	**7.50%**	12%	12%
Rate of Cost of Living Allowance (COLA) Increment	**7%**	8%	8%
Staff Turnover Factor	**1%**	1%	1%
Retiring Age (Years) - Male	**55**	55	55
- Female	**50**	50	50

Dockyard General Engineering Services (Pvt) Ltd

Dockyard General Engineering Services (Pvt) Ltd., applied the Projected Unit Credit (PUC) method in order to determine the present value of the employee benefit liability. The following key assumptions were made in arriving at the employee benefit liability as at 31st December.

	2013	2012	2011
Rate of Interest	**10%**	10%	9.5%
Rate of Salary Increment	**16%**	16%	16%
Staff Turnover Factor	**1%**	1%	1%
Retiring Age (Years) - Male	**55**	55	55
- Female	**50**	50	50

	Group			Company		
As at,	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
26. TRADE AND OTHER PAYABLES						
Trade Payables	**524,624**	505,412	382,402	**375,508**	314,166	260,493
Subcontract Payables	**1,170,636**	1,158,809	1,390,379	**1,170,636**	1,158,809	1,379,011
Progress Bills	**400,136**	2,203,064	1,642,048	**400,136**	2,203,064	1,642,048
Provision for Warranty Claims (Note 26.1)	**122,655**	106,588	112,324	**122,655**	106,588	112,324
Accrued Expenses and Other Provisions	**487,291**	484,477	393,583	**449,957**	448,935	359,125
Other Payables	**186,854**	346,991	152,877	**82,832**	165,738	115,757
ESC Payable	**36,751**	20,792	-	**36,751**	20,792	-
VAT Payable	**35**	539	539	**35**	539	539
	2,928,982	4,826,672	4,074,152	**2,638,510**	4,418,631	3,869,297

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at,	Group 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	Company 31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
26.1 Provision for Warranty Claims						
Balance at the beginning of the year	106,587	112,324	196,820	106,587	112,324	196,820
Provision made during the year	109,946	255,172	97,754	109,946	255,172	97,754
Claims/ Reversal made during the year	(93,878)	(260,908)	(182,250)	(93,878)	(260,908)	(182,250)
Balance at the end of the year	122,655	106,588	112,324	122,655	106,588	112,324
27. AMOUNTS DUE TO RELATED PARTIES						
Ceylon Shipping Agency (Pte) Ltd	-	-	-	88,427	105,640	49,116
Dockyard General Engineering Services (Pvt) Ltd	-	-	-	14,802	29,621	-
	-	-	-	103,229	135,261	49,116
28. INCOME TAX PAYABLE/ (REFUND)						
Balance at the beginning of the year	43,143	66,707	(9,916)	15,833	46,175	(42,948)
Provision for Income Tax on current year's profits	37,243	37,975	49,703	635	7,391	14,553
Under/(Over) provision of Income Tax in respect of prior years	(78,801)	(1,859)	19,944	(79,003)	-	19,850
Tax paid during the year - Income Tax	(31,032)	(47,169)	(44,264)	-	(30,342)	-
- Value Added Tax	-	-	-	-	-	-
- Withholding Tax	-	(1,802)	(652)	-	(325)	7
- Dividend Tax	-	-	25,165	-	-	25,165
- Economic Service Charge	-	(10,709)	26,727	-	(7,066)	29,548
Transfer form VAT/ESC Payable	21,681	-	-	21,681	-	-
Balance at the end of the year	(7,767)	43,143	66,707	(40,854)	15,833	46,175
29. DIVIDENDS PAYABLE						
Balance at the beginning of the year	19,049	16,757	14,912	19,049	16,757	14,912
Dividends declared during the year	574,871	410,622	547,497	574,871	410,622	547,497
Payments during the year	(570,642)	(408,330)	(545,652)	(570,642)	(408,330)	(545,652)
Balance at the end of the year	23,278	19,049	16,757	23,278	19,049	16,757

30. FINANCIAL INSTRUMENTS

30.1 Financial Instruments by Categories

The Financial Instruments recognised in the Statement of Financial Position (SOFP) are as follows:

		Group			Company		
Financial Assets	**Note**	**31.12.2013 (Rs.'000)**	**31.12.2012 (Rs.'000)**	**01.01.2012 (Rs.'000)**	**31.12.2013 (Rs.'000)**	**31.12.2012 (Rs.'000)**	**01.01.2012 (Rs.'000)**
Fair value through profit and loss							
SOFP Line Item:							
Other financial assets including derivatives - Non Current	19	-	-	100	-	-	100
Other financial assets including derivatives - Current	19	2,236	-	82,151	2,236	-	82,151
Total		2,236	-	82,251	2,236	-	82,251
Held-to-maturity							
SOFP Line Item:							
Other investments	15	-	62,875	58,500	-	62,875	56,500
Total		-	62,875	58,500	-	62,875	56,500
Loans and receivables							
SOFP Line Item:							
Other financial assets including derivatives - Non Current	19	395,453	327,446	283,504	387,316	323,091	280,074
Trade and other receivables	18	1,654,525	3,562,259	3,606,315	1,241,662	3,391,882	3,498,789
Other financial assets including derivatives - Current	19	139,832	191,818	243,157	137,921	151,913	191,706
Cash and cash equivalents	21	3,530,808	4,033,080	4,097,698	3,329,424	3,863,586	3,892,177
Amounts due from related parties	20	-	-	-	8,789	33,083	10,716
Income tax refunds	28	40,854	-	-	40,854	-	-
Total		5,761,472	8,114,603	8,230,674	5,145,966	7,763,555	7,873,462
Available-for-sale							
SOFP Line Item:							
Investment in subsidiaries	14	-	-	-	1,592	1,263	1,107
Other Investments	15	13,644	10,187	9,591	13,644	10,187	9,591
Total		13,644	10,187	9,591	15,236	11,450	10,698
		5,777,352	8,187,665	8,381,016	5,163,438	7,837,880	8,022,911

NOTES TO THE FINANCIAL STATEMENTS CONTD.

		Group			Company		
		31.12.2013	31.12.2012	01.01.2012	31.12.2013	31.12.2012	01.01.2012
Financial Assets	**Note**	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Fair value through profit and loss							
SOFP Line Item:							
Other financial liabilities including derivatives - Non Current	24	-	39,339	126,208	-	39,339	126,208
Other financial liabilities including derivatives - Current	24	3,685	218,713	164,678	3,685	218,713	164,678
Total		3,685	258,052	290,886	3,685	258,052	290,886
Other Financial Liabilities							
SOFP Line Item:							
Bank Overdrafts	21	10,924	27,043	46,815	4,426	7	46,815
Other financial liabilities including derivatives - Non Current	24	-	13,343	36,068	-	13,343	36,068
Interest Bearing borrowings- Current	23	2,140,589	1,633,005	349,643	2,140,589	1,633,005	349,007
Trade and Other Payables	26	2,288,798	2,225,981	949,334	2,007,429	1,012,498	816,057
Other financial liabilities including derivatives - Current	24	14,876	28,273	24,652	15,205	28,429	24,808
Amounts due to related parties	27	-	-	-	103,229	135,261	49,116
Income Tax payable	28	33,087	43,143	66,707	-	15,833	46,175
Dividend payable	29	23,278	19,049	16,757	23,278	19,049	16,757
Total		4,511,552	3,989,837	1,489,976	4,294,156	2,857,416	1,384,803
		4,515,237	4,247,889	1,780,862	4,297,841	3,115,467	1,675,689

Note:
Short term investments (Included in cash and cash equivalents) has been categorised as held-to maturity investment as at 31.12.2011 and 31.12.2012. It has been re-classified to loans and receivables in the current year which is the more appropriate classification. Further cash in hand/bank and bank overdrafts which were presented separately in the analysis has been classified as loans and receivable financial assets and other financial liabilities respectively.

30.2 Financial Instruments Carried at fair Value
The Group uses following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

Level 01 : Quoted (unadjusted) prices in active market for identical assets or liabilities.
Level 02 : Other techniques for which all inputs with significant effect on the recorded fair values are observable. Either directly or indirectly.
Level 03 : Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group / Company held the following financial instruments carried at fair value in the Statement of Financial Position.

As at 31.12.2013	Group Level 01 (Rs.'000)	Group Level 02 (Rs.'000)	Group Level 03 (Rs.'000)	Company Level 01 (Rs.'000)	Company Level 02 (Rs.'000)	Company Level 03 (Rs.'000)
Financial Assets						
Un quoted equity investments	-	-	13,644	-	-	13,644
Foreign exchange forward contracts	-	2,236	-	-	2,236	-
	-	2,236	13,644	-	2,236	13,644
Financial Liabilities						
Foreign exchange forward contracts	-	3,685	-	-	3,685	-
	-	3,685	-	-	3,685	-

As at 31.12.2012	Group Level 01 (Rs.'000)	Group Level 02 (Rs.'000)	Group Level 03 (Rs.'000)	Company Level 01 (Rs.'000)	Company Level 02 (Rs.'000)	Company Level 03 (Rs.'000)
Financial Assets						
Un quoted equity investments	-	-	10,187	-	-	10,187
Foreign exchange forward contracts	-	-	-	-	-	-
	-	-	10,187	-	-	10,187
Financial Liabilities						
Foreign exchange forward contracts	-	258,056	-	-	258,056	-
	-	258,056	-	-	258,056	-

As at 01.01.2012	Group Level 01 (Rs.'000)	Group Level 02 (Rs.'000)	Group Level 03 (Rs.'000)	Company Level 01 (Rs.'000)	Company Level 02 (Rs.'000)	Company Level 03 (Rs.'000)
Financial Assets						
Un quoted equity investments	-	-	9,591	-	-	9,591
Foreign exchange forward contracts	-	82,251	-	-	82,251	-
	-	82,251	9,591	-	82,251	9,591
Financial Liabilities						
Foreign exchange forward contracts	-	290,886	-	-	290,886	-
	-	290,886	-	-	290,886	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

31. CONTINGENT LIABILITIES

(a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 6,111,879,000/- (31-12-2012 - Rs. 3,673,005,059/-) 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	722,422	169,449	5,101,081	14,084	6,007,036
Commercial Bank of Ceylon PLC	60,902	-	2,276	-	63,178
National Development Bank PLC	-	-	-	10,600	10,600
Sampath Bank PLC	29,045	1,342	-	678	31,065
	812,369	170,791	5,103,357	25,362	6,111,879

(b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of followings amounting to Rs. 1,209,375,000 (2012 - Rs. 2,979,500,000 /-)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
Blue Castle (Private) Limited	Customer	682,375	-	-	682,375
		682,375	-	527,000	1,209,375

(c) (i) An arbitration between Nautical Lines Ltd and Colombo Dockyard PLC (CDPLC).
The case bearing No. HC(ARB) 1515/2003 filed in respect of the Arbitration Award made against Colombo Dockyard PLC (CDPLC), on a claim of US$ 3,027,493/= together with interest at 9% per annum from 26th November 2002 for violating the copyrights and sum of US$ 316,440/= as the cost of arbitration made by Nautical Lines Ltd. It was concluded in June 2004 in favour of CDPLC.

However, Nautical Lines Ltd has instituted a fresh action in the Commercial High Court of Colombo bearing No. HC (Civil) 266/04 (I) on 29th November 2004, against CDPLC, based on the same Arbitration Award, claiming the identical sums.

The order was delivered on 4th December 2007 in favour of CDPLC dismissing the action of Nautical Lines Ltd. Subsequently on 17th December 2007, Nautical Lines Ltd, have appealed on the said order to the Supreme Court.
The said Supreme Court Appeal bearing No. SC CHC 05/2008 has been listed for hearing on 20th March 2014. (Pursuant to the motion dated 05/02/2014 filed by CDPLC, this case has been listed on top of the list on 20/03/2014.)

(ii) A case filed by the Company against bonded employee to recovery of bond in District Court: DC Colombo 39481/MR.

(iii) High Court appeals filed against the LT orders: HCALT 35/2010, HCALT 37/2010, HCALT 40/2010, HCALT 29/2011, HCALT 101/2011

(iv) In District Court case No. 14762/MR which was filed by the Company against two parties to recover payments due to the Company on ship repairs carried out, judgement was made in favour of the Company. One party appealed against the said judgement (CA 590/2000 (F))

After hearing the parties, the said Appeal filed in Court of Appeal was dismissed and judgement delivered in favour of the Company in July 2013, upholding the District Court judgement.

The Directors of the Company are of the view that there are no any adjustments needed to the financial statements due to the above litigations.

(d) The Company has entered into the forward rate agreements to purchase currency as follows,
The total value of the transactions are Rs. 223,937,500/- (2012 - Rs. 2,453,852,381/-) as at the reporting date.

Sales Contract		Rs.
USD	1,000,000	131,537,500
JPY	70,000,000	92,400,000
		223,937,500

32. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2013.

33. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Particulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering	Mangala P. B. Yapa	Subsidiary	Purchase of Material	(2,468)
Services (Pvt) Ltd.	A. Nakauchi		Management Services	918
	Y. Kijima		Lease Rental Received	1,346
			Subcontractor Services	(124,880)
			Heavy Engineering	18,209
			Dividend Received	5,580
			Bond Handling	(5,574)
			Transportation	(8,695)
Ceylon Shipping Agency (Pvt) Ltd.	A. Nakauchi	Subsidiary	Purchase of Material	(733,668)
	Mangala P. B. Yapa		Services	-
	Sarath De Costa			
Onomichi Dockyard Company Ltd.	T. Nakabe	Parent	Technical services	(78,312)

This note should be read in conjunction with Note Nos. 8, 14, 20, 27, and 33(a) to these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(a) TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

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

(i) Loans to the Directors

No loans have been granted to the Directors of the Company

(ii) Compensation paid to Key Management Personnel

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Short Term Employment Benefit	70,222	63,753	62,392
Long Term Employment Benefit	39,420	34,593	30,599

(iii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 33(a) to these Financial Statements.

34. EVENTS OCCURRING AFTER THE REPORTING DATE

The Directors have authorized the payment of Rs. 4.00 per share as first and final dividend for the year ended 31st December 2013 (Rs. 8.00 - 2012).

In accordance with Sri Lanka Accounting Standard - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2013.

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.

35. COMPARATIVE INFORMATION

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

36. PRIOR YEAR ADJUSTMENTS

According to LKAS 19 - "Employee Benefit" (Bound Volume - 2011) company has opted 'Corridor Method' to recognise unrecognised actuarial gain / losses. Company has changed its accounting policy on recognition of actuarial gains / losses according to LKAS -19 "Employee Benefit" (Bound Volume - 2013); to recognise all unrecognised actuarial gains / losses through other comprehensive income. Accordingly following prior period balances were restated.

Statement of Financial Position	Group As at 01.01.2012			Company As at 01.01.2012		
	As previously reported Rs.'000	Adjustments Rs.'000	As Re-stated Rs.'000	As previously reported Rs.'000	Adjustments Rs.'000	As Re-stated Rs.'000
Deferred Tax Asset	135,956	(7,758)	128,198	133,356	(7,758)	125,598
Overall impact on total assets	135,956	(7,758)	128,198	133,356	(7,758)	125,598
Employee Benefit	972,848	(84,648)	888,200	962,664	(84,648)	878,016
Overall impact on total liabilities	972,848	(84,648)	888,200	962,664	(84,648)	878,016
Retained Earnings	8,142,408	76,889	8,219,297	7,828,709	76,889	7,905,598
Overall impact on total equity	8,142,408	76,889	8,219,297	7,828,709	76,889	7,905,598

Statement of Financial Position	Group As at 31.12.2012			Company As at 31.12.2012		
	As previously reported Rs.'000	Adjustments Rs.'000	As Re-stated Rs.'000	As previously reported Rs.'000	Adjustments Rs.'000	As Re-stated Rs.'000
Deferred Tax Asset	126,831	(8,954)	117,876	126,831	(8,954)	117,876
Overall impact on total assets	126,831	(8,954)	117,876	126,831	(8,954)	117,876
Employee Benefit	1,040,132	(97,695)	942,437	1,028,288	(97,695)	930,593
Overall impact on total liabilities	1,040,132	(97,695)	942,437	1,028,288	(97,695)	930,593
Retained Earnings	9,680,933	88,741	9,769,674	9,273,186	88,741	9,361,927
Overall impact on total equity	9,680,933	88,741	9,769,674	9,273,186	88,741	9,361,927

Statement of Comprehensive Income	Group For the year ended 31.12.2012			Company For the year ended 31.12.2012		
Administrative Expenses	(1,483,498)	(1,378)	(1,484,876)	1,367,370	-	1,367,370
Income Tax Expense	(46,595)	565	(46,030)	(13,917)	-	(13,917)
Total Effect on Profit for the year	-	(813)	-	-	-	-
Profit for the year	**1,990,751**	**(813)**	**1,989,938**	**1,889,320**	**-**	**1,889,320**
Defined benefit plan Actuarial Gains / (Losses)	-	14,425	14,425	-	13,047	13,047
Tax on Other Comprehensive Income	-	(1,760)	(1,760)	-	(1,195)	(1,195)
Total Effect on Other Comprehensive Income	-	12,665	12,665	-	11,852	11,852
Total Comprehensive Income	**1,999,831**	**11,852**	**2,011,683**	**1,889,915**	**11,852**	**1,901,767**

NOTES TO THE FINANCIAL STATEMENTS CONTD.

37. FINANCIAL RISK MANAGEMENT

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

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

Credit Risk
Liquidity Risk
Market Risk (Including currency risk and interest rate risk)

The board of directors has the overall responsibility of establishing and overlooking the Groups' Risk Management Framework. The Groups' risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

37.1 Credit Risk

Credit risk is the risk that a counter party will not meet its obligation under a financial instrument and leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including trade receivables, short term investments and other financial assets.

The Group trades only with recognised, 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, ensure the Group's exposure to bad debt is not significant. The Group limits its exposure to credit risk by investing only in short term liquid assets with the counter parties that have an existing business relationship.

The carrying amount of financial assets represent the maximum credit exposure. The maximum credit risk, without considering collateral (if any), at the reporting date was as follows:

	Group			Company		
	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)	31.12.2013 (Rs.'000)	31.12.2012 (Rs.'000)	01.01.2012 (Rs.'000)
Trade and other receivables	**1,654,525**	3,562,259	3,606,315	**1,241,662**	3,391,882	3,498,789
Other financial assets including derivatives	**74,676**	94,097	144,878	**73,105**	55,786	94,502
Loans give to employees	**460,610**	425,167	381,783	**452,132**	419,219	377,278
Short term investments	**3,383,283**	3,872,909	3,844,993	**3,267,977**	3,764,763	3,737,937
Cash at bank and in hand	**147,525**	160,171	252,705	**61,447**	98,823	154,240
Amount due from related parties	**-**	-	-	**8,789**	33,083	10,716
Income tax refunds	**40,854**	-	-	**40,854**	-	-
Other investments	**-**	62,875	58,500	**-**	62,875	56,500
Foreign exchange forward contracts	**2,236**	-	82,251	**2,236**	-	82,251
Available-for-sale investments	**13,644**	10,187	9,591	**15,236**	11,450	10,698
Total exposure to the credit risk	**5,777,353**	8,187,665	8,381,016	**5,163,438**	7,837,881	8,022,911
Trade and Other Receivables						
Gross amount	**1,616,308**	3,524,522	3,310,573	**1,204,445**	3,355,349	3,203,454
Provision for impairment	**(38,217)**	(37,737)	(295,742)	**(37,217)**	(36,533)	(295,335)
Carrying value as at reporting date	**1,654,525**	3,562,259	3,606,315	**1,241,662**	3,391,882	3,498,789

37.2 Liquidity Risk

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

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

Following are the contractual maturity of financial liabilities as at 31 December 2013

	Group			Company		
Financial Liability	Less than one year (Rs.'000)	More than one year (Rs.'000)	Total (Rs.'000)	Less than one year (Rs.'000)	More than one year (Rs.'000)	Total (Rs.'000)
Fair value through profit or loss	3,685	-	3,685	3,685	-	3,685
Other financial liabilities	4,500,628	-	4,500,628	4,289,730	-	4,289,730
Bank overdrafts	10,924	-	10,924	4,426	-	4,426
	4,515,237	-	4,515,237	4,297,841	-	4,297,841

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Following are the contractual maturity of financial liabilities as at 31 December 2012

Financial Liability	Group Less than one year (Rs.'000)	Group More than one year (Rs.'000)	Group Total (Rs.'000)	Company Less than one year (Rs.'000)	Company More than one year (Rs.'000)	Company Total (Rs.'000)
Fair value through profit or loss	218,713	39,338	258,051	218,713	39,338	258,051
Other financial liabilities	3,949,442	13,344	3,962,795	2,844,065	13,344	2,857,409
Bank overdrafts	27,043	-	27,043	7	-	7
	4,195,198	52,682	4,247,889	3,062,785	52,682	3,115,467

37.3 Market Risk

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

37.3.1 Currency Risk

The group exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

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

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

Currency	Average rate	Closing rate Selling	Closing rate Buying
U. S. Dollar	129.06	132.50	129.50
Euro	171.30	183.75	177.60
Danish Kroner	23.13	24.79	23.70
Singapore Dollars	103.34	105.23	101.78
Japanese Yen	1.34	1.27	1.23

37.3.2 Interest Rate Risk

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

TEN YEARS FINANCIAL SUMMARY (COMPANY)

For the year ended 31st December	2013 Rs. Mn (SLFRS)	2012 Rs. Mn (SLFRS)	2011 Rs. Mn (SLFRS)	2010 Rs. Mn (SLAS)	2009 Rs. Mn (SLAS)	2008 Rs. Mn (SLAS)	2007 Rs. Mn (SLAS)	2006 Rs. Mn (SLAS)	2005 Rs. Mn (SLAS)	2004 Rs. Mn (SLAS)
Statement of Comprehensive Income										
Revenue	15,861	15,728	12,195	14,057	13,160	10,929	8,621	7,333	5,916	4,749
Cost of Production	(14,165)	(13,028)	(10,164)	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)	(4,075)
Gross Profit	1,696	2,700	2,031	3,079	3,362	2,501	2,125	1,502	666	674
Other Expenses	(1,675)	(1,411)	(1,193)	(1,579)	(1,349)	(1,110)	(1,029)	(832)	(669)	(548)
Profit before Other Income	21	1,289	838	1,500	2,013	1,391	1,096	670	(3)	126
Other Operating Income	586	470	641	147	128	123	195	209	91	71
PROFIT FROM OPERATION	607	1,759	1,479	1,647	2,141	1,514	1,291	879	88	197
Net Interest Costs	126	144	(83)	174	183	161	(5)	(57)	(52)	(8)
Profit before Tax	733	1,903	1,396	1,821	2,324	1,675	1,286	822	36	189
Taxation	91	(14)	43	193	(199)	(252)	(203)	(215)	21	(4)
NET PROFIT FOR THE YEAR	824	1,889	1,439	2,014	2,125	1,423	1,083	607	57	185
Retained Profit b/f	9,273	7,829	6,937	5,363	3,717	2,522	1,635	1,109	1,176	1,084
Profit available for Appropriation	10,097	9,718	8,376	7,377	5,842	3,945	2,718	1,716	1,233	1,269
Issue of Bonus Shares	-	(34)	-	-	-	(32)	(31)			
Final Dividends	(575)	(411)	(547)	(547)	(479)	(196)	(196)	(50)	(124)	(93)
	9,522	9,273	7,829	6,830	5,363	3,717	2,522	1,635	1,109	1,176

Statement of Financial Position

As at 31st December	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ASSETS										
Property Plant & Equipment	4,147	3,900	2,514	2,254	2,051	2,146	1,826	1,607	1,363	1,109
Investments & Taxes	532	522	486	131	112	77	1	1	1	1
	4,679	4,422	3,000	2,385	2,163	2,223	1,827	1,608	1,364	1,110
Current Assets										
Inventories	753	1,202	638	624	754	937	887	486	546	285
Trade & Other Receivables	7,467	8,051	6,684	5,251	6,893	5,642	7,175	2,007	1,791	1,549
Cash & Short -term funds	3,329	3,864	3,892	5,933	3,880	3,606	1,683	1,740	1,678	1,395
	11,549	13,117	11,214	11,808	11,527	10,185	9,745	4,233	4,015	3,229
TOTAL ASSETS	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841	5,379	4,339
EQUITY & LIABILITIES										
Stated Capital	714	714	684	684	684	684	652	652	621	621
Available for Re-sale & Exchange Reserves	14	10	9							
Revenue Reserves	9,756	9,362	7,829	6,830	5,363	3,717	2,522	1,635	1,109	1,176
Share Holders Fund (Net Worth)	10,484	10,086	8,522	7,514	6,047	4,401	3,174	2,287	1,730	1,797
Non-Current Liabilities										
Interest bearing Borrowings	-	52	161	61	94	148	227	253	286	217
Deferred Taxation	-	-	-	-	62	103	119	155		
Retirement benefit Obligation	816	931	963	951	786	689	468	393	334	279
	816	983	1,124	1,012	880	837	757	749	739	651
Current Liabilities										
Trade & Other Payables	2,760	4,548	3,920	4,732	6,048	5,435	5,341	1,147	981	734
Interest bearing Borrowings	2,141	1,880	538	897	315	1,246	1,676	1,102	1,472	500
Income Tax Payable	-	16	46	-	305	329	319	193	4	(2)
Dividends Payable	23	19	17	15	13	7	6	5	4	3
Bank Overdraft	4	7	47	23	82	153	299	358	449	656
	4,928	6,470	4,568	5,667	6,763	7,170	7,641	2,805	2,910	1,891
	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841	5,379	4,339
Key Indicators										
Earnings per Share (basic) Rs.	11.46	26.58	21.03	29.44	31.05	20.80	16.60	9.31	0.94	2.98
Net Assets per Share (Rs.)	145.89	140.36	124.40	109.81	88.37	64.31	48.69	35.10	27.87	28.97
Market Price per Shares (Rs.)	189.60	224.00	238.80	275.00	244.75	50.00	53.00	36.00	22.25	22.50
Return on Capital Employed (%)	4.3	17.6	17.3	21.7	35.0	33.3	37.9	34.6	4.4	9.8
Dividend Paid per Share (Rs.)	4.00	8.00	6.00	8.00	7.00	3.00	3.00	0.80	1.50	1.50
Current Ratio (Times)	2.34	2.07	2.45	2.08	1.70	1.43	1.28	1.51	1.38	1.31
Interest Cover (Times)	4.53	14.32	20.10	29.78	31.2	21.66	10.65	8.34	1.06	6.37

NOTES

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 First Annual General Meeting of Colombo Dockyard PLC will be held at the Grand Ballroom, Galadari Hotel, No.64, Lotus Road, Colombo 1, Sri Lanka at 10.00 a.m. on the 10th day of April 2014 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 2013 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 2014 and up to the date of the next Annual General Meeting.

By order of the Board
COLOMBO DOCKYARD PLC

Manori P. Mallikarachchi
Company Secretary

24th February, 2014
Colombo, Sri Lanka

Notes

1. Any member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.

2. A proxy need not be a member of the Company.

3. The Form of Proxy is enclosed for this purpose.

4. The completed Form of Proxy must be deposited at the Registered Office of the Company Graving Docks, Port of Colombo, Colombo 15, Sri Lanka, not later than 45 hours prior to the time appointed for the holding of the meeting.

Please bring your National Identity Card when attending the meeting.

FORM OF PROXY

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

I/We ....

(NIC No.) .... of ....

.... being a member/members of

Colombo Dockyard PLC, hereby appoint, ...

.... of ....

....(or failing him/her)

A. Nakauchi	of Colombo (or failing him)
Sarath de Costa	of Colombo (or failing him)
Mangala P.B. Yapa	of Colombo (or failing him)
T. Nakabe	of Colombo (or failing him)
Y. Kijima	of Colombo (or failing him)
Lalith Ganlath	of Colombo (or failing him)
H.A.R.K. Wickramathilake	of Colombo (or failing him)
Janaki Kuruppu	of Colombo (or failing her)
P. Kudabalage	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on 10th April 2014 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 Fourteen.

....
Signature

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

FORM OF PROXY CONTD.

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	-	000846
Income tax	-	124085896-0000
ESC	-	124085896-8000
NBT	-	124085896-9000

Directors

A. Nakauchi	-	Chairman
Sarath de Costa	-	Vice-Chairman
Mangala P. B. Yapa	-	Managing Director/ CEO

Lalith Ganlath
H. A. R. K Wickramathilake
Y. Kijima
T. Nakabe
Janaki Kuruppu
P. Kudabalage
Y. Imai } Alternate Directors
K. Usu } to Mr. T. Nakabe

Audit & Remuneration Committee
H. A. R. K. Wickramathilake (Chairman)
Lalith Ganlath
Sarath de Costa

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

General Management

Mangala P. B. Yapa	-	Managing Director/ CEO
D.V. Abeysinghe	-	General Manager (Projects & Engineering)
R. Wijegunawardana	-	General Manager (Finance)
N. M. K. B. Nayakarathna	-	General Manager (Commercial)
S. Perera	-	General Manager (Production)
W.M.De Silva	-	General Manager (Human Recourse Redevelopment & Administration)

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
04, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

People's Bank
75, Sir Chithampalam A Gardiner Mawatha,
Colombo 2, Sri Lanka

Commercial Bank of Ceylon PLC
Commercial House,
21, Bristol Street, Colombo 1, Sri Lanka

State Bank of India
No 16 Sir Baron Jayathilake Mawatha,
P O Box 93, Colombo1

Sampath Bank PLC
No 110, Sir James Pieris Mawatha,
Colombo 2

National Development Bank PLC
103 A, Dharmapala Mawatha,
Colombo 7

The Hongkong & Shanghai Banking Corporation Limited
24 Sir Baron Jayathilake Mawatha
Colombo1, Sri Lanka

Hatton National Bank PLC
Level 17 - HNB Towers,
479, T. B Jayah Mawatha,
Colombo 10, Sri Lanka

Contact Details
P O Box 906, Graving Docks,
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

optima
Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by Gunaratne Offset Ltd.

WE MADE IT THROUGH...”

Colombo Dockyard PLC
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