



COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

FACING CHALLENGES WITH COURAGE AND GRIT

Colombo Dockyard PLC Annual Report - 2015

CONTENTS

Vision, Mission	Inner Front Cover
Quality, Environment & Safety Policy	02
Corporate Profile	03
Financial Highlights	04
Integrated Reporting	
Contents Elements	05
Chairman's Review	06
Managing Director / CEO's Review	08
Board of Directors	12
Management Discussion and Analysis	14
Financial Review	20
Corporate Governance	26
Risk Management	32
Shareholder Information	36

Financial Reports

Financial Calendar 2015/2016	40
Annual Report of the Board of Directors on the Affairs of The Company	42
Statement of Directors' Responsibilities	47
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	48
Independent Auditors' Report	49
Statement of Profit or Loss and Other Comprehensive Income	50
Statement of Financial Position	51
Statement of Changes In Equity	52
Statement of Cash Flows	54
Notes to the Financial Statements	56
Ten Years Financial Summary	97
Notice of Annual General Meeting	98
Form of Proxy	99
Corporate Information	Inner Back Cover

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 East 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.

A large ship is being lifted by a crane at a dock. The ship is dark-colored and has the name 'SWARNIA SINDHU' visible on its side. The crane is a tall, lattice-structured tower with a hook at the top. The background shows a cloudy sky and other industrial structures. The text is overlaid on a semi-transparent white box.

FACING CHALLENGES WITH COURAGE AND GRIT

Colombo Dockyard faced a challenging year, and despite its hardships has endured thanks to its dynamic and united team. Having adopted new policies and strategies into its operational framework Colombo Dockyard is poised to forge ahead with efficacy, passion and purpose. By reducing overheads and increasing efficiency, with focus and dedication your Company continues its trajectory of achieving stability, consistent growth and solidarity.

To add to its multifarious accolades Colombo Dockyard built and delivered the second largest passenger vessel, further augmenting its impressive portfolio. Thanks at large to our team embodying its core values and sharing a unified vision to prevail, your Company continues to sail ahead to forge a better and brighter tomorrow.

Now Colombo Dockyard looks to the future, to steadily emerge from turbulent seas, to rise above the storms and navigate towards safer waters.

QUALITY POLICY

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

ENVIRONMENT POLICY

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

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

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

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

SAFETY POLICY

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

Colombo Dockyard PLC shall:
Provide safe plant, machinery, equipment and systems of work.

Ensure compliance with relevant statutory regulatory requirements; and
Provide procedures, information, instructions training and supervision to employees, contractors, customers and visitors to ensure their safety.

CORPORATE PROFILE

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

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

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

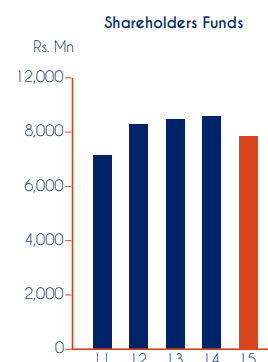
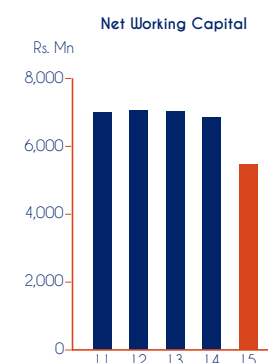
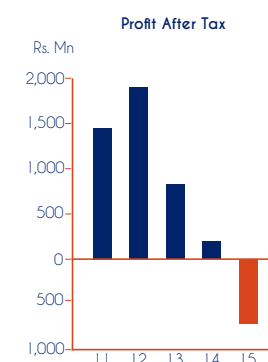
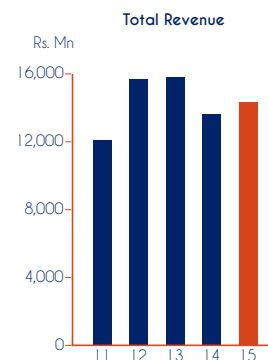
Five core values that have helped Colombo Dockyard in its odyssey, **Flexibility, Innovation, Being Customer Centric, Environment Friendly, People Focused.**

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

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

FINANCIAL HIGHLIGHTS

	2015 Rs. Mn	2014 Rs. Mn	Change Rs. Mn	%
Results for the Year				
Revenue				
Shiprepairs	4,311	3,857	454	11.77
Shibuildings	10,087	9,830	257	2.59
Heavy Engineering	9	20	(11)	(55.00)
	14,407	13,707	700	5.09
Export Revenue	13,973	13,191	782	5.93
Local Revenue	432	516	(84)	(16.28)
Gross Profit	791	1,199	(408)	(34.03)
Operating Profit	(694)	220	(914)	(415.45)
Taxation	(14)	(11)	(3)	(27.27)
Net Profit after Tax	(708)	209	(917)	(438.76)
Profit Available for Appropriation	8,722	9,645	(923)	(9.57)
Company Value Addition	3,401	4,167	(766)	18.38
Company Value Addition %	23	29	(5)	(17.24)
Local Value Addition	7,108	6,880	228	3.31
Employees Salaries & Benefits	3,433	3,242	(191)	(5.89)
Balance Sheet				
Total Assets	17,209	16,440	769	4.68
Total Liabilities	7,757	6,064	(1,693)	(27.92)
Share Holders' Fund	9,452	10,375	(923)	(8.90)
Cash & Cash Equivalent	1,870	2,632	(762)	(28.95)
Information Per Ordinary Share				
Earnings (Rs.)	(9.85)	2.91	(12.76)	(438.49)
Net Assets (Rs.)	131.55	144.39	(13)	(8.89)
Market Value (Rs.)	150.10	193.00	(43)	(22.23)
Dividends Approved (Rs.)	-	3.00	(3.00)	(100.00)
Market Capitalization Rs. Mn	10,786	13,869	(3,083)	(22.23)
Financial Ratios				
Net Profit after Tax (%)	(4.9)	1.5	(6.4)	(422.34)
Return On Investment (%)	(4.1)	1.3	(5.4)	(423.62)
Return On Assets (%)	(4.1)	1.2	(5.3)	(441.67)
Interest Cover (Times)	(7.6)	(0.7)	(6.9)	985.71
Return On Equity (%)	(7.5)	2.0	(9.5)	(475.00)
Gearing Ratio (%)	0.0	0.0	-	-



INTEGRATED REPORTING CONTENTS ELEMENTS

Integrated Reporting Contents Elements	Annual Report Reference Page
(1) Organizational Overview and External Environment: What does the organization do and what are the circumstances under which it operates?	Page 3, 4, 6, 8 and 14
(2) Governance How does the organization's governance structure support its ability to create value in the short, medium and long-term?	Page 6, 8 and 26
(3) Business Model What is the organization's business model?	Page 8 and 42
(4) Risks and Opportunities What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?	Page 32
(5) Strategy and Resource Allocation Where does the organization want to go and how does it intend to get there?	Page 6 to 11
(6) Performance To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Page 6, 8, and 20
(7) Outlook What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Page 6 to 11
(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 REVIEW



It is my distinct pleasure as Chairman to present to you, our valued stakeholders, the annual report of Colombo Dockyard PLC (CDPLC) and our strategic vision for the Company as we move into a new year. At the outset I wish to state that the Company is not expected to undergo any major changes in terms of its ownership and business model.

Knowledge Transfers

Onomichi Dockyard began its strategic relationship with Colombo Dockyard PLC in 1993 and since then we have supported the development of Colombo Dockyard PLC through extensive capacity building programs and technical transfers in order to continuously improve the technical expertise of Sri Lankan personnel, particularly in the field of shipbuilding and I am pleased to report that more than 400 Sri Lankans have been sent to Onomichi Dockyard to work in ship building and in areas of management and occupational health and safety.

Advanced Shipbuilding Techniques

Utilising these valuable transfers of knowledge and technical skills between Sri Lankan engineers and their Japanese counterparts CDPLC has been able to integrate numerous best practices and advanced Japanese shipbuilding techniques into our own production processes. One example of how these knowledge transfers

are delivering tangible benefits to the bottom-line can be found in large block assembly processes.

It should also be noted that our workforce is also making continuous improvements through their own initiatives and experience as well. With every series of orders we get for a particular vessel we find that the first in that series may not yield significant profits however as our team gathers experience working on the same types of ships, there is a natural reduction in costs. This type of local capacity building through practical experience is also of crucial importance to the continued success of our shipbuilding operations.

Occupational Health and Safety

Occupational health and safety is another key concern for CDPLC. Our yard has been extremely busy, particularly in more recent years and so are faced with a situation where many people are working in a very limited space.

In those conditions, it is imperative that all possible measures are taken to ensure the safety of our employees. In order to improve those processes, we have sent a team of personnel to Onomichi Dockyard dedicated solely to learning about safety controls and what is being done in terms of best practices, rules, standards and education. Equipped with that training and knowledge, we continuously work to improve our own occupational health and safety standards.

Shipbuilding Business

Unlike the year 2014, when production delays were encountered as CDPLC completed its largest ever order for 400 passenger vessels for an Indian client, shipbuilding operations on existing contracts proceeded smoothly during the year with all completed orders being built to the highest standards for which CDPLC has established a firm reputation.

CDPLC specialises in the manufacture of offshore support vessels (OSV) catering to the oil industry and in oil drilling and exploration operations in particular. Given the performance of oil prices, which dropped to historic lows in 2015, demand for OSVs has been negatively affected for our performances.

In that regard, we have already received several inquiries from adjacent countries in connection to the assembly of passenger boats, barges and other vessels unrelated to oil drilling and OSVs.

Ship Repair Operations

The last several years in general have been very positive for our ship repair business. Demand in this segment tends to peak from late October through to December and it then when we have many regular customers coming back with repeat business. These regular clients of ours continue to be highly satisfied with our performance, quality and ability to work within contracted schedules.

Our ship repair segment can be split into dry-dock operations and afloat repairs, the latter of which we are possessed with a surplus capacity. Consequently CDPLC will also be targeting more opportunities for afloat repairs in the coming year in addition to maintaining the strong relationships we have built up with our established client portfolio.

Dockyard General Engineering Services

The performance of CDPLC's fully owned subsidiary, Dockyard General Engineering Services (Pvt) Ltd (DGES), has been another important of CDPLC Group. DGES increment in revenue as the company took on many crucial infrastructure development projects in Sri Lanka. DGES is a very unique company and they have extensive expertise in the production of LPG and other fuel storage tanks, bridges, and large-scale pipes used in dams and reservoirs. In that context, a notable development over the course of 2015 was the securing of an order for the Victoria Dam Rehabilitation project, a major undertaking that we expect will yield strong results for CDPLC and raise the profile of DGES even further moving forward.

Industry Outlook

Our industry's performance is currently linked very strongly to the performance of oil markets. In that context there are several factors that which are expected to ensure that oil prices will stay at reduced levels over the short-medium term horizon. The growing Shale Oil production contributes on the supply side, while a slowdown of growth in China, improved fuel efficiency through the increased adoption of technologies like Hybrid cars and an increasing contribution from renewables are working to keep demand low, the result being surplus supply and reducing demand.

The likely outcome of these conditions has formed the bottom trend of oil prices in the end of 2015, and a possible recovery in prices is forecasted in 2017-2018.

Regional Competition

Economic growth has generally been on the rise in the South Asian region and there has been some increase in

terms of regional competitors in the areas of ship building and ship repair. Despite this we believe that CDPLC still holds several strategic advantages over regional competitors.

Firstly, Sri Lanka's geographic location is an immense advantage as it is ideally positioned to serve as central hub location for many major shipping routes. CDPLC was itself first established for the purpose of ship repair in 1906 and we believe this historic emphasis on ship repair also serves as a competitive advantage in the area of ship building as well.

Strategic Outlook

Consolidation of our primary operations through improved efficiency and cost reductions and a diversification of our products in higher growth sectors will be the core aspect of our strategy for 2016. We are already seeking feasibility studies for new businesses not only in ship building but also in heavy industry and we are pleased to report that discussions have already commenced with other companies to explore new business opportunities, particularly through our fully owned subsidiary, DGES.

In this manner and supported by the technical expertise and guidance provided by Onomichi Dockyard we at CDPLC will continue to provide the local, regional and international market with highest quality products and the most advanced systems not only in ships but also in heavy machinery. With Sri Lanka's growth continuing at a strong pace, it is anticipated that there will be a lot more in terms of construction and infrastructure projects. With this level of varied demand, we will aim to further develop our skills in this area while ensuring a process of continuous improvements across our total sphere of operations.

Acknowledgements

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



Dr. Toru Takehara
Chairman

16th May, 2016
Colombo

MANAGING DIRECTOR / CEO'S REVIEW



I would like to present a brief summary of the performance of Colombo Dockyard PLC over the course of the last year and offer an outline of our strategic outlook and vision for 2016 to our esteemed stakeholders.

Throughout the long and prestigious history of Colombo Dockyard PLC our Company has consistently maintained a reputation for excellence in shipbuilding, ship repair; primarily catering to a diverse and well respected range of international clients. Meanwhile our fully-owned subsidiary, Dockyard General Engineering Services (Pvt) Ltd, has also become a trusted partner in the field of civil engineering in Sri Lanka having successfully tackled several large-scale infrastructure projects.

In that context I am pleased to report that despite a challenging operating environment 2015 has been a comparatively successful year for CDPLC. Despite subdued demand in core areas of our business, the Company was nevertheless able to deliver a strong performance in key growth areas due in large part to our disciplined management of overheads, stringent health and safety standards and a dedicated commitment to labour harmony and customer satisfaction at all levels of our organisation.

Major Rebalancing in the Global Economy

The global economy showed signs of a sluggish and uneven recovery with significant variance across regions. Global economic growth fell short of expectations to reach 2.4% by the end of 2015, as compared with 2.6% in 2014. The year was characterised by diminished flows of trade and capital particularly in the case of emerging markets which saw foreign investors redirecting capital back into the American economy in response to a rise in interest rates by the United States Federal Reserve.

The simultaneous slowdown of the world's largest emerging market economies – Russia, Brazil, China and South Africa – caused plunging commodity prices; another key feature of the last year. Sharp declines were witnessed in the prices of commodities, particularly in terms of crude oil prices which dropped under \$40 a barrel by the end of 2015. The drastic reduction in crude oil prices was one of the most significant external factors affecting the business of Colombo Dockyard PLC given that a large portion of our ship building orders are for offshore support vessels (OSV) involved in oil drilling and exploration as will be discussed in greater detail below.

On-going declining trends in terms of international commodity markets also present significant downside risks for nations that are net-exporters of commodities, particularly exporters of crude oil, and while the effect of such depressed commodity prices is certainly anticipated to be beneficial in over the short-medium term to net importing nations – like Sri Lanka – the longer term implications of persistently low commodity prices could prove to be a powerful destabilising force in the global economy.

Sri Lankan Economic Performance

It was a landmark year for Sri Lanka which bore witness to notable changes during the period in review, commencing with Presidential elections at the start of the year, and followed by General elections thereafter. The new political leadership that emerged from last year's elections placed great emphasis on principles of good governance and a rebalancing of economic growth in order to achieve a more equitable distribution of wealth and development.

In addition to the establishment of a more open economic policy aimed at facilitating greater levels of foreign direct investment, the new Government also announced plans to streamline the country's taxation system, which we believe is another important step towards shoring up Government

revenues and promoting a more sustainable development path for Sri Lanka.

In subsequent months, the progress on several infrastructure development projects were slowed due to a process of re-evaluation being conducted by the Government. This caused a temporary lull in the construction sector, however most projects have since been resumed and it is anticipated that Sri Lanka's further growth in the construction sector will continue over the medium-long term horizon.

Economic growth by the end of 2015 was estimated at 5.8%, as compared to 4.5% in the previous year, falling below the 7% target first announced by the Central Bank of Sri Lanka in January 2015. Despite this, the country's economic prospects are still anticipated to improve in the coming year however early forecasts by the World Bank for Sri Lanka estimate GDP growth at 5.3% in 2016.

Notably, Sri Lanka was able to maintain relatively benign inflationary conditions throughout the year starting at a peak of 9.4% in January before dropping to a low of 1.8% in July and ending the year at 4.2% in December 2015. Furthermore, the fact that CDPLC's business primarily caters to an international clientele, the Company earns the majority of its income in US Dollars, hence the performance of the Sri Lankan Rupee relative to the dollar was another positive factor for CDPLC.

Financial Performance and Segmental Analysis

As alluded to in prior sections of this report, the Company faced some challenges during the year in review, particularly those stemming from the re-negotiation of certain terms of some shipbuilding contracts during the final quarter of the financial year which adversely affected profitability. The reasons for the re-negotiation were disclosed in a timely manner to our stakeholders and will be explained in greater detail in subsequent paragraphs of this review.

Despite the adverse global economic conditions described above and the dampening effect that it had on the international ship building industry particularly with regard to our current field of core expertise, offshore support vessels for the oil drilling and exploration industry -the Company was able to record Rs. 10.5 billion in revenue leading to a profit after tax of Rs. 407 million during the first nine months of the year in review.

This was truly a remarkable performance for the Company which in the same comparative period of the 2014 financial year generated a turnover of Rs. 9.9 billion and a profit after tax of Rs. 50 million, clearly displaying a marked improvement. We attributed this strong performance to our disciplined focus on controlling costs and overheads within pre-planned limits while continuously focusing on methods to increase volumes and overall operational efficiency.

Unfortunately, and as announced prior to the publication of this report through a disclosure to the Colombo Stock Exchange (CSE) on 3rd March 2016, the Company had entered into contracts with customers in the offshore drilling industry for the manufacture and delivery of new ships during 2016 and 2017. Due to adverse global economic conditions, particularly in relation to the prices of crude oil, our customers had communicated their difficulties to continue with the originally agreed terms and conditions of the contracts.

Following the development of this challenging situation, prompt and extensive negotiations with these clients and the Management of the Company were entered into with a view to reaching a result that would ensure the most minimal impact to Colombo Dockyard PLC. Having carefully considered the short-long term implications of this challenging situation as it related to the future economic outlook of the offshore oil drilling industry, existing legal frameworks, the value of our relationships with our clients and most importantly the well-being of the Company and its esteemed stakeholders, the Management decided to enter into revised agreements feasible to both parties.

Accordingly, both parties agreed to cancel one contract which was still at the initial stages of planning and continue the balance three contracts at a discounted price. Adapting to the prudent accounting practices and governance standards, the Company subsequently made a provision of Rs. 1.17 billion in the fourth quarter resulting in a cumulative loss of Rs. 709 million for the financial year in review.

Nevertheless, CDPLC was also able to deliver 3 vessels during the year, against 3 in the previous year while the overall contribution from the ship building segment benefited substantially from the implementation of stronger planning and controls, and a continuous process improvements focused on securing control of costs and improved productivity. The extended overseas training

MANAGING DIRECTOR / CEO'S REVIEW CONTD.

and expert advice that we have relied on as in previous years also continues to yield valuable dividends to the Company. Negotiations for material procurement pricing also resulted in more favourable terms for CDPLC which helped bolster the bottom line.

Ship Repair

Notably, CDPLC's ship repair operations recorded a strong performance during the year, ultimately generating an 11.8% YoY increase in turnover with many tankers calling on the yard during the year. The improved performance of the ship repair segment was also boosted by a systematic reorganisation of yard operations to promote greater efficiency. As compared with the 2014, when docks were typically utilised for ship repair and to be reassigned to accommodate the previously mentioned order of passenger vessels, this year, the ship repair business also enjoyed the benefit of more dock space which also served to improve performance.

Both our shipbuilding and ship repair operations received significant positive feedback and we can confidently state that CDPLC's reputation and legacy for quality work, timely delivery and customer care excellence has been further consolidated during the year.

Dockyard General Engineering Services

In terms of the performance of DGES - where I also serve as Chairman - we are pleased to report that the subsidiary was able to generate a 27% increase in turnover and we were able to complete all projects as planned and within the stipulated time frames. DGES undertook several major projects including the refurbishment of power plants, several other infrastructure rehabilitation projects and the installation of components for the Galle Highway.

CDPLC also operates a sales centre for trading of marine industry related materials and paints. While these operations too posted a slight decline in volumes, the business is still performing well and we will continue to explore further strategies to improve its performance in the coming year.

Health and Safety

Health and safety continues to be a key priority for CDPLC. We continuously strive to inculcate a culture of discipline across all levels of the organisation and we are closely focused on maintaining the highest safety standards and improving awareness of best practices.

These factors in combination with CDPLC's extensive employee safety training programmes helped us to maintain extremely low rates of accidents and lost hours. In order to further augment safety standards, CDPLC initiated the implementation of Occupational Health and Safety Standards (OHSS), ISO 14001, and ISO 18001 with Lloyds India.

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements of ISO 14001:2015 (Environmental Management System - EMS) and OHSAS 18001-2007 (Occupational Health and Safety Management Systems) to the scope detailed on the approved certificate.

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

Further, we were once again able to maintain a harmonious relationship with our labour force, another deciding factor in the continued positive performance of CDPLC throughout the year.

Investing in our Future

Taking cognizance of future requirements of CDPLC, we invested Rs. 473 Mn into the development of the yard, replacement of machinery and equipment and completed construction of a new workshop building over the course of 2015 and we are confident that these measures will support CDPLC to develop further in 2016.

Partners

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

Share Prices

An earnings per ordinary share was recorded at Rs. (9.85) by the end of 2015, as compared with Rs. 2.91 per ordinary share in 2014. Meanwhile, our market capitalisation dropped from Rs. 13.8 billion to Rs. 10.7 billion, largely as a result of wider declines in global and local share markets.

Future Outlook

At present, CDPLC is very much an outward facing company in that 95% of our business is focused exclusively on overseas clients. As briefly outlined in prior sections

of this report, the global economy expected to endure subdued growth over the short to medium term.

This factor in combination with CDPLC's emphasis on vessels catering to the oil industry has already resulted in some negative results for the industry and if oil prices continue to fall further negative impacts are likely. We anticipate that in such a scenario, cargo volumes may fall, and while Sri Lanka's growth trajectory is likely to attract more vessels, and international commerce, we anticipate significant downside risks as a result of international economic developments which could result in a lean market for ship repairs and ship building operations.

Consequently, we believe that it is prudent to adopt a selective and conservative approach to decision making and we expect to enter 2016 with a strong measure of caution. Therefore CDPLC may not expand the scope of its operations immediately, but instead seek to work within our present capacity while exploring opportunities to grow volumes, streamline costs and boost productivity. However, adaptability is crucial to success, hence if a clear improvement in market conditions does occur we will of course react proactively.

In the meantime, the Management is confident in the ability of Colombo Dockyard PLC to rapidly adapt with resilience to current conditions – an ability which it has proven to be deeply capable of during our four decades of operations to date. In that context the Company has confirmed ship building orders until 2017, while ship repair operations remain stable. The Company itself remains free from any long-term borrowing, while our cash flows and working capital also display considerable strength which we are confident will help to sustain the Company through this difficult period.

It is noteworthy in that regard that Sri Lanka's own development outlook remains as vibrant as ever with the Government having announced extensive plans for the sweeping development of Colombo as a Megapolis, in addition to other major projects such as the Port City, several high-rise projects and a focused improvement of the nation's road networks. All of these projects hold the potential for significant opportunities in relation to our subsidiary, DGES and also for CDPLC itself.

We have continuously worked to improve the technical expertise and safety standards of our people. This strategy has been crucial to our success and we will continue to maintain this high level of training and

development both in house locally and overseas where we work to give our people opportunities to train in identified areas where they can return to augment the skills of our workforce and deliver vital productivity improvements.

In order to mitigate the impact of falling oil prices, CDPLC will also look to diversify its product offering to encompass more passenger vessels, landing craft, harbour tugs and barges. It is anticipated that more opportunities to secure local ship building contracts may also arise in the coming year as the nation continues its remarkable post-war development. With our order book still remaining quite busy with more vessels to deliver in the coming year our primary focus will be to ensure that these vessels are completed and delivered on time and with the CDPLC stamp of excellence.

Sri Lanka is quickly emerging as a unique tourist destination, a vibrant commercial hub and an investment destination with international appeal. In that context, it is likely that CDPLC may have a larger role to play in Sri Lanka's development moving forward. In the meantime we will continue with normal business operations while aggressively seeking out new opportunities to expand volumes across all three segments of our business and help create a more prosperous year for all of our valued stakeholders in 2016.

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



Ranil Wijegunawardane
Managing Director/ CEO

16th May, 2016
Colombo

BOARD OF DIRECTORS



1 Dr. Toru Takehara
Chairman

Ph.D. in Mechanical Engineering Nagaoka University of Technology, Japan

Appointed to Colombo Dockyard PLC (CDPLC) Board on 01st September 2014. Director of CDPLC Subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd, Singapore.

2 Sarath De Costa
Vice Chairman

Dip. Foundry Engineering

Former Consul General for Sri Lanka in Osaka, Japan.

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

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

3 Ranil Wijegunawardane
Managing Director/ CEO

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

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

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

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

Sri Lanka (NCE), Member of Lloyd's Register – South Asia Advisory Committee, Member of DNV GL – South Asia Committee.

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

4

T. Nakabe
Director

B.A (British American Literature) Tamagawa University

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

5

M. KOSHI
Director

Mr. Koshi holds a Bachelor's Degree in Mechanical Engineering, Kyushu Sangyo University in Japan.

He has worked in Onomichi Dockyard Co. Ltd, Japan as the General Manager – Technical Engine & Electrical Department since 1991 up to this appointment.

6

Lalith Ganlath
Director

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

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

7

H A R K Wickramathilake
Director

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

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

8

Dr. (Mrs) Janaki Kuruppu
Director

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

Appointed to the CDPLC Board in August 2010. Ms. Kuruppu is a senior business leader with over 26 years of experience in private, public and non-profit sectors. Starting her career as an entrepreneur and establishing Nielsen Lanka, she is the current Chairperson of Mother Sri Lanka Trust and a freelance business strategy and development consultant and a member of several corporate boards. She has also held the positions of the first female Chairperson of the Sri Lanka Tea Board and the first Chairperson of the Regional Development Bank which she set up by merging 6 provincial level banks and Group Director-Cargills Ceylon Plc. She holds a Ph. D. from University of Colombo and MA in Statistics and B. Sc in Mathematics from University of Missouri, USA and has professional experience in Banking, Tea, Engineering, Retailing, Media, Agri Business, Food Processing, Restaurant, Social Services, Non-profit organization, Green Business, Agri Finance, Finance, Academics, Monitoring & Evaluation and Strategic Planning Consultancy, Social and Market Research.

9

Bangsa Jayah
Director

Mr. T. M. R. Bangsa Jayah was appointed to the Board of Colombo Dockyard PLC on 20th April, 2015. He is a retired commissioned Police Officer, who has experience in the Police service for 29 years. During his career with the Police Department and he was the Chief of Security for the Deputy Speaker and North- East Governor. Mr. Bangsa Jayah is the present Managing Director of Sri Lanka Insurance Corporation Ltd and the Chairman of Ceylon Asset Management Co. Ltd

He is a product of St. Anne's College, Kurunegala and has studied further in Aquinas College, Colombo. During his school period he has excelled in sports including Cricket and Soccer. He is a member of School Cadet Team. After his schooling he has completed his First In Laws at the Law Faculty, Colombo.

Mr. Bangsa Jayah has experience in construction industry for more than 15 years and he has been a principal partner in a well known piling company.

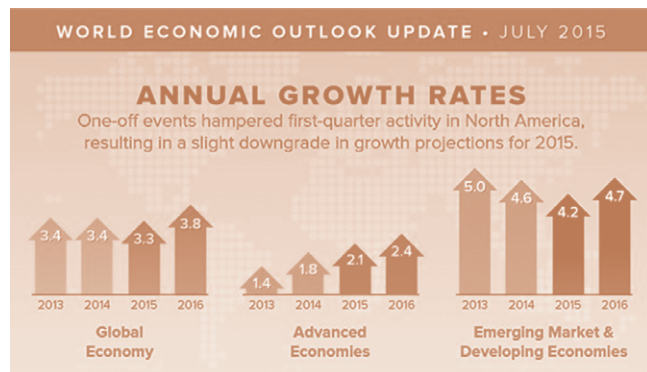
MANAGEMENT DISCUSSION AND ANALYSIS

The Operating Environment and Economic Trends Global Economic Prospects

The Global Economy in Transition

Global growth is expected to be 2.8 percent in 2015, lower than anticipated in January. Growth is expected to pick up to 3.2 percent in 2016-17, broadly in line with previous forecasts. Developing economies are facing two transitions. First, the widely expected tightening of monetary conditions in the United States, along with monetary expansion by other major central banks, has contributed to broad-based appreciation in the U.S. dollar and is exerting downward pressure on capital flows to developing countries. Many developing-country currencies have weakened against the U.S. dollar, particularly those of countries with weak growth prospects or elevated vulnerabilities. In some countries, this trend has raised concerns about balance sheet exposures in the presence of sizeable dollar-denominated liabilities. Currency depreciations have been significantly less in trade-weighted terms, partly due to a weakening euro and yen, thus offering only modest prospects for competitiveness gains to boost exports. Second, despite some pickup in the first quarter of 2015, lower oil prices are having an increasingly pronounced impact. In oil-importing countries, the benefits to activity have so far been limited, although they are helping to reduce vulnerabilities. In oil-exporting countries, lower prices are sharply reducing activity and increasing fiscal, exchange rate, or inflationary pressures. Risks remain tilted to the downside, with some pre-existing risks receding but new ones emerging.

World Economic Outlook – October 2015 – IMF



Shipping Industry

Fitch: Global Shipping Outlook Cut to Negative on Weak Demand

2016 Outlook: Global Shipping

Fitch Ratings-London-10 December 2015: Fitch Ratings has revised the global shipping sector outlook for 2016 to negative from stable in 2015. We expect muted global trade growth and the economic slowdown in emerging markets to exacerbate overcapacity, leading to declining and volatile freight rates. But performance will vary across the segments, with dry-bulk and container shipping under pressure, while tanker and LNG shipping fare better.

China's slower growth and economic transition will pose particularly significant risks for the shipping sector due to its key role in global trade, accounting for two-thirds of global iron ore imports and 20% of world coal imports. Weaker demand growth will increase overcapacity, the key factor blighting the shipping sector's recovery prospects and putting pressure on freight rates. We expect container shipping capacity to rise 6% in 2016 on top of a 9% increase in 2015, easily outpacing demand growth of 2% this year and 3%-4.5% in 2016.

Shipping companies will continue to implement defensive measures including cost-cutting, which will be helped by lower bunker prices, slow steaming, idling and the cancellation of sailings to achieve profitability. But we believe these measures are insufficient to lead to a protracted recovery in the sector. Rigorous capacity discipline along with a pick-up in demand would be necessary to reach a sustained equilibrium.

The Shipping Market in 2015 and Looking Forward

2015 never really took off, even though the global economic activity looked stronger earlier in the year.

The negative indicators seen at the end of 2014 were not overcome, and we saw a significantly lower level of growth for global GDP in 2015 than in the previous five years. This was primarily due to the struggling emerging markets and developing economies, led by changes in China's economic focus.

As BIMCO's hope for a bounce-back in 2016 wanes, shipping should brace itself for yet another challenging year. Despite this, the International Monetary Fund has forecast higher GDP growth rates for 2016 across the board. As China re-evaluates its future growth and

direction, the shipping industry can expect an uncertain and lower level of support from one of the most important drivers of shipping demand growth in recent times.

Baltic index nears all time lows on weak China demand

The Baltic Exchange's main sea freight index, which tracks rates for ships carrying dry bulk commodities, fell on Monday inching near all-time lows, dragged down by weak Chinese demand.

The overall index, which gauges the cost of shipping cargoes including iron ore, cement, grain and coal, fell five points or 1.05 percent, to 473 points.

The index hit an all-time low of 471 points on Dec. 16, the lowest in records that date back to January 1985.

Shiprepairs Sector

The revolutionary drop in the oil prices from high levels of US \$ 100 per barrel to a record low US \$ 35-40 per barrel is creating a huge impact on the shipping industry regionally as well as globally. The shipping industry players, (especially offshore industry) were in for a rude shock with the oil prices taking an unexpected dive to lowest levels in decades, resulting in numerous adverse impacts on the industry as a whole.

The year 2015 can be termed as one of the challenging years in terms of global / regional economic conditions were negative, resulting in the shipping freight rates bulk and container were keeping lower levels.

The only positive sentiment visible in the ship repair sector was in the tanker segment, surge in demand for tankers as a result of the low oil price.

This has been reflected in the shipyard's performance during the second half of the year. Number of tankers accommodated had increased generating almost doubling the revenue generated from this tanker segment year on year.

Excerpts from IHS Shedding Light on the Shipping Industry:

IHS Maritime and Trade highlights five trends that shape the global maritime industry: From Shipbuilding to cargo routes to the future of seafaring, the maritime sector continues to evolve in response to economic, political, demographic, and technological trends. Understanding

these trends is critical to improving performance of the industry's capital investment as well as operational efficiency, and provides the backdrop for successful long term business strategy. **Commodity Super-cycle:** Super no longer – With most of the developing world in a slowdown, industry specialists forecast a prolonged weakness in commodity prices over the next decade. Prices for coal, iron ore and crude likely to remain low over the next few years. Only exception in the trend for tankers, which is expected to stay strong on the short term.

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

The ship owner's automatic reaction to overcome these challenging times, in drastic extended recession times is to curtail spending and delay the repairs, within the statutory regulations. This results in owners focusing on the mandatory classification society identified repairs. Some owners may look at downgrading level of maintenance by shifting the vessel's classification to less stringent class societies.

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

Thus the demand for drydocking is lower than in previous years, with many owners taking advantage of this regulation, in this tough market conditions, but it is not the best shipyards.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

The owners demand for speedier turnaround times on tighter budgets as competition levels are tighter with yards hungry for business, as the available business is shared amongst new comers and the old players on the block.

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

One can also count in the local ship repair companies setting up operations, to handle small vessels. Competition will encroach into the Dock No. 03 segment of small work boats, Naval and fishing vessels from local and regional markets. One should also look at competition as a blessing for the industry to develop the much needed resource base as we can see the pie to be big enough to be shared in making Sri Lanka a repair hub.

The trend continued this year with smaller size vessels being accommodated for repairs in Dock No. 04 (125,000 DWT), with multiple drydockings taking place frequently.

The first half of the year was sluggish; shipyard was offering service to multiple types of vessels. The second half of the year was promising with the tanker market gaining positive momentum. The shipyard's location and experience in handling tankers came in handy when fleet of six Swarna series tankers were secured to Colombo for their first special survey related repairs.

The oil price dive has resulted in one of the key sectors; Offshore Support vessel's that had been regular visitors to Colombo, this year this particular segment has not made much of a contribution.

The marketing efforts to promote the shipyard in new territories such as Cyprus have been successful with inquiries and successful business generation from this region.

Colombo Dockyard has managed to survive the continued onslaught by striving to provide a differentiated value proposition to the clients, with quality workmanship timely delivery and competitive pricing

package. This offering is bundled with the strategic location convenience Colombo provides with its proximity to major marine routes.

Proportionate Revenue Contribution to Total Revenue of the Company.

Year 2015 also the balance on ship repair to shipbuilding tilts towards shipbuilding, ship repairs generating 28% and 68% from shipbuilding. This has been the general phenomenon in many ship yards world-wide.

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

During the year 2015, we have released Dock No. 01 (30,000 DWT) for shipbuilding projects for a cumulative period of 50+ days. We had managed to maximize resource utilization, by planning a long duration steel renewal project along with the newbuilding slot.

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 2015 has been 120 as against 137 vessels repaired during 2014. The Dead Weight handled during the year 2015 on similar range 2,236,928 Tons from 2,303,124 Tons in 2014.

The total number of vessels repaired in drydock is 66 (990,152 DWT) in 2015 as against 78 (867,461 DWT) in 2014. The number of vessels has reduced to 66 in 2015 as we have handled bigger tankers, while the tonnage had increased to 990,150 DWT.

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

The Dock No.01-30,000 DWT drydock handled 9 (14) vessels with total of 51,485 DWT (63,710 DWT), the Dock No.04-125,000 DWT Drydock handled 39 (42) vessels with a total 911,856 DWT (773,149 DWT) and Dock No.03-9,000 Dwt drydock handled 18 (22) vessels with a total DWT of 26,811 (30,602).



MT. Swarna Kaveri accommodated in Drydock No. 04 during her repair call to Colombo.

Continued Brand Building for "Colombo Dockyard" as a Strategic Repair Center

Selected geographical areas were targeted with an aggressive sales promotion campaigns in Europe, Far East and the Indian subcontinent. This has been successful in breakthrough projects in the offshore sector and the attracting major players such as Bernhard Schulte Shipmanagement (Deutschlmd) GmbH & Co.Kg Germany.

Participation at the major marine exhibitions Norshipping, Norway and SMM-INMEX, Mumbai coupled with sales visits to meet the owners to promote the ship repair faculty with the active influence of the respective representatives in the territories had been successful.



MV. Lissy Schulte container carrier owned/managed by Bernhard Schulte Shipmanagement (Deutschlmd) GmbH & Co.Kg, Germany, accommodated in Dock No.04 during her call.

Selected territories were penetrated with higher intensity with strengthened relationships and follow-up visits and campaigns have been carried out to enhance the 'Colombo Dockyard' presence in these regions. These efforts have successfully managed to place Colombo

Dockyard as a "reliable" international shipyard meeting the quality standards of the ship owners at one of the strategic locations in the marine map.

Tough call to predict the future!

The volatility of the markets had been somewhat predictable, but during the year in review the conditions have been taken to an unprecedented level, with the global oil price level fluctuations coming into the equation.

Early 2015 the predictions were possibility of "Back to Black" after a tight recession, this had not been the case with volatility of the markets gaining a total new look.

Slowdown of China: as a result of the structural changes taking place predominantly a manufacturing to a consuming economy. The lifting the sanction on Iran and US decision to export oil, will combine to keep the pressure on oil prices down for quite a considerable time.

These unique market conditions will have an adverse impact on the shipping industry on the medium term, as the bulk and container sectors will continue to be depressed. The tanker segment will be the only hopeful sector for the short term, all yards will focus on for survival.

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

In this journey of excellence we have 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 challenging times and one of the challenging years, is matured and experienced to take on the market challenges head on with an optimistic mind set and searching for return of "good times".

Shipbuilding Sector

Overview of the Sector

This year the Company's Shipbuilding sector delivered three vessels, two to a Singaporean Owner and one to the Indian Government. The Maldivian Shipbuilding

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Contract was the solitary contract which was secured this year, which demonstrates the tough market conditions that prevail in the maritime sector.

The Offshore market which the company heavily focused on and was riding high has fallen in to doldrums. Due to the fall in oil prices, investment in exploration and production has dropped drastically. With a large number of vessels getting laid up (off hire) and many newbuildings being offered cheap on 're-sale markets' makes investment on newbuildings unattractive for the Owners. Under these circumstances, the Company could not secure a single Shipbuilding Contract from the Offshore Sector. The situation has turned from bad to worse and the future for Offshore sector seem to be very bleak with recovery 'nowhere in sight'.

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

TABLE 1 Projects completed and delivered in 2015

Project Name	Delivered	Country
400 Passenger cum 250 Ton Cargo Vessel – MV Lagoons	February 2015	India
Multipurpose Platform Supply Vessel – Executive Brilliance	April 2015	Singapore
Multipurpose Platform Supply Vessel – Executive Balance	December 2015	Singapore

Source: Company Data

TABLE 2 Projects to be completed and delivered in 2016 & 2017

Project Name	Scheduled Delivery	Country
Multipurpose Platform Supply Vessel – Executive Benevolence	May 2016	Singapore
Multipurpose Platform Supply Vessel – Executive Excellence	August 2016	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	Jan 2017	Singapore

Project Name	Scheduled Delivery	Country
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	May 2017	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	August 2017	Singapore
8 Ton Bollard Pull Tug Boat – FEMUNU	January 2016	Maldives
45 m Flat Top Barge – FEHURIHI	January 2016	Maldives

*TBN – To Be Named

Source: Company Data

New challenges faced with the introduction of non tariff barriers in the form of restricting Shipbuilding projects to local Indian yards

There is huge concern over the Indian Government's decision to restrict Indian Government shipbuilding projects to their local shipyards only and not opening up for International Competitive Bidding. This is a big blow to the company as, the company was eagerly targeting this growing market, having gathered ample experience in Passenger Ship construction complying with SOLAS, Classification and Indian regulatory requirements.

It was a known fact that the local Indian shipyards don't perform to the required standards and does not complete the contracted projects on time and the projects drag on for years. Under such circumstances, the Owners and Consultants were extremely happy with the Company's performance whilst constructing the two numbers 250 Passenger cum 100 Ton Cargo Vessels and two numbers 400 Passenger cum 250 Ton Cargo Vessels, as they were built to the entire satisfaction of the Owners. With the successful completion of these Passenger Vessels, the Company was vying heavily on the Passenger Vessel market in India. But under the current Prime Minister's 'Make in India' policy shipbuilding projects that were hitherto opened for international competitive bidding has been restricted to Indian shipyards only. The Company is trying through diplomatic channels to obtain a waiver for at least Sri Lankan Shipyards to be permitted to participate in Indian tenders.

Future Outlook of the Sector

With the global economic down turn and offshore exploration, drilling & production activities decreasing, the demand for Offshore Vessels are expected to remain low.

Therefore, strategically we have shifted our focus in to other market sectors such as;

- ➔ Harbour Tugs
- ➔ Fishing Vessels
- ➔ Rescue and Coast Guard
- ➔ Passenger Vessels & Ro-Ro Ferries
- ➔ Product/ Tanker/ Bulker/ Containers
- ➔ Landing Crafts & Work Boats

Heavy Engineering Sector

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

With our vision of being the premier heavy engineering service provider in South Asia, coupled with our dedication to perfection and uncompromising commitment, for the years ahead DGES will focus on upcoming national development projects.

DGES is ready to undertake any complex and complicated projects in the field of heavy engineering utilizing their unique engineering knowledge gained from Ship Repair, Ship Building and Heavy engineering since 1974.

DGES is geared by the innovative & challenging leadership comprising local and Japanese expertise, a versatile and experienced management team, and a highly skilled and motivated workforce together with their dynamic combination drive the company to achieve the goals while ensuring that customers are provided right time, right

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

DGES Performance for Year 2015

Expiration of project life times of most major national projects constructed in late nineties has created a potential market opportunity where their life time needs to be extended by recertification work. DGES has identified this market opportunity and concentrated more on repair work of such projects in the year 2015. As a pioneer in the field of engineering, DGES made a significant contribution to the nation and successfully undertook/ completed the projects listed below:

- ➔ Construction of LPG unloading Pipeline at Hambantota Terminal for Litro Gas Lanka Ltd,
- ➔ Construction of Gantries of Intelligent Transformation system Southern Highway for Road Development Board
- ➔ Remedial Work of Polgolla Dam for Mahaweli Authority of Sri Lanka
- ➔ Repair of exhaust chimney structure and all piping system of Sapugaskanda Power Plant for Ceylon Electricity Board
- ➔ Penstock repair works at Laxapana Hydro Power Station for Ceylon Electricity Board:
- ➔ Structural concrete repair work of Dry Dock at Port of Colombo for Colombo Dockyard Plc
- ➔ Surface treatment of boiler structure of Norochcholai Coal Power Plant for Ceylon Electricity Board
- ➔ Construction of Barge for State Trading Org. Republic of Maldives
- ➔ Construction of Radial Gate and hoisting system of Muthiyankattu Dam
- ➔ Remedial Work of Victoria Dam for Mahaweli Authority of Sri Lanka

FINANCIAL REVIEW

Group Financial Highlights

For the Year (Rs. Mn)	2015	2014	Change	%
Income Statement				
Revenue	15,442.7	14,665.8	776.9	5%
Gross Operating Profit	1,121.0	1,445.0	(324.0)	-22%
Profit after Tax	(589.4)	292.4	(881.8)	-302%
Balance Sheet				
Total Assets	18,263.1	17,444.9	818.4	5%
Total Liabilities	8,038.0	6,423.3	(1,614.7)	-25%
Shareholders' Funds	10,225.1	11,021.5	(796.4)	-7%
Cash & Cash Equivalent	2,366.0	3,004.8	(638.8)	-22%
Interest bearing borrowings	4,516.1	3,264.5	(1,251.6)	-38%
Financial Ratios				
Earning Per Share (Rs.)	(8.21)	4.05	(12.3)	-303%
Dividend Per Share (Rs.)	-	3.0	(3.0)	-100%
Net Assets Per Share (Rs.)	142.31	153.39	(11.0)	-7%
Gearing Ratio (%)	0.00	0.00	0.00	0%
Return on Total Assets (%)	(3.2)	1.6	(4.8)	-300%
Working Capital to Assets (%)	33.0	40.1	(7.1)	-18%

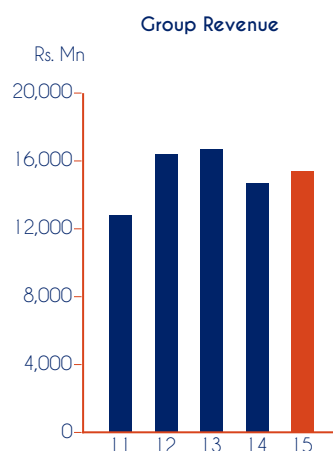
Colombo Dockyard PLC (CDPLC), is in the ship repairs, shipbuilding and heavy engineering business to deliver sustainable performance. With total assets of Rs. 18,263.1 Mn (2014 - Rs. 17,444.9 Mn) as at end 2015, the Group serves a global customer base through its core business activities of ship repairs, shipbuilding and heavy engineering services to over 25 countries. Majority of the key factors influencing our business are global and regional economic conditions, oil and gas exploration, shipping freights charges, currency fluctuations and international regulation on shipping and shipping environments.

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

Financial Performance

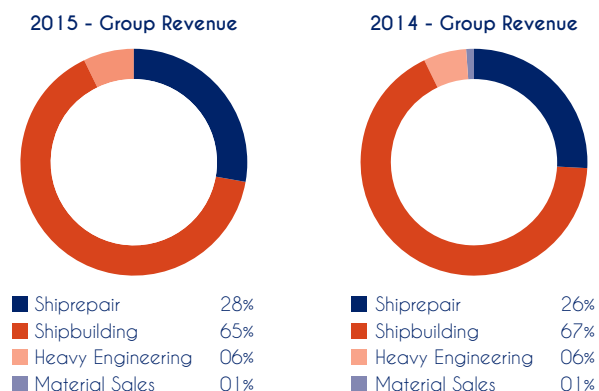
Group Revenue

The Group achieved a total revenue of Rs. 15,442.7 Mn (2014 - Rs. 14,665.8 Mn) for the financial year 2015 showing a growth of 5.2% (Rs.776.9 Mn) as against last year recorded Rs. 14,665.7 Mn mainly attributed to the new shipbuilding sector operations.



Segmental Contribution to the Group Revenue

Group revenue includes the Company's core activity of ship repairs, shipbuilding and heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become shipbuilding with 65% compared to 67% recorded last year.



Export Revenue

The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations. Total export revenue recorded for 2015 was Rs. 13,973.0 Mn compared to Rs. 13,191.4 Mn to last year. The major overseas market of the Group during the year becomes Singapore with 71.7% (Rs. 10,029.4 Mn) of the total export revenue followed by India with 17.8% (Rs. 2,496.4 Mn).

However, the Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 58.1% of the total export ship repair revenue under 2015.

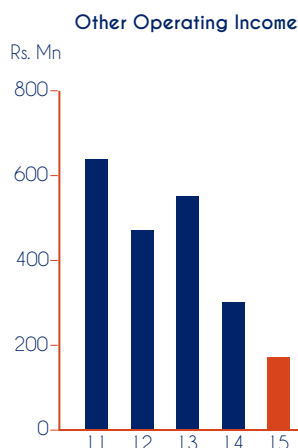
The dominant currency for export continued be the US dollar, accounting for 100% of total exports. The depreciation & appreciation of the Sri Lankan Rupee continued to impact on the conversion of US dollar proceeds.

Earnings Before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded a loss of Rs. 74.7 Mn during the year compared to last year's figure of Rs. 754.1 Mn. The reduction was primarily due to the negative growth on shipbuilding revenue during the year compared to 2015

Other Operating Income

Other operating income of the Group excluding interest income has decreased to Rs. 169.8 Mn during the year from Rs 305.4 Mn recorded for last year. The reduction of 44.5% (Rs. 135.6 Mn) was mainly due to the 83.5% drop on exchange gain to Rs. 46.8 Mn as against the exchange gain of Rs. 168.2 Mn recorded for 2014.



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Profit After Tax

The Company recorded a loss after tax of Rs.708.2 Mn during the year under review representing a 438% negative growth relative to the year 2014 figure of Rs. 209.2 Mn. This reduction was mainly attributed to cancelation of one out of four shipbuilding contracts and offer a discounted price for the balance three projects. This is due to the adverse global economy particularly due to the drop in crude oil prices, offshore drilling industry has gone into deep recession in the recent past, which has significantly impacted the entire shipbuilding operations globally.

Contribution to the Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of 13,973.0 Mn (over US\$ 100 Mn) and generated further Rs. 432.0 Mn as import substitutes

The direct value addition generated by the Company was Rs. 3,401.2 Mn, (2014- Rs. 4,167.9 Mn). This is mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other non-operating income.

The local value addition generated by the Company was Rs. 7,108.0 Mn (49.3%) compared to Rs. 6,879.7 Mn (50.4%) recorded for 2014.

Company also paid Rs. 153.0 Mn to Government as taxes, levies and import duties.

The Company provides over 3,000 direct employments and over 350 on the job training facilities for National Institutes such as NAIT, ATI, IET and local Universities.

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

Exchange Rates

The Sri Lankan rupee remained broadly stable during the first eight months of 2015, but depreciated substantially thereafter, as a result of the central Bank decision to allow greater flexibility in the determination of the exchange rate. However, the rupee recorded a marginal depreciation of 2.42 per cent against the US dollar, during the first eight months of the year. However, on 03 September 2015, the Central Bank decided to limit its intervention in the domestic foreign exchange market and allowed the exchange rate to be largely determined by the demand and supply conditions of the market.

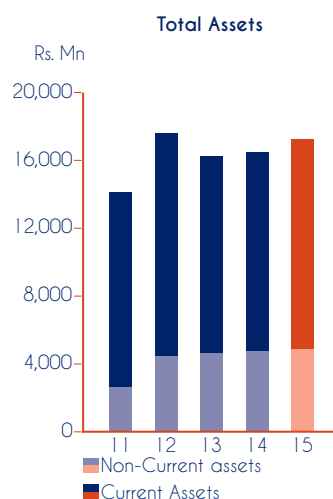
This resulted in the Sri Lankan rupee depreciating by 6.64 per cent against the US dollar, during the period from 04 September to end 2015. Overall, the rupee depreciated against the US dollar by 9.03 per cent to Rs. 144.06 as of end 2015. The annual average exchange rate of the rupee against the US dollar also depreciated to Rs. 135.94 in 2015 from Rs. 130.56 in 2014



Financial Position

Total Assets

The Company's total assets as at 31 December 2015 were Rs. 17,209.4 Mn, as against Rs. 16,439.9 Mn, the 4.6% (Rs. 769.5) increase (Rs. 211.5 Mn) represents mainly from growth on Trade & Other Receivables. Total non-current assets value of Rs. 4,850.9 Mn is an increase of 1.0% (Rs. 50.1 Mn) against last year representing a growth on Property, Plant & Equipment.



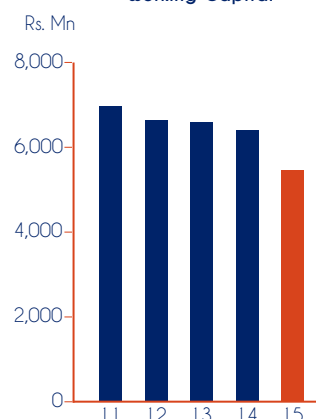
Current Assets

Current assets of the Company has increased to Rs. 12,358.4 Mn in 2015 compared to Rs. 11,639.0 Mn in 2014, the 6% (Rs. 719.4 Mn) increase against last year is mainly attributed to the increase on trade debtors & other receivables and Inventories.

Working Capital

The net working capital records a 15% (Rs. 960.5 Mn) reduction during the year under review as against last year figure of Rs. 6,431.6 Mn due to increase in interest bearing borrowings and trade and other payable against last year.

Working Capital



Cash Flow

Cash generated from the Group's operations before working capital changes stood at Rs. 84.1 Mn in 2015 compared with Rs. 781.6 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.

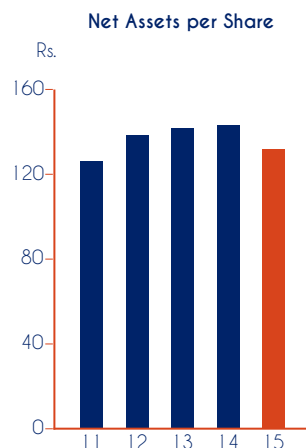
Net cash used in investment activities was Rs. 520.2 Mn during 2015, as against Rs. 386.7 Mn the previous year. The Group invested a total of Rs. 504.0 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December 2015 was Rs. 2,356.8 Mn, which is a 20.4% (Rs. 604.8 Mn) reduction over last year.

Net Assets Value per Share

In line with capacity and facility expansion, the net assets value per share of the Company dropped to Rs. 131.55 as at 31st December 2015.

FINANCIAL REVIEW CONTD.



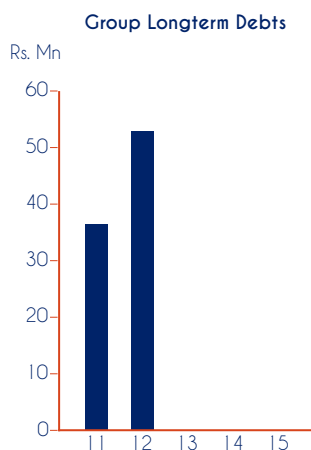
Capital Structure

Total assets of the group stands at Rs. 18,263.5 Mn as at 31st December 2015, compared with Rs. 17,444.9 Mn in the previous year. Assets were funded by shareholders funds (55.7 per cent), non-current liabilities (4.8 per cent) and current liabilities (39.5 per cent).

Debt

Group's total debt was Rs. 4,516.1 Mn as at balance sheet date, 38.3% (Rs. 1,251.6 Mn) more than in 2014. This was primarily due to the increase on short term interest bearing borrowings. Group's long-term debts continued to reduce and as at 31st December 2015, total long-term debt was zero.

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



Performance of the Share

The share price of the Company as at 31st December 2015 recorded at Rs. 150.10, a reduction of 22.2% compared to last year's closing price of 144.39. A 23.0% growth trend is noted in All Share Price Index in the Colombo Stock Exchange as at 2015-12-31 compared with 2014-12-31. The share price recorded the highest price of Rs. 196.0 on 6th January 2015 and lowest of price of 145.0 on 29th December 2015.

Financial Reporting

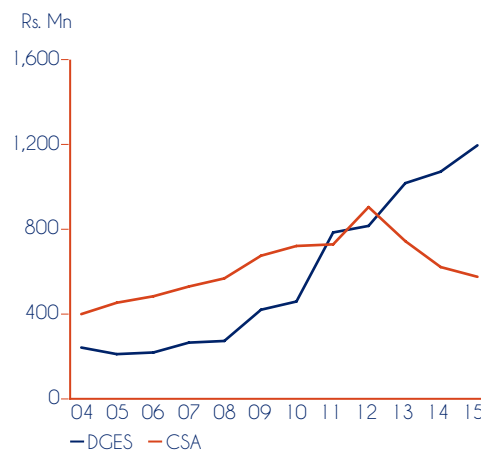
Colombo Dockyard Plc is committed to adopting the best practices in financial reporting with providing the most updated developments in financial reporting and disclosure. The financial reports on page 50 to 96 have been prepared in compliance with Sri Lanka Accounting Standards.

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 2014 Annual Report was adjudged the Gold Award in the Service Sector at the 2015 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,759.2 Mn of which Rs. 1,191.5 Mn from wholly owned Subsidiary of Dockyard General Engineering Services (Pvt) Ltd. (DGES), and Rs. 567.7 Mn (SGD 5.7 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) with 51% holding.



Statement of Value Addition (Company)

	2015 Rs. 000	2014 Rs. 000
Ship Repairs	4,311,434	3,856,875
Shipbuildings	10,086,302	9,830,234
Heavy Engineering	9,361	19,938
Operating Revenue	14,407,097	13,707,047
Other Income	176,802	316,891
Total Revenue	14,583,899	14,023,938
Less: Cost of Materials & Services		
purchased from External Sources	11,182,622	9,855,983
Value Addition	3,401,277	4,167,955
Value Addition as a % on Revenue	23.3%	29.7%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,433,083	3,242,565
To Shareholders as Dividends	215,579	287,437
To Lenders as Interest	96,557	92,856
To Government Taxes	153,071	218,338
Retained in the Business		
-as Depreciation	426,718	404,907
-as Revenue Reserves	(923,731)	(78,148)
Value Distribution	3,401,277	4,167,955
Value Distribution %		
To Employees as Remuneration & Benefits	100.9%	77.8%
To Shareholders as Dividends	6.3%	6.9%
To Lenders as Interest	2.8%	2.2%
To Government Taxes	4.5%	5.2%
To Retained in the Business	-14.6%	7.8%

CORPORATE GOVERNANCE

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

Overview

Under the guidance of its Board, Colombo Dockyard PLC (CDPLC) is committed to achieving high standards of corporate governance to protect shareholder value. The Company recognises the important role that clearly defined corporate governance processes play in enhancing corporate accountability and sustainability.

This report outlines the Company's corporate governance processes and activities for the financial year 2015 with reference to the Code of Best Practice of the Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

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

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

Board of Directors

The core responsibility of the directors is to exercise their judgment to act in what they reasonably believe to be the best interests of the Company and for the creation of long-term value and return for shareholders. The Board is responsible for the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.

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

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

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

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

Director	Position on the Board	Date of Appointment	Nature of Appointment
Dr. T. Takehara	Chairman	01 Sep. 2014	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-executive/Nominee Director
Ranil Wijegunawardane	Managing Director/CEO	10 April 2014	Executive/Nominee Director
M. Koshi	Director	07 April 2015	Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-executive/Nominee Director
L. Ganlath	Director	21 June 1993	Non-executive/Public Director (Independent)
H. A. R. K. Wickramathilake	Director	28 April 1995	Non-executive/Public Director (Independent)
Dr. Mrs. Janaki Kuruppu	Director	25 August 2010	Non-executive/Nominee Director
T. M. R. Bangsa Jayah	Director	20 April 2015	Non-executive/Nominee Director

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

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

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	07	85.00%
Audit Committee	05	86.67%
Remuneration Committee	01	100.00%

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

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

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

Audit Committee

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

Report of the Audit Committee

In terms of the Listing Rules of the Colombo Stock Exchange the Audit committee will assist the Board to improve the existing system to be more transparent. The role of an audit committee member is becoming more complex and demanding and generally pressure is probed brought upon the audit committee to look at all internal and external areas of importance. It will focus on 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 on matters relating to financial controls,

CORPORATE GOVERNANCE CONTD.

reporting internal controls in compliance with legal and ethical requirements and the risk management.

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

Audit Committee reviewed the following areas during the year under consideration:

1. Insurance aspect of the company in order to look after interest of the company
2. Audit committee purview over subsidiary companies
3. Review Internal Auditors Reports and see adequacy of internal controls
4. Review internal controls/systems of subsidiary companies
5. Formation of Related Party Transaction Committee and its functions

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

During the period under review the Committee met on 5 Occasions and reports on meeting were presented to the Board.

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

Remuneration Committee

The Remuneration Committee comprises of three NonExecutive Directors, namely Mr. H.A.R.K. Wickramatileka, Chairman, and Mr. Lalith Canlath, 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 made recommendations regarding remuneration of the Managing Director/CEO to the Board for final determination.

Functions

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

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

The aggregate remuneration paid to the executive and Non-Executive Directors are given in Note 8 to the Financial Statements on page No. 70. The Directors are Equipped with Complete, Adequate and Timely Information and Resources. The Management of Colombo Dockyard PLC provides adequate managerial and operational reports and financial Statements of the Group to the Board on a regular basis. As a general rule, the necessary reports/information is submitted to Directors at least four days before the meeting. So that Directors get a better understanding about the matters prior to the meeting. Thus the discussion may be more focused on the questions that the Board or sub-Committee has about the matters. Senior managers who can provide insight into the matters at hand would be present at the relevant time during the meetings.

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

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

Annual General Meeting

The Company's 32nd Annual General Meeting (AGM) was held on 07th April 2015. At the AGM 167 shareholders were present by person or by proxy.

The resolutions passed at the AGM were as follows:

- ➔ To receive the Annual Report of the Board of Directors on the affairs of the Company, the Audited Accounts for the year ended 31st December 2014 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 2015 and to authorise the Directors to approve their remuneration.
- ➔ To authorise the Directors to determine donations for the year 2015 and up to the date of the next AGM.

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

Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report , Company is in compliance with the Corporate Governance Rules	Compliant	Please refer page 26.
7.10.3 (a)	Names of independent Directors should be disclosed in the annual Report.	Compliant	Please refer page 27.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Compliant	Please refer page 26.
7.10.3 (c)	A brief resume of each Director should be published in the annual Report including the areas of expertise.	Compliant	Please refer pages 12 to 13.
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliant	Please refer page 44 to 45.
7.10.5	A listed company shall have a Remuneration Committee.	Compliant	Please refer the Remuneration Committee report on page 28.
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.	Compliant	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.	Compliant	Mr. H.A.R.K Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/Chief Executive Officer.	Compliant	Please refer the Remuneration Committee report on page 28.

CORPORATE GOVERNANCE CONTD.

Rule No	Requirement	Compliance Status	Details
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliant	Please refer page 28.
	A statement of remuneration policy.	Compliant	Please refer the Remuneration report on page 28.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Committee report on page 28.
7.10.6	A listed company shall have an Audit Committee	Compliant	Please refer the page 27.
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	Compliant	The Audit Committee comprises a majority of independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as chairman of the Audit Committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	The CEO and CFO attended all Committee meetings.
	The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Compliant	The Chairman of the Audit Committee is a member of professional accounting bodies
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on page 27.
7.10.6 (c)	The annual report shall set out: The names of the Directors who comprise the Audit Committee.	Compliant	Please refer Audit Committee report on page 27.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee report on page 27.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on page 27.
	A listed company shall have a Related Party Transactions Review Committee.	Compliant	Page 28.

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

Independent Internal Audit Function

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

Subsidiary Monitoring Framework

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

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

Corporate Responsibility for Sustainable Business Performance

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

Corporate responsibility towards society and the environment is regarded as a fundamental aspect of our strategy execution and decision-making process and is prominently placed in the Company's corporate priorities and core values. The Company ensures that it does not compromise this responsibility even at the expense of its economic performance. One of the most important developments of sustainability at Colombo Dockyard is the formation of our "Health, Environment, Safety and Productivity Improvement" (HESPI) Committee representing organization wise employees headed by the General Manager (HRD & A).

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

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

The Company Secretary

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

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

Communication with Shareholders

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

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

The Board of Directors of the Company always encourages its shareholders to attend and actively take part in the AGM.

The Board of Directors have arrange a special corporate Management team to be available at the AGM to answer any queries raised by shareholders.

RISK MANAGEMENT

Introduction

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

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

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

Today, risk management has become an integral part of most of the international management systems including ISO 9001, OHSAS 18001, ISO 27001, placing equal importance as financial or facilities

Our Approach

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

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

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

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

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

Internal Risks

Operational Risk Management

Our Concern

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

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

Our core business activities are in keeping to international standards, compliance to such international conventions and regulatory procedures, is required. In addition, the framework under ISO 9001-2008 QMS provides for

management at various levels in CDPLC to systematically review and ensure Compliance with the requirements.

Our Impact

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

Our Response

Safety and Health of all our employees and visitors are considered as a prime responsibility and a Safety Culture that is not second to any of the developed international shipyards are inculcated through systematic education, training and prudent implementation of a Safety Management System that we envisage to conform to OHSAS 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 housekeeping, continuous training, and systematic monitoring and control measures are taken to create a risk-free working environment.

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

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

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

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

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

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

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

Information Technological Risk & Management

Our Concern

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

Our Impact

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

Our Response

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

RISK MANAGEMENT CONTD.

External Risks

Market (Strategic) Risk & Management

Our Concern

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

Our Impact

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

Our Response

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

We are adopting new marketing strategies focusing on new geographical markets, new market segments and new channels.

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

Financial Risk Management

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

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

Interest Rate Risk

Our Concern

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

Our Impact

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

Our Response

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

Foreign Exchange Risk

Our Concern

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

Our Impact

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

Our Response

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

Liquidity Risk

Our Concern

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

Our Impact

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

Our Response

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

Credit Risk

Our Concern

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

Our Impact

Possibility of incurring bad and doubtful debts and cost increases.

Our Response

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

Product Risk Management

Our Concern

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

Our Impact

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

Our Response

To mitigate the potential risk, we have adopted a quality assurance approach, which ensures required levels of quality in our products and services: through the ISO 9001-2008 Quality Management System, certified by Lloyd's Register of Quality Assurance. Further, all our products and services are strictly subject to the approval and certification by Classification Societies, such as

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

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

SHAREHOLDER INFORMATION

Our Shareholders

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

Investor Communication

The Group's investor relationship is an important and integral part of its commitment to high standards of corporate governance and transparency. The Manager (Legal) /Company Secretary has been dedicatedly assigned to maintain long-term relationships with the investors and analysts and addresses their queries on the Group's business activities.

CDPLC is committed to have a proper communication with its shareholders and other investors too. Thus, during the year 2015 the Company continued to provide, timely, accurate disclosures like quarterly financial announcements, press releases and interviews with media, publication of the Annual Report etc.

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

Further, the company is very much concerned about its statutory commitments to society. Thus, the Company audited the Financial Statement and Balance Sheet for the year 31st December 2015 has been made available to CSE within six months of the Balance Sheet date.

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 14,407.0 Mn (2014 - Rs. 13,707 Mn. and net loss of Rs 708.1 Mn. (2014 - 209.2 Mn) leaving the shareholders' value with Rs. 9,451.6 Mn (2014 - Rs. 10,375.4 Mn).

Dividend Approved

No Dividend has been approved for the financial year end 2015-12-31 (2014 - Rs. 3.00) based on the net loss recorded for the year 2015.

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was Zero during 2015 compared to 103.0% recorded for 2014.

Financial Reporting

CDPLC is committed to adopting the best practices in financial reporting, signifying this when the Company for 2014 was presented a Gold award in the Service sector at the 2015 Annual Report Award Ceremony organised by the Institute of Chartered Accountants of Sri Lanka.

	1st Quarter Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Revenue	3,378	3,253	3,881	3,894	14,407	13,707
Gross Operating Profits	464	505	488	(667)	791	1,199
Profit after Tax	123	141	143	(1,116)	(708)	209
Shareholders' Fund	10,283	10,424	10,567	9,452	9,452	10,375
Total Assets	16,704	16,831	17,619	17,208	17,209	16,440

Shareholders Information

Share Capital

	31/12/2015	31/12/2014
Stated Capital Rs.	718,589,240	718,589,240
Number of Shares	71,858,924	71,858,924
Number of Shareholders	4,786	4,740
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2015

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

From	To	No of Share Holders	No of Shares	%
1	1,000	3,834	631,576	0.88
1,001	10,000	804	2,294,432	3.19
10,001	100,000	123	3,802,062	5.29
100,001	1,000,000	18	4,397,291	6.12
1,000,001 above		7	60,733,563	84.52
		4,786	71,858,924	100.00

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, percentage of shares held by the Public as at December 2015 is 48.94% (2014 - 48.94%)

Composition of Shareholding

The total number of shareholders of CDPLC is 4,786 as at 31st December 2015, which is 0.97% increase compared to 4,740 as at 31st December 2014.

	No of Shareholders	No of Shares	%
Local Individuals	4,492	4,313,465	6.00
Local Institutions	204	28,916,456	40.24
Foreign individuals	77	633,619	0.88
Foreign institutions	13	37,995,384	52.88
	4,786	71,858,924	100.00

SHAREHOLDER INFORMATION CONTD.

List of Largest 20 Shareholders

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

	Name	2015-12-31	%	2014-12-31	%
01	Onomichi Dockyard Company Ltd	36,648,051	51.000	36,648,051	51.000
02	Employees Provident Fund	11,744,009	16.343	11,744,009	16.343
03	Sri Lanka Insurance Corporation Ltd -General Fund	3,592,998	5.000	3,592,998	5.000
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,592,548	4.999	3,592,548	4.999
05	Sri Lanka Ports Authority	2,186,191	3.042	2,186,191	3.042
06	Employees Trust Fund Board	1,735,060	2.415	1,730,069	2.408
07	National Savings Bank	1,234,706	1.718	1,234,706	1.718
08	Bank of Ceylon No. 1 Account	897,622	1.249	851,183	1.185
09	Mellon Bank N.A. Florida Retirement System	429,046	0.597	429,046	0.597
10	Bank of Ceylon No. 2 Account	336,000	0.468	336,000	0.468
11	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	262,086	0.365	262,086	0.365
12	HSBC Intl Nom Ltd-SSBT-Russell Institutional Fund	256,644	0.357	256,644	0.357
13	Peoples Bank	249,362	0.347	249,362	0.347
14	Union Assurance PLC/No-01 A/C	238,350	0.332	238,350	0.332
15	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
16	Star Packaging (Pvt) Ltd	217,000	0.302	215,000	0.299
17	David Pieris Motor Company Limited	175,787	0.245	175,787	0.245
18	HSBC Intl Nom Ltd-State Street Munic C/o SSBT-Universal Investment Gesellschaft Mbh for Apt-Universal Fund	173,369	0.241	173,369	0.241
19	Mercantile Investments and Finance PLC	169,050	0.235	169,050	0.235
20	DFCC Bank A/C 1	160,000	0.223	160,000	0.223

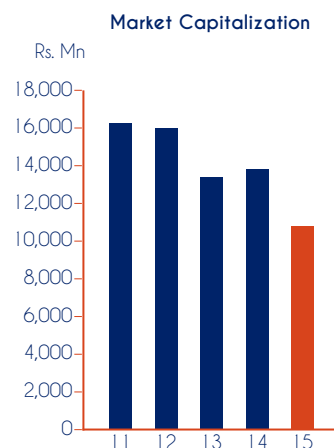
Market Value per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2015, the share price of Colombo Dockyard PLC recorded a negative growth of 22.2% (Rs. 42.90) compare to the previous year's closing price.

Market price per Share	As at 31/12/2015	As at 31/12/2014
Highest during the year	196.00 (06/01/2015)	210.00 (26/12/2014)
Lowest during the year	145.00 (29/12/2015)	173.20 (31/03/2014)
As at end of the year	150.10 (31/12/2015)	193.00 (31/12/2014)

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2015 as Rs. 10,786 Mn. (2014 - Rs. 13,869 Mn.). CDPLC represent 0.25% (2014 - 1.0%) of the total market capitalization.



Shares Trading

	As at 31-12-2015	As at 31-12-2014
No of Transaction	1,394	2,467
No of Shares traded	562,262	4,478,767
Value of Share traded (Rs.)	90,979,404	871,522,406

Earnings per Share

The Earning per share (EPS) of Rs. (9.85) in the year 2015 recorded a negative growth of 438% compare to the last year EPS value of Rs. 2.91. 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.

FINANCIAL REPORTS

Financial Calendar 2015/2016	40
Annual Report of the Board of Directors	
on the Affairs of The Company	42
Statement of Directors' Responsibilities	47
Chief Executive Officer's and Chief Financial	
Officer's Responsibility Statement	48
Independent Auditors' Report	49
Statement of Profit or Loss	
and Other Comprehensive Income	50
Statement of Financial Position	51
Statement of Changes In Equity	52
Statement of Cash Flows	54
Notes to the Financial Statements	56
Ten Years Financial Summary	97
Notice of Annual General Meeting	98
Form of Proxy	99
Corporate Information	Inner Back Cover

FINANCIAL CALENDER 2015/2016

2015

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

2016

Interim Report - 4th Quarter-2015	April, 06	2016
Approval of Financial Statements	May, 16	2016
Despatch of Annual Report - 2015	May 30,	2016
Interim Report - 1st Quarter-2016	May 13,	2016
33rd Annual General Meeting - 2015	June 21,	2016
Interim Report - 2nd Quarter-2016	August 15,	2016
Interim Report - 3rd Quarter-2016	November 15,	2016
Financial Year-end	December 31,	2016





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

The Directors present their report to the members together with the audited Financial Statements of Colombo Dockyard PLC and Consolidated Financial Statements of the group for the year ended 31st December 2015, 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 16th May 2016. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Review of Business

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Review on page 6 to 7 and Managing Director/CEO's Review on page 8 to 11 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.

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

Future Developments

An overview of the future prospects of the Company is covered in the Chairman's Review (page 6 to 7), the Managing Director/CEO's Review (page 8 to 11) and Management Discussion Analysis (page 14 to 19) of this report.

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2015 are duly certified by the Chief Financial Officer and approved by two Directors together with the Company Secretary in complying with the Companies Act No. 07 of 2007 are given on page 50 to 96 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2015, and the Auditors' Report issued thereon is given on page 49 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on page 56 to 66 of the Annual Report as required by Section 168 (1) (d) of the Companies Act

Going Concern

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

Gross Income

The revenue of the Group during the year was Rs. 15,442.7 Mn (2014 - Rs. 14,665.7 Mn), while the Company's revenue was Rs. 14,407.1 Mn (2014 - Rs. 13,707.0) Mn. Analysis of the revenue is given in Note 5 to the Financial Statement on pages 67 to 68 of this Annual Report.

Profit & Appropriation

	2015 Rs'000	2014 Rs'000
Profit for the year:		
Group post -tax profit	(589,426)	292,456
Amount attributable to Minority Interest	(378)	(1,588)
Profit attributable to the Shareholders of Colombo Dockyard PLC	(589,804)	290,868
Other Comprehensive Income	2,380	(29,962)
Retained Profit B/F	10,240,417	10,266,948
Bonus Issue	-	-
Dividends - Paid Rs. 3/- per share (2014 - Rs. 4/- per share)	(215,579)	(287,437)
Retained Profit C/F	9,437,414	10,240,417

Reserves

Total Group Retained Earning Reserves at 31st December 2015, was amounted to Rs. 9,437.4 Mn (2014 - Rs. 10,240.4 Mn). The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on pages 52 to 53 on this Annual Report.

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 9 on page 70.

Dividends

The Board of Directors have not authorized payment of Dividend for the year ended 31st December 2015 (2014 - Rs. 3.00).

At the balance sheet date, the Company was solvent and the net current assets was Rs. 5,471.1 Mn (2014 - Rs. 6,431.6 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 8,737.2 Mn (2014 - Rs. 9,661.0 Mn).

The loss of the company attributable to the equity holders of the company was Rs. 708.1 Mn (2014 Profit - Rs. 209.2 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 36 to 39.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 503.7 Mn (2014 - Rs. 524.8 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2014 - 1,103.7 perch) recorded at cost. The details of Property, plant and equipment are given in Note 11 to the Financial Statements on page 75.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Company and Group as at 31st December 2015 is included in the accounts at Rs. 4,399.5 Mn (2014 - Rs. 4,344.6 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out a market value assessment of the Group's freehold land as at 31st December 2014. The details of freehold properties owned by the Company are given in Note 11 of the Financial Statement.

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 2015.

Pending Litigation

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

Corporate Donations

Total donations made by the group during the year was amounted to Rs. 516,410/- (2014 - Rs. 447,166/-) in terms of the resolution passed at the last Annual General Meeting.

Company Records

The Directors have disclosed the nature and extent of their relevant interest in shares issued by the Company and interest in transactions or proposed transactions with the Company during the subject accounting period, to the Board of the Company and such information has been duly entered in the Interest Register of the Company which is a part and parcel of this Annual Report and is available for public inspection under the provisions of the Act.

All the Company Records that are required to maintain under the provisions of the Act are also available for public inspection.

The Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company and the Group for the year ended 31st December 2015 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 50 to 96 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards (SLFRSs/LKASs), Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist of Nine (2014- 9) Directors with a wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 12 to 13 of this Annual Report.

Executive Directors

Dr. T. Takehara – Chairman
Mr. Ranil Wijegunawardane – Managing Director/CEO
Mr. M. Koshi

Non-Executive Directors

Mr. Sarath De Costa – Vice Chairman
Mr. T. Nakabe
Mr. Lalith Ganlath
Mr. H. A. R. K. Wickramathilake
Dr. Mrs. Janaki Kuruppu
Mr. T.M.R Bangsa Jayah

Alternate Directors

Mr. Y. Imai
Mr. Usu
Mr. D. Liyanagamage

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 12 to 13 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. Y. Kijima who was appointed as the Alternate Director with effect from 19/01/2008 and subsequently nominated and appointed as a Nominee Director of Onomichi Dockyard Co., Ltd., Japan on 25/03/2008 retired from his services immediately after the last Annual General Meeting on 07/04/2015 and Mr. M. Koshi was nominated and appointed in place of Mr. Y. Kijima, as a Nominee Director of Onomichi Dockyard Co. Limited, Japan in terms of Article 80 (2) of the Articles of Association of the Company, effective from 07/04/2015, immediately after the last Annual General Meeting.
- Mr. T M R Bangsa Jayah was nominated and appointed as a Nominee Director of Sri Lanka Insurance Corporation Ltd with effect from 20/04/2015 in terms of Article 80 (2) of the Articles of Association of the Company.

- ➔ Mr. Dhanuka Liyanagamage was appointed as the Alternate Director to Mr. T M R Bangsa Jayah with effect from 20/04/2015.
- ➔ Mr. Norihiro Danjo was appointed as the Alternate Director to Mr. T. Nakabe with effect from 20/01/2016 in place of Mr. Kentaro Usu who was appointed as the Alternate Director with effect from 09/01/2014.

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Dr. Toru Takehara, Messrs. Sarath de Costa, Ranil Wijegunawardane, T. Nakabe and M. Koshi and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Dr. Mrs Janaki Kuruppu and Mr. T M R Bangsa Jayah respectively continue to hold office.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 26 and 27 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 2015:

	31/12/2015	31/12/2014
L. Ganlath	578	578
H A R K Wickramathilake	1,103	1,103

Interest Register

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

Human Resources

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company.

Environmental Protection

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

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

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2015 was as follows:

	2015	2014
Group	1,627	1,669
Colombo Dockyard PLC	1,600	1,642

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 35 to the Financial Statement on page 92, and has been declared at meetings of the Directors and entered in the Interest Register of the Company. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Meetings

Details of Directors' meetings which comprise of Board Meetings, and Board sub-Committee meetings of the Audit Committee and Remuneration Committee are presented on page 27 of this Annual Report.

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

Corporate Governance

The Board of Directors of the Company have acknowledged the adoption of good governance practices; an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 26 of this Annual Report.

The Company confirms the compliance with the Corporate Governance Rules of the Colombo Stock Exchange as at the date of this Annual Report.

Substantial Share Holdings

The twenty major shareholders of the Company and the percentage held by each as at 31st December 2015 are given on page 38 of this report.

Contingent Liabilities and Commitments

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

Events after Balance Sheet Date

Please refer No. 36 for circumstances have arisen during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements together with those disclosed in the Note 36 to the Financial Statements on page 93 of this Annual Report.

Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 1 Sri Lanka at 10.00 a.m. on the 21st day of June 2016.

The Notice to the Annual General Meeting is given on page 98.

Auditors

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

For and on behalf of the Board, Colombo Dockyard PLC



Dr. Toru Takehara
Chairman



Ranil Wijegunawardane
Managing Director/CEO



Manori Mallikarachchi
Company Secretary

16th May 2016
Colombo, Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors accept the responsibility for the integrity and objectivity of the Financial Statements presented and also confirms compliance in preparing each of the Group and

Company's Financial Statements, which are based on:

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

Stock Exchange

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

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

Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

Company external auditors Messrs KPMG, appointed in accordance with the resolution passed at the last Annual General Meeting were provided with free access to undertake required inspection they considered appropriate to enable them to form their opinion on the Financial Statements.

The report of the Auditors, given on page 49, set out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues and payable by the Company and its subsidiaries as at the Balance Sheet have been paid or provided where relevant except as specified in Note No 33 to the Financial Statements on Contingent Liabilities on page 91.

The Directors further confirm that after considering the Company's financial position, operational conditions, market environment, regulatory and other factors, the Directors have reasonable expectation that the Company and its subsidiaries possess adequate resources to continue in operation for the foreseeable future adopting the Going Concern basis in preparing the Financial Statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board



Manori P. Mallikarachchi
Company Secretary

16th May 2016
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 2015 are prepared and presented in compliance with the following:

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

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

The Board of Directors and the management of 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.

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

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

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

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

We confirm that:

- ➔ the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- ➔ there are no material non-compliances ; and
- ➔ there are no material litigations that are pending against the Group other than those disclosed in the Note No. 33 to the Financial Statements in the Annual Report.



Ranil Wijeygunawardana
Managing Director/CEO



P D Gihan Ravinatha
Chief Financial Officer

16th May 2016
Colombo, Sri Lanka

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC Report on the Financial Statements

We have audited the accompanying financial statements of Colombo Dockyard PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out in pages 50 to 96.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by Board, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo

16th May 2016.

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,	Note	Group		Company	
		2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
Revenue	5	15,442,722	14,665,792	14,407,098	13,707,047
Cost of Sales		(14,321,675)	(13,220,726)	(13,615,635)	(12,507,645)
Gross Profit		1,121,047	1,445,066	791,463	1,199,402
Other Income	6	169,898	305,489	176,802	316,891
Distribution Expenses		(25,515)	(29,225)	(17,246)	(22,595)
Administrative Expenses		(1,857,580)	(1,713,456)	(1,697,603)	(1,585,618)
Other Operating Income / (Expenses)		(6,702)	31,175	(6,702)	31,175
Net Finance Income	7	71,253	295,822	59,152	280,995
Profit / (Loss) before Tax	8	(527,599)	334,871	(694,134)	220,250
Income Tax Expenses	9	(61,827)	(42,415)	(14,019)	(10,961)
Profit / (Loss) for the Year		(589,426)	292,456	(708,153)	209,289
Other Comprehensive Income					
Fair value change of Available for Sale Financial Assets		2,914	1,660	(38)	1,660
Foreign currency transaction differences - foreign operations		6,251	(10,740)	-	-
Defined benefit plan actuarial gains / (losses)		(782)	(32,523)	(50)	(35,153)
Tax on Other Comprehensive Income - Reversal / (Expenses)		210	2,561	5	3,297
Other Comprehensive Income for the year, net of tax		8,593	(39,042)	(83)	(30,196)
Total Comprehensive Income for the year		(580,833)	253,414	(708,236)	179,093
Profits / (Losses) attributable to;					
Owners of the company		(589,804)	290,868	(708,153)	209,289
Non - controlling interests		378	1,588	-	-
Profit / (Loss) for the year		(589,426)	292,456	(708,153)	209,289
Total Comprehensive Income attributable to;					
Owners of the company		(584,274)	257,089	(708,236)	179,093
Non - controlling interests		3,441	(3,675)	-	-
Total Comprehensive Income for the year		(580,833)	253,414	(708,236)	179,093
Earnings/(Loss) per Share (Rs.)	10.1	(8.21)	4.05	(9.85)	2.91

The Accounting Policies and Explanatory Notes set out in the pages 50 to 96 form an integral part of these Financial Statements.

(Figures in brackets indicate deductions)

STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Group		Company	
		2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	4,399,500	4,344,630	4,305,397	4,253,606
Investment Property	12	-	-	2,865	2,865
Intangible Assets	13	4,364	9,788	2,005	7,373
Investment in Subsidiaries	14	-	-	2,503	2,083
Other Investments	15	15,266	15,304	15,266	15,304
Deferred Tax Assets	16	101,069	105,991	101,069	105,991
Other Financial Assets Including Derivatives	19	550,641	420,119	421,809	413,674
		5,070,840	4,895,832	4,850,914	4,800,896
Current Assets					
Inventories	17	1,057,930	1,069,606	984,551	955,471
Trade and Other Receivables	18	9,614,689	8,305,064	9,321,818	7,871,787
Other Financial Assets Including Derivatives	19	153,634	169,595	151,573	167,801
Amounts due from Related Parties	20	-	-	30,856	12,160
Cash and Cash Equivalents	21	2,366,055	3,004,886	1,869,698	2,631,803
		13,192,308	12,549,151	12,358,496	11,639,022
Total Assets		18,263,148	17,444,983	17,209,410	16,439,918
Equity and Liabilities					
Stated Capital	22	714,396	714,396	714,396	714,396
Exchange Equalisation Reserve		3,637	449	-	-
Available for Sale Reserve		15,156	15,194	15,156	15,194
Retained Earnings		9,437,414	10,240,417	8,722,093	9,645,870
Equity Attributable to Equity holders of the Company		10,170,603	10,970,456	9,451,645	10,375,460
Non-Controlling Interests		54,544	51,103	-	-
Total Equity		10,225,147	11,021,559	9,451,645	10,375,460
Non-Current Liabilities					
Deferred Tax Liabilities	16	1,272	9,942	-	-
Employee Benefits	25	882,093	867,384	870,402	857,071
		883,365	877,326	870,402	857,071
Current Liabilities					
Interest Bearing Borrowings	23	4,506,916	3,221,441	4,506,916	3,221,441
Trade and Other Payables	26	2,504,799	2,225,945	2,217,217	1,866,735
Other Financial Liabilities including Derivatives	24	27,701	-	28,120	491
Amounts due to Related Parties	27	-	-	86,244	90,665
Income Tax Payable	28	66,354	29,154	-	-
Dividends Payable	29	39,588	26,364	39,588	26,364
Bank Overdrafts	21	9,278	43,194	9,278	1,691
		7,154,636	5,546,098	6,887,363	5,207,387
Total Equity, Liabilities		18,263,148	17,444,983	17,209,410	16,439,918

The Accounting Policies and Explanatory Notes set out in the pages 50 to 96 form an integral part of these Financial Statements. These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



P. D. Gihan Ravinatha
Chief Financial Officer

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



Dr. Toru Takehara
Chairman



Ranil Wijegunawardena
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

16th May 2016
Colombo, Sri Lanka

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of parent				Total (Rs.'000)	Non- Controlling Interest (Rs.'000)	Total Equity (Rs.'000)
	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Exchange Equalisation Reserve (Rs.'000)			
Balance as at 1st January 2014	714,396	10,266,948	13,534	5,926	11,000,804	54,780	11,055,584
Total Comprehensive Income for the Year							
Profit/(Loss) for the year	-	290,868	-	-	290,868	1,588	292,456
Other comprehensive income							
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(32,523)	-	-	(32,523)	-	(32,523)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligations	-	2,561	-	-	2,561	-	2,561
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	1,660	-	1,660	-	1,660
- Foreign Currency transaction differences - Foreign operations	-	-	-	(5,477)	(5,477)	(5,265)	(10,742)
Transaction with Owners of The Company, Contributions And Distributions							
- Dividends Paid	-	(287,437)	-	-	(287,437)	-	(287,437)
Balance as at 31st December 2014	714,396	10,240,417	15,194	449	10,970,456	51,103	11,021,559
Total Comprehensive Income for the year							
Profit/(Loss) for the year	-	(589,804)	-	-	(589,804)	378	(589,426)
Other comprehensive income							
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(782)	-	-	(782)	-	(782)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligations	-	210	-	-	210	-	210
- Fair Value gain/(loss) of Available for sale Financial Assets	-	2,952	(38)	-	2,914	-	2,914
- Foreign Currency transaction differences - Foreign operations	-	-	-	3,188	3,188	3,063	6,251
Transaction with Owners of The Company, Contributions And Distributions							
- Dividends Paid	-	(215,579)	-	-	(215,579)	-	(215,579)
Balance as at 31st December 2015	714,396	9,437,414	15,156	3,637	10,170,603	54,544	10,225,147

The Accounting Policies and Explanatory Notes set out in the pages 50 to 96 form an integral part of these Financial Statements.

(Figures in brackets indicate deductions)

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Total Equity (Rs.'000)
Balance as at 1st January 2014	714,396	9,755,873	13,534	10,483,803
Total Comprehensive Income for the year				
Profit/(loss) for the year	-	209,289	-	209,289
Other comprehensive income				
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(35,152)	-	(35,152)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligations	-	3,297	-	3,297
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	1,660	1,660
Transaction with Owners of The Company, Contributions And Distributions				
- Dividends Paid	-	(287,437)	-	(287,437)
Balance as at 31st December 2014	714,396	9,645,870	15,194	10,375,460
Total Comprehensive Income for the year				
Profit/(loss) for the year	-	(708,153)	-	(708,153)
Other comprehensive income				
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(50)	-	(50)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligations	-	5	-	5
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	(38)	(38)
Transaction with Owners of The Company, Contributions And Distributions				
- Dividends Paid	-	(215,579)	-	(215,579)
Balance as at 31st December 2015	714,396	8,722,093	15,156	9,451,645

The Accounting Policies and Explanatory Notes set out in the pages 50 to 96 form an integral part of these Financial Statements.

(Figures in brackets indicate deductions)

STATEMENT OF CASH FLOWS

For the Year Ended 31st December	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
Cash Flow from Operating Activities				
Profit / (Loss) Before Tax	(527,599)	334,871	(694,134)	220,250
Adjustments for,				
Depreciation of Property, Plant and Equipment	446,653	412,452	420,807	398,137
Amortization of Intangible assets	6,334	6,988	5,914	6,771
Provision for Retirement Benefit Obligations	132,907	136,657	129,545	134,099
Provision for/(Reversal) of Bad and Doubtful Debts	17,442	(7,041)	-	(7,969)
Provision for/(Reversal) of Obsolete Stocks	8,668	(31,539)	4,702	(32,830)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(7,294)	(1,893)	(5,347)	(1,825)
Foreign Exchange (Gain)/Loss (Unrealised)	53,976	99,461	53,976	110,199
Net Change in Fair Value of Financial Instruments	47,448	(21,637)	47,448	(21,637)
Amortization of Corporate Guarantees	-	-	(491)	(329)
Interest Income	(99,087)	(167,200)	(86,654)	(152,697)
Dividend Income	-	(189)	(8,429)	(9,396)
Interest Expenses	4,688	20,614	4,094	20,353
Operating Profit Before Working Capital Changes	84,136	781,544	(128,569)	663,126
(Increase)/Decrease in Inventories	3,008	(189,523)	(33,782)	(170,094)
(Increase)/Decrease in Trade and Other Receivables	(1,337,862)	(591,450)	(1,466,846)	(585,701)
(Increase)/Decrease Amounts Due from Related Parties	-	-	(18,696)	(3,371)
Increase/(Decrease) Trade and Other Payables	278,855	(703,043)	350,482	(779,431)
Increase/(Decrease) Amounts Due to Related Parties	-	-	(4,421)	(12,564)
Cash Generated from/(used in) Operating Activities	(971,863)	(702,472)	(1,301,832)	(888,036)
Interest Paid	(4,688)	(20,613)	(4,094)	(20,353)
Gratuity Paid	(118,198)	(130,820)	(116,214)	(127,926)
Income Tax (Paid)/Set offs	(19,074)	10,420	-	41,489
Net Cash Generated from/(used in) Operating Activities	(1,113,823)	(843,485)	(1,422,140)	(994,826)

For the Year Ended 31st December	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(503,781)	(523,989)	(473,224)	(505,044)
Proceeds from Disposal of Property, Plant and Equipment	9,838	2,004	6,222	1,936
Interest Received	105,973	174,389	94,078	160,351
Investments in other financial assets	(120,000)	-	-	-
Staff Loans granted during the year	(193,090)	(200,326)	(190,750)	(197,901)
Staff Loans recovered during the year	181,734	165,736	179,095	161,911
Acquisition of Intangible Assets	(910)	(4,578)	(547)	(2,578)
Dividends Received	-	189	8,429	9,396
Net Cash Generated from/(used in) Investing Activities	(520,236)	(386,574)	(376,697)	(371,928)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	-	(14,434)	-	(14,434)
Repayment of Short Term Loans	(8,428,442)	(5,705,213)	(8,428,442)	(5,705,213)
Loans Obtained during the year	9,659,941	6,675,865	9,659,941	6,675,865
Dividends Paid	(202,355)	(284,350)	(202,355)	(284,350)
Net Cash Generated from/(used in) Financing Activities	1,029,144	671,867	1,029,144	671,867
Net Increase/(Decrease) in Cash and Cash Equivalents during the year	(604,916)	(558,191)	(769,693)	(694,885)
Cash and Cash Equivalents at the beginning of the year (Note 21)	2,961,693	3,519,884	2,630,113	3,324,998
Cash and Cash Equivalents at the end of the year (Note 21)	2,356,777	2,961,693	1,860,420	2,630,113

The Accounting Policies and Explanatory Notes set out in the pages 50 to 96 form an integral part of these Financial Statements.

(Figures in brackets indicate deductions.)

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as at and for the year ended 31st December 2015 comprise the Company and its Subsidiaries (together referred as the "Group").

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

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

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

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

The Board of Directors is responsible for the preparation and presentation of the financial statement of the Company and its subsidiaries as per provisions of Companies Act No, 07 of 2007 and the Sri Lanka Accounting Standards.

2.2. Basis of Measurement

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

- Derivative financial instruments measured at fair value
- Non derivative financial instruments measured at amortised Cost.
- Available-for-sale financial assets measured at fair value.
- Liability for defined benefit obligation recognized based on actuarial valuation. (LKAS 19)

2.3. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in different economic environment (See Note 38). All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Basis of Consolidation

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

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

3.1.1. Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights or otherwise has a controlling interest. All financial statements of subsidiaries prepared for the same reporting period as the parent company

which is twelve months ending 31st December. Subsidiaries are consolidated from the date on which control is transferred to the Company and commences until the date that control ceases.

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

3.1.2. Transactions eliminated on consolidation

Inter group balances and transactions and any unrealized income and expenses arising from inter group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign Currency

3.2.1. Functional Currency and Presentation Currency

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

3.2.2. Foreign Currency Transactions

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

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

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

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items,

are included in profit or loss for the period except for the Group's net investment in foreign operations/subsidiaries.

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

3.2.3. Foreign Operations/Subsidiaries

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

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognize in other comprehensive income relating to that particular foreign operation is recognized in the income statement.

3.2.4. Foreign exchange forward contracts

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

3.3. Assets And The Bases Of Their Valuation

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

3.3.1. Property, Plant & Equipment

3.3.1.1. Recognition and Measurement

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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, using the production of supply of goods or services or for administrative purposes. Investment property is measured at cost. When the use of property changes from investment property to owner occupied property it is reclassified as property, plant & equipment.

3.3.1.4. Subsequent Costs

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

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

3.3.1.5. Derecognition

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

3.3.1.6. Depreciation

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

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

The estimated useful lives and depreciation rates are as follows:

Company – Colombo Dockyard PLC

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

Group – Dockyard General Engineering Services (Private) Limited

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

Ceylon Shipping Agency (Private) Limited

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

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

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

3.3.2. Intangible Assets

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

3.3.2.1. Software

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

3.3.2.2. Subsequent Expenditure

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

3.3.2.3. Amortisation

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

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely

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

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

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

3.3.3. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is comprised all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales. The cost of the inventories is assigned by using specific identification of their individual costs and first-in-first out formulas.

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

3.3.4. Cash and Cash Equivalents

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

3.3.5. Impairment of Non Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group

NOTES TO THE FINANCIAL STATEMENTS CONTD.

of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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 expense categories consistent with the function of the impaired asset.

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

3.4. Financial Instruments

3.4.1. Financial Assets

a) Initial recognition and measurement

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

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

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

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

b) Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

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

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

c) Derecognition

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

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

3.4.2. Impairment of Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.4.3. Financial Liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognized in the income statement.

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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

c) Derecognition

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

d) Financial guarantee contracts

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

3.4.4. Fair value of Financial Instruments

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

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

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

3.4.5. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts

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

3.5. Post Employment Benefits

3.5.1. Defined Benefit Plan

Company

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

Local Subsidiary

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

Foreign Subsidiary

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

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

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

3.6. Provisions

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

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

3.6.1. Provision for Warranty

Provision for warranty jobs is made for all construction contracts based on the contractual and projects

estimates figures. However, warranty provision for ship repair services is made based on historical experience. The estimates are revised annually.

3.6.2. Provision for Slow Moving Stocks

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

3.7. Income Statement

3.7.1. Revenue

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

3.7.1.1. Revenue Recognition

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

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

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

3.7.1.1.2. Sale of Goods

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

3.7.2.2. *Warranty Claims/Provisions*

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

3.7.2.3. *Lease Payments*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the

reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.7.2.4. *Borrowing Costs*

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

3.7.3. **Net Finance Income / (Expenses)**

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

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

3.7.4. **Taxation**

As per Sri Lanka Accounting Standards – LKAS 12 on 'Income taxes', tax expense/(reversal) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Therefore, it consists of current and deferred tax. Income tax expense/ (reversal) are recognised in the comprehensive income except to the extent it relates to items recognized directly in equity or in other comprehensive income. The group recognises liabilities for anticipated taxes, based on estimates of taxable income, where the final tax outcome of these matters may 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 (assets) for the current and prior periods are measured at the amount expected to (be recovered from) paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

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

The relevant details are disclosed in the respective notes to the Financial Statements.(Note 9 and 28)

3.7.4.2. Deferred Taxation

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

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

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

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

3.8. Segmental Information

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

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

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

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

3.9. Related Party Transaction

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

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

3.10. Cash Flow

The cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS7 on 'Statement of Cash Flows'. Cash and cash equivalent comprise cash in hand, cash at bank and short term investments that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

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

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

3.11. Earning Per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company

NOTES TO THE FINANCIAL STATEMENTS CONTD.

by the weighted average number of shares outstanding during the period.

3.12. Events Occurring After the Reporting Period

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

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

3.13. Sri Lanka Accounting Standards (SLFRSs/LKASs) Issued But Not Yet Effective

Standard issued but not yet effective up to the 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, 2018. The adoption of SLFRS 9 will have an impact on classification and measurement of Group's financial assets.

b) SLFRS 15 – Revenue from Contracts with Customers

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

SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018, with early adoption permitted.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Critical Accounting Estimate/Judgement	Disclosure Reference	
	Note	Page
Income tax expenses	9	70
Property, plant and equipment	11	75
Intangible assets	13	78
Deferred tax assets / liabilities	16	79
Employee benefits	25	84
Provision for warranty claims	26	86

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
5. REVENUE				
Ship Repair	4,311,435	3,856,251	4,311,435	3,856,251
Shipbuilding	10,086,302	9,830,858	10,086,302	9,830,858
Heavy Engineering	870,874	841,912	9,361	19,938
Material and Other Sales	193,387	145,635	-	-
Gross Revenue (Note 5.1 , 5.2)	15,461,998	14,674,656	14,407,098	13,707,047
Turnover Tax	(19,276)	(8,864)	-	-
Total Revenue	15,442,722	14,665,792	14,407,098	13,707,047
Less: Cost of Sales	(14,321,675)	(13,220,726)	(13,615,635)	(12,507,645)
Gross Profit / Operating Results (Note 5.3)	1,121,047	1,445,066	791,463	1,199,402
5.1 Project Types Segment Revenue (Business Segment)				
Ship Repair				
Tankers	1,538,566	636,149	1,538,566	636,149
General Cargo	293,741	203,087	293,741	203,087
Container Carriers	278,775	845,073	278,775	845,073
Passenger Vessels	432,485	120,071	432,485	120,071
Fishing Trawlers	9,941	25,890	9,941	25,890
Tugs	159,580	184,600	159,580	184,600
LPG Tankers	125,120	340,341	125,120	340,341
Dredgers	503,361	324,945	503,361	324,945
Naval Vessels	146,090	248,789	146,090	248,789
Cement Carriers	96,371	-	96,371	-
Livestock Carriers	-	247,510	-	247,510
Offshore Support Vessels	17,820	231,371	17,820	231,371
Barges	173,010	134,238	173,010	134,238
Bulk Carriers	147,930	172,696	147,930	172,696
Research Vessels	244,195	45,755	244,195	45,755
Others	144,450	95,736	144,450	95,736
	4,311,435	3,856,251	4,311,435	3,856,251
Shipbuilding				
Passenger Vessels	-	2,606,340	-	2,606,340
Supply Vessels	9,839,920	7,224,518	9,839,920	7,224,518
Tugs	139,661	-	139,661	-
Barges	106,721	-	106,721	-
	10,086,302	9,830,858	10,086,302	9,830,858
Heavy Engineering				
Heavy Fabrication	849,266	799,817	2,571	19,938
Services	21,608	25,257	6,790	-
Power Generation	-	16,838	-	-
	870,874	841,912	9,361	19,938
Material and Other Sales				
Material Sales	193,387	145,635	-	-
Total Revenue	15,461,998	14,674,656	14,407,098	13,707,047

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
5. REVENUE (Contd.)				
5.2 Geographical Segment Revenue				
India	2,496,441	4,311,799	2,496,441	4,311,799
France	7,950	65,122	7,950	65,122
Korea	146,901	54,711	146,901	54,711
Maldives	616,783	239,212	616,783	239,212
China	136,410	30,881	136,410	30,881
Australia	26,230	-	26,230	-
UAE	25,715	-	25,715	-
Sri Lanka	1,519,362	1,483,229	464,712	515,619
Singapore	10,029,711	7,710,440	10,029,461	7,710,440
Japan	-	24,610	-	24,610
Germany	68,440	29,223	68,440	29,223
Greece	40,631	136,133	40,631	136,133
Hong Kong	-	41,710	-	41,710
USA	29,581	-	29,581	-
USSR	114,561	-	114,561	-
Ethiopia	82,319	-	82,319	-
Thailand	17,965	-	17,965	-
Philippines	-	23,932	-	23,932
Seychelles	-	89,110	-	89,110
Marshall Islands	-	32,760	-	32,760
Kuwait	330	245,420	330	245,420
Malta	21,075	-	21,075	-
Cyprus	76,980	24,301	76,980	24,301
Others	4,613	132,064	4,613	132,064
	15,461,998	14,674,656	14,407,098	13,707,047
5.3 Segmental Operating Results				
Ship Repairs	717,770	781,927	717,770	781,927
Shipbuilding	60,370	413,005	60,370	413,005
Heavy Engineering	251,744	201,841	13,323	4,470
Material Sales	91,163	48,293	-	-
	1,121,047	1,445,066	791,463	1,199,402

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
6. OTHER INCOME				
Exchange Gains (both realized and unrealized)	46,874	168,358	46,874	168,358
Scrap Sales	89,261	119,535	89,261	119,535
Dividend Income	-	189	8,429	9,396
Profit on disposal of Property, Plant and Equipment	7,294	1,893	5,347	1,825
Management Fees	-	-	918	918
Amortization of Corporate Guarantees	-	-	491	329
Lease Rentals	-	321	1,778	1,668
Miscellaneous Income	26,469	15,193	23,704	14,862
	169,898	305,489	176,802	316,891
7. NET FINANCE INCOME				
Interest Expense				
Net Change in fair value of financial instrument at fair value through profit or loss	(47,448)	-	(47,448)	-
Interest on Bank Overdrafts and Short Term Loans	(4,688)	(20,613)	(4,094)	(20,352)
	(52,136)	(20,613)	(51,542)	(20,352)
Interest Income				
Interest Income from Investments	50,837	122,346	38,942	108,518
Other Interest Income	48,250	44,854	47,712	44,179
Amortization of prepaid staff cost (Note 19.2)	24,302	26,197	24,040	25,612
Net Change in fair value of financial instruments at fair value through profit or loss	-	123,038	-	123,038
	123,389	316,435	110,694	301,347
	71,253	295,822	59,152	280,995

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
8. PROFIT BEFORE TAX				
Is stated after charging all expenses including the following,				
Directors' Emoluments	20,016	20,777	20,016	20,468
Auditors Remuneration - On statutory audit	5,078	4,854	2,190	2,000
- For other services	65	60	65	60
Business Promotion Expenses	25,515	29,225	17,246	22,595
Depreciation on Property Plant & Equipment	446,653	412,452	420,807	398,137
Amortization of Intangible Assets	6,334	6,988	5,914	6,771
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	17,442	(7,041)	-	(7,969)
- Obsolete and Slow Moving Stocks	8,668	(31,539)	4,702	(32,830)
Expected losses and cancellation cost of shipbuilding projects	1,171,066	-	1,171,066	-
Staff Related Cost				
- Salaries and Wages	3,206,748	3,002,446	3,130,264	2,937,273
- Defined Benefit Plan Cost - Gratuity	132,125	136,657	129,495	134,099
- Defined Contribution Plan Cost -EPF	161,601	147,974	156,236	142,869
-ETF	40,400	36,993	39,059	35,717
Donations	516	477	516	477
Amortization of Pre-paid Staff Cost	24,302	26,197	24,040	25,612

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
9. INCOME TAX EXPENSE				
On the Current years Profit (Note 9.4)	65,381	29,320	9,091	-
Under/ (over) Provision in previous years	(17)	(2,818)	-	(635)
Deferred Taxation (Note 9.6,16.3)	(3,747)	13,353	4,923	8,299
Tax expense on Total Comprehensive Income	61,617	39,854	14,014	7,664
Deferred tax on Other Comprehensive Income	210	2,561	5	3,297
Total Tax Expense on Profit or Loss	61,827	42,415	14,019	10,961

9.1 Taxation on Profits

(i) Income Tax in Sri Lanka Company

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

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

(Further refer 9.3 for applicable tax exemptions and concessions)

Potential Impact of Income Tax Rate Change

As per the press notice issued by the Finance Ministry on 06 April 2016, the Company will be liable to pay income tax at 17.5% instead of current income tax at 12% & 28%, respectively on profit and income earned by the company with effect from year of assessment 2016/17.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the Year Ended 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
9. INCOME TAX EXPENSE (Contd.)				
9.4 Reconciliation between current tax expense and the accounting profit				
Profit before tax	(527,599)	344,871	(694,134)	220,250
Disallowable Expenses for Taxation	1,206,182	819,429	1,138,473	805,697
Allowable Expenses for Taxation	(1,213,831)	(1,160,893)	(1,181,179)	(1,127,515)
Profit Exempt from Tax	(697,642)	(829,204)	(697,642)	(829,204)
Statutory Profit/(Loss) from Business	(1,232,890)	(825,797)	(1,434,482)	(930,771)
Statutory Profit/(Loss) from Colombo Dockyard PLC	(1,434,482)	(930,771)	(1,890,802)	(930,771)
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt)Ltd	200,684	101,839	-	-
Statutory Profit/(Loss) from Ceylon Shipping Agency (Pte) Ltd	908	3,135	-	-
Other sources of Income	51,170	3,269	51,170	3,269
Tax loss claimed during the year	(17,909)	(1,144)	(17,909)	(1,144)
Qualifying Payments	(794)	(2,125)	(794)	(2,125)
Taxable Income/loss	234,059	104,974	32,467	-
Tax at the Rate of 12% (2014 - 12%)	-	970	-	-
Tax at the Rate of 17% (2014 - 17%)	154	533	-	-
Tax at the Rate of 28% (2014 - 28%)	65,227	27,817	9,091	-
Provision for Taxation on Current Year Profit	65,381	29,320	9,091	-
9.5 Reconciliation of Tax Loss				
Tax Loss Brought Forward	2,522,460	1,926,847	2,522,460	1,926,848
Tax Loss for the year of assessment	1,434,482	930,770	1,434,482	930,771
Setoff against the current taxable income	(17,909)	(1,144)	(17,909)	(1,144)
Adjustment for the previous years of assessment	(786,808)	(334,013)	(786,808)	(334,015)
Tax Loss Carried Forward	3,152,225	2,522,460	3,152,225	2,522,460

9.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates, the deferred tax asset is arrived at by applying the income tax rates of 28%, 12% and 0% applicable for different sources of profits. The effective tax rate (Weighted Average) applicable is 9.24%. (2014 - 9.38%)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 28% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31st December 2015.

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 2015.

10. EARNINGS/(LOSS) PER SHARE / DIVIDENDS PER SHARE/ FOREIGN CURRENCY TRANSLATION

10.1 Earnings/(Loss) Per Share

The earnings/(loss) per share has been Derived by dividing profit/(loss) attributable to equity shareholders of company by the weighted average number of ordinary shares outstanding during the year and calculated as follows :

	Group		Company	
	2015	2014	2015	2014
Amount used as the Numerator				
Profit/(loss) for the period (Rs.'000)	(589,426)	292,456	(708,153)	209,289
Non Controlling Interest (Rs.'000)	(378)	(1,588)	-	-
Profit/(Loss) Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	(589,804)	290,868	(708,153)	209,289
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares	71,858,924	71,858,924	71,858,924	71,858,924
Earnings Per/(Loss) Share (Rs.) based on weighted average number of shares in 2015	(8.21)	4.05	(9.85)	2.91

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10. EARNINGS/(LOSS) PER SHARE / DIVIDENDS PER SHARE (Contd.)

10.2 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	
	2015	2014	2015	2014
Dividend Authorized (Rs.'000)	-	215,577	-	215,577
Number of Ordinary Shares ('000)	-	71,859	-	71,859
Dividend Per Share (Rs.)	-	3.00	-	3.00

10.3 Foreign Currency Translations

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

	Average Rate		Closing Rate			
	2015 (Rs.)	2014 (Rs.)	2015 (Rs.)		2014 (Rs.)	
			Selling	Buying	Selling	Buying
U. S. Dollar	143.75	130.66	145.50	142.00	133.00	130.00
Euro	156.93	174.40	159.94	153.91	162.80	156.95
Singapore Dollars	101.76	103.48	103.62	99.89	101.45	97.93
Danish Kroners	21.07	23.41	21.56	20.58	21.99	20.99
Japanese Yen	1.19	1.25	1.21	1.17	1.13	1.08

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

Freehold

	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office, Equipment & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost													
Balance as at 01st January 2015	1,101,236	62,950	13,132	1,261,400	4,607,918	292,837	160,676	54,116	330,606	339,911	6,494	106,828	8,338,104
Additions during the year	-	-	1,058	28,298	418,636	-	26,394	5,279	25,034	39,395	-	424,995	969,089
Disposals during the year	-	-	-	-	(20,247)	-	(16,869)	(48)	(2,454)	(25,260)	-	-	(64,878)
Transfers during the year	-	-	-	-	-	-	-	-	-	-	-	(465,308)	(465,308)
Exchange Gain / Loss	-	-	-	-	-	-	-	-	87	-	-	15	102
Balance as at 31st December 2015	1,101,236	62,950	14,190	1,289,698	5,006,307	292,837	170,201	59,347	353,273	354,046	6,494	66,530	8,777,109
Accumulated Depreciation													
Balance as at 1st January 2015	560,526	-	6,724	429,326	2,074,006	219,258	117,390	40,840	257,978	282,820	4,606	-	3,993,472
Charge for the year	22,571	-	1,328	50,481	261,633	15,997	17,118	3,799	21,964	51,193	567	-	446,653
Disposals	-	-	-	-	(19,178)	-	(16,240)	(48)	(2,284)	(24,863)	-	-	(62,613)
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/Loss	-	-	-	-	-	-	-	-	81	-	-	15	96
Balance as at 31st December 2015	583,097	-	8,052	479,807	2,316,461	235,255	118,268	44,591	277,739	309,150	5,173	15	4,377,608
Carrying Amount													
As at 31st December 2015	518,139	62,950	6,138	809,891	2,689,846	57,582	51,933	14,756	75,534	44,896	1,321	66,515	4,399,500
As at 31st December 2014	540,710	62,950	6,407	832,074	2,533,912	73,579	43,286	13,277	72,628	57,091	1,888	106,828	4,344,630

11.2 Company

Freehold

	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office, Equipment & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost													
Balance as at 01st January 2015	1,101,236	45,785	13,132	1,243,280	4,540,218	292,836	130,340	54,118	315,310	303,985	6,495	106,779	8,153,514
Additions during the year	-	-	1,059	28,298	413,307	-	18,405	5,279	23,878	23,360	-	424,944	938,530
Disposals during the year	-	-	-	-	(18,657)	-	(14,602)	(48)	(829)	(16,016)	-	-	(50,152)
Transfers during the year	-	-	-	-	-	-	-	-	-	-	-	(465,307)	(465,307)
Balance as at 31st December 2015	1,101,236	45,785	14,191	1,271,578	4,934,868	292,836	134,143	59,349	338,359	311,329	6,495	66,416	8,576,585
Accumulated Depreciation													
Balance as at 01st January 2015	560,526	-	6,724	411,205	2,048,813	219,257	95,952	40,834	248,636	263,354	4,606	-	3,899,907
Charge for the year	22,571	-	1,328	50,481	255,320	15,997	11,631	3,799	20,351	38,760	569	-	420,807
Disposals during the year	-	-	-	-	(18,055)	-	(14,602)	(48)	(804)	(16,017)	-	-	(49,526)
Transfers during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2015	583,097	-	8,052	461,686	2,286,078	235,254	92,981	44,585	268,183	286,097	5,175	-	4,271,188
Carrying Amount													
As at 31st December 2015	518,139	45,785	6,139	809,892	2,648,790	57,582	41,162	14,764	70,176	25,232	1,320	66,416	4,305,397
As at 31st December 2014	540,710	45,785	6,407	832,076	2,491,407	73,578	34,388	13,281	66,674	40,632	1,888	106,780	4,253,606

NOTES TO THE FINANCIAL STATEMENTS CONTD.

11. PROPERTY, PLANT AND EQUIPMENT (Contd.)

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

- (a) Land depicted as Lot No.01 in plan No. LS/P/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-5Acres 1 Root and 12.5 Perches
Cost Rs.20,931,444/-
Valuation Rs.2,344,375,000/-
- (b) Land depicted as allotment of land in Plan No.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.
Extent of the Land-37.99 perches
Cost Rs.1,807,000/-
Valuation Rs.36,090,500/-
- (c) Land depicted as Lot A in Plan No.1347 dated 6th June 1981 at Colombo 15. Executive quarters of the Company is built on this land.
Extent of the Land-2 Roots and 9.62 Perches
Cost Rs.3,219,000/-
Valuation Rs.65,000,000/-
- (d) Land depicted as Lot No.01 in Plan No. 250 at Colombo 14, this land is leased to Dockyard General Engineering Services (Private) Limited as an operating lease.
Extent of the Land-2 Roots and 23.75 Perches
Cost Rs.2,865,000/-
Valuation Rs.41,500,000/-
Extent of the building is above freehold lands 25,134 sqm (2014- 25,134 sqm)
- (e) Land depicted as Lot No. A plan No. 3247 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12. The land is used for Dockyard General Engineering Services (Private) Limited's Materials Sales Center.
Extent of the Land-7.15 Perches
Cost Rs. 14,300,000/-
Valuation Rs. 17,900,000/-
- (f) Land depicted as Lot No. 3B in plan No. 2579 at Colombo 15. This land is kept for the purpose of constructing office spaces.
Extent of the Land- 12.69 Perches
Cost Rs. 19,829,000/-
Valuation Rs. 23,800,000/-

11.4 Gross carrying amount of fully depreciated Property Plant and Equipment.

As at 31st December	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
Freehold Drydocks	1,534	5,215	1,534	5,215
Freehold Buildings	59,588	130,731	41,433	112,176
Roadways	3,784	147	3,784	147
Plant, Machinery and Equipment	891,955	940,012	871,594	932,105
Electrical Installations	49,468	132,802	49,468	132,802
Motor Vehicles	80,857	89,839	62,600	77,607
Office Equipment, Furniture and Fittings	206,415	200,041	206,337	199,082
Boats / Launches	-	2,717	-	2,717
	1,293,601	1,501,504	1,236,750	1,461,851

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
12. INVESTMENT PROPERTY				
Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	2,865	2,865

Land depicted as Lot No.01 in Plan No.250 at Mahawatte, Colombo 14, which is leased to Dockyard General Engineering Services (Pvt.) Limited, has been revalued by an independent Chartered Valuation firm, Sunil Fernando & Associates (Pvt.) Ltd., as at 31st December 2014. Valuation details of the land is as follows,

Extent of the Land-	2 Roots and 23.75 Perches
Cost	Rs. 2,865,000/-
Valuation	Rs. 41,500,000/-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
13. INTANGIBLE ASSETS				
Cost				
Balance at the beginning of the year	44,580	40,883	41,921	40,249
Additions during the year	910	4,578	547	2,578
Transfers during the year	-	(880)	-	(905)
Balance at the end of the year	45,490	44,581	42,468	41,922
Amortisation				
Balance at the beginning of the year	34,792	28,514	34,549	28,513
Charge for the year	6,334	6,988	5,914	6,771
Transfers during the year	-	(710)	-	(735)
Balance at the end of the year	41,126	34,792	40,463	34,549
Carrying Amount	4,364	9,788	2,005	7,373

As at 31st December,	No of Shares	Percentage Holding	Company	
			2015 (Rs.'000)	2014 (Rs.'000)
14. INVESTMENTS IN SUBSIDIARIES				
Dockyard General Engineering Services (Private) Limited - Incorporated in Sri Lanka	61,999	100%	1,727	500
Add: Fair Value of Financial Guarantees			419	1,227
Ceylon Shipping Agency (Private) Limited - Incorporated in Singapore	25,500	51%	357	357
			2,503	2,083

14.1 The Director's Assessment of the fair Value of Investments.

The Board of Directors' assessed the fair value of investments in subsidiaries as follows based on the net assets attributable for the respective investments.

As at 31st December,	2015 (Rs.'000)	2014 (Rs.'000)
Dockyard General Engineering Services (Private) Limited	663,656	542,863
Ceylon Shipping Agency (Pte) Ltd	57,298	55,739
	720,954	598,602

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
15. OTHER INVESTMENTS				
15.1 Investments in Shares				
Sri Lanka Port Management and Consultancy Services Limited	13,865	14,209	13,865	14,209
Associated Newspapers of Ceylon Limited	1,401	1,095	1,401	1,095
	15,266	15,304	15,266	15,304
16. DEFERRED TAXATION				
16.1 Deferred Tax Asset				
Balance at the beginning of the year	105,992	114,290	105,991	114,290
(Provision) /Reversal during the year	(4,923)	(8,299)	(4,922)	(8,299)
Balance at the end of the year	101,069	105,991	101,069	105,991
16.2 Deferred Tax Liability				
Balance at the beginning of the year	9,942	4,888	-	-
Provision/(Reversal) during the year	(8,670)	5,054	-	-
Balance at the end of the year	1,272	9,942	-	-
16.3 Provision /(Reversal) for the Year				
Provision/(Reversal) during the year recognized in Comprehensive Income	(3,537)	15,914	4,927	11,596
(Provision) /Reversal during the year recognized in Other Comprehensive Income	(210)	(2,561)	(5)	(3,297)
	(3,747)	13,353	4,922	8,299

	2015		2014	
	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)
Group				
Temporary Difference on Property Plant & Equipment	(3,136,303)	(299,748)	(2,434,063)	(236,874)
Temporary difference on Retirement Benefit Obligations	882,093	83,719	867,319	83,271
Temporary Difference on Stock Provision	55,278	6,436	43,496	4,080
Temporary Difference on Forward Contracts	27,701	2,560	19,747	1,852
Temporary Difference on Warranty Provision	107,906	15,488	75,545	7,087
Temporary Difference on Tax Losses carried forward	3,152,225	291,342	2,522,460	236,633
	1,088,900	99,797	1,094,504	96,049

NOTES TO THE FINANCIAL STATEMENTS CONTD.

16. DEFERRED TAXATION (Contd.)

	Temporary difference (Rs.'000)	2015 Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	2014 Tax effect on temporary difference (Rs.'000)
Company				
Temporary Difference on Property Plant & Equipment	(3,083,489)	(284,988)	(2,388,463)	(224,063)
Temporary difference on Retirement Benefit Obligations	870,402	80,446	857,072	80,402
Temporary Difference on Stock General Provision	48,197	4,454	43,495	4,080
Temporary Difference on Forward Contracts	27,701	2,560	19,747	1,852
Temporary Difference on Warranty Provision	78,506	7,256	75,545	7,087
Temporary Difference on Tax Losses carried forward	3,152,225	291,341	2,522,460	236,633
	1,093,542	101,069	1,127,247	105,991

Potential Impact of Income Tax Rate Change

As per the press notice issued by the Finance Ministry on 06 April 2016, the Company will be liable to pay income tax at 17.5% instead of current income tax at 12% & 28%, respectively on profit and income earned by the company with effect from year of assessment 2016/17.

Since the New Tax Rates had not been published through a gazette by the Parliament as at the Reporting date, being 31 December 2015, the new rate was not considered to be substantially enacted as at that date. Accordingly, the Company has provided for Deferred Taxation at the existing rate of 12% & 28% in the Financial Statements for the year ended 31 December 2015.

The potential impact on the deferred tax had the Company applied the proposed rate as above shown below:

	2015 Company
Balance as at 1st January	105,991
Deferred tax Income/(Expense) recognized in profit or loss	33,727
Deferred tax Income/(Expense) recognized in other comprehensive income	6
	139,724

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
17. INVENTORIES				
Raw Materials	1,099,874	1,082,909	1,019,413	965,893
Goods in Transit	13,335	33,308	13,335	33,073
	1,113,209	1,116,217	1,032,748	998,966
Less: Provision for Inventories (Note: 17.1)	(55,279)	(46,611)	(48,197)	(43,495)
	1,057,930	1,069,606	984,551	955,471
17.1 Movement in Provision for Inventories				
Balance at the beginning of the year	46,611	78,150	43,495	76,325
Provision/(Reversal) made during the year	8,668	(31,539)	4,702	(32,830)
Balance at the end of the year	55,279	46,611	48,197	43,495
As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
18. TRADE AND OTHER RECEIVABLES				
Trade Receivables	1,811,695	2,580,099	1,619,634	2,431,694
Less: Provision for Bad and Doubtful Debts (Note No 18.1)	(18,370)	(928)	-	-
	1,793,325	2,579,171	1,619,634	2,431,694
Accrued Revenue	5,573,934	3,151,660	5,553,458	2,954,266
VAT Recoverable	220,081	224,926	220,081	224,926
Deposits and Prepayments	1,669,753	2,014,042	1,667,529	2,011,113
Economic Service Charges	128,465	120,145	128,465	120,145
Other Receivables	229,131	215,120	132,651	129,643
	9,614,689	8,305,064	9,321,818	7,871,787
18.1 Movement in Provision for Bad and Doubtful Debts				
Balance at the beginning of the year	928	38,217	-	38,217
Provision / (Reversal) made during the year	17,442	(7,041)	-	(7,969)
Bad debt write off	-	(30,248)	-	(30,248)
Balance at the end of the year	18,370	928	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
19. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES				
Non Current				
Loans given to employees (Note No. 19.1)	388,242	371,416	382,932	365,770
Pre paid Staff Benefits (Note No. 19.2)	39,447	48,703	38,877	47,904
Investment in Units Trust	122,952	-	-	-
	550,641	420,119	421,809	413,674
Current				
Loans given to employees (Note No. 19.1)	139,392	134,264	137,555	132,659
Pre paid Staff Benefits (Note No. 19.2)	14,242	15,583	14,018	15,395
Derivatives	-	19,747	-	19,747
	153,634	169,595	151,573	167,801
	704,275	589,714	573,382	581,475
19.1. Loans Given to Employees				
Balance at the beginning of the year	569,966	535,376	561,727	525,737
Loans Granted during the year	193,090	200,326	190,750	197,901
Loans Recovered during the year	(181,734)	(165,736)	(179,095)	(161,911)
	581,322	569,966	573,382	561,727
Transfer to Pre Paid Staff Benefits	(53,688)	(64,286)	(52,895)	(63,298)
Balance at the end of the year	527,634	505,680	520,487	498,429
Non Current	388,242	371,416	382,932	365,770
Current	139,392	134,264	137,555	132,659
19.2. Prepaid Staff Benefits				
Balance at the beginning of the year	64,286	74,766	63,298	73,605
Additions during the year	13,704	15,717	13,637	15,306
Amortization of pre-paid staff cost	(24,302)	(26,197)	(24,040)	(25,612)
Balance at the end of the year	53,688	64,286	52,895	63,298
Non Current	39,447	48,703	38,877	47,904
Current	14,242	15,583	14,018	15,394

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

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

As at 31st December,		Group	Company		
	Relationship	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
20. AMOUNTS DUE FROM RELATED PARTIES					
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	30,856	12,160
		-	-	30,856	12,160
As at 31st December,		2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
21. CASH AND CASH EQUIVALENTS					
21.1 Favourable Balances					
Fixed Deposits		1,744,980	2,608,326	1,537,116	2,376,302
Repurchase Agreement		68,000	-	-	-
Call Deposits		173,032	77,931	173,032	77,931
Cash at Bank		371,853	312,879	151,987	172,537
Cash in Hand		8,190	5,750	7,563	5,033
		2,366,055	3,004,886	1,869,698	2,631,803
21.2 Unfavorable Balances					
Bank Overdrafts		(9,278)	(43,194)	(9,278)	(1,691)
Cash and Cash Equivalents for the purpose of the Statement of Cash Flows		2,356,777	2,961,692	1,860,420	2,630,112
22. STATED CAPITAL					
Issued and Fully paid					
71,858,924 Ordinary Shares (2014 - 71,858,924)		714,396	714,396	714,396	714,396
23. LOANS AND BORROWINGS					
Payable within one year					
Short Term Loans (Note No. 23.1)		4,506,916	3,221,441	4,506,916	3,221,441
		4,506,916	3,221,441	4,506,916	3,221,441
23.1 Short Term Loans					
Balance at the beginning of the year		3,221,441	2,140,589	3,221,441	2,140,589
Loans obtained during the year		9,659,941	6,675,866	9,659,941	6,675,866
Loan Re-payments during the year		(8,428,442)	(5,705,213)	(8,428,442)	(5,705,213)
Adjustment in respect of Exchange Rate Fluctuations		53,976	110,199	53,976	110,199
Balance at the end of the year		4,506,916	3,221,441	4,506,916	3,221,441

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
24. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES				
Current				
Derivatives	27,701	-	27,701	-
Corporate Gurantees	-	-	419	491
	27,701	-	28,120	491
Grants				
Balance at the beginning of the year	-	163	-	163
Recognition of Fair Value of Grant	-	(163)	-	(163)
Balance at the end of the year	-	-	-	-
25. EMPLOYEE BENEFITS				
Balance at the beginning of the year	867,384	829,024	857,071	815,745
Provision made in the profit / (loss) during the year (Note. 25.3)	132,125	136,657	129,495	134,099
Payments made during the year	(118,198)	(130,820)	(116,214)	(127,926)
Actuarial (gain) / loss recognized in Other Comprehensive Income (Note. 25.4)	782	32,523	50	35,153
Balance at the end of the year (Note 25.1)	882,093	867,384	870,402	857,071
25.1 The Amount Recognised in the Statement of Financial Position are as follows;				
Present value of unfunded obligations	882,093	867,384	870,402	857,071
Present value of funded obligations	-	-	-	-
Total present value of obligations	882,093	867,384	870,402	857,071
Fair value of plan assets	-	-	-	-
Present value of net obligations	882,093	867,384	870,402	857,071
Unrecognised net actuarial gains/ (losses)	-	-	-	-
Recognised liability for defined benefit obligations	882,093	867,384	870,402	857,071
25.2 Movement in the Present Value of Defined Benefit Obligations				
Liabiliy for defined benefit obligations as at 1st January	867,384	829,024	857,071	815,745
Actuarial (gains)/ losses	782	32,523	50	35,153
Benefit paid by the plan	(118,198)	(130,820)	(116,214)	(127,926)
Current service costs	49,839	51,337	48,073	49,546
Interest Cost	82,286	85,320	81,422	84,553
Liability for defined benefit obligations as at 31st December	882,093	867,384	870,402	857,071

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
25.3 Expense Recognised in Profit or Loss for the year ended,				
Current service costs	49,839	51,338	48,073	49,546
Interest on obligation	82,286	85,320	81,422	84,553
	132,125	136,657	129,495	134,099
25.4				
(Gain)/Loss recognized in Other Comprehensive Income	782	32,523	50	35,153

Colombo Dockyard PLC

The actuarial valuations carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2015 amounting to Rs.870 Mn and used the following key assumptions.

	2015	2014
Rate of Interest	9.50%	9.50%
Rate of Salary Increment	7.50%	7.50%
Rate of COLA Increment	5%	6%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

Dockyard General Engineering Services (Pvt) Ltd

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

	2015	2014
Rate of Interest	9.50%	9.50%
Rate of Salary Increment	14%	14%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

NOTES TO THE FINANCIAL STATEMENTS CONTD.

25. EMPLOYEE BENEFITS (Contd.)

25.5 Sensitivity of Assumptions Used

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2015 is as shown below:

Resulting Employee Benefit Obligation	Discount Rate (Rs.'000)	Rate of Salary Increment (Rs.'000)
As per the current assumptions	870,402	870,402
Increase by one percentage point	827,103	915,044
Decrease by one percentage point	918,585	829,467

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

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
26. TRADE AND OTHER PAYABLES				
Trade Payables	314,885	416,540	216,800	235,161
Subcontract Payables	585,466	1,053,127	585,466	1,053,127
Progress Bills	-	77,561	-	77,561
Provision for Warranty Claims	104,917	72,888	75,516	72,888
Accrued Expenses and Other Provisions	1,416,308	418,935	1,305,903	386,606
Other Payables	77,394	177,837	33,532	33,920
ESC Payable	-	7,410	-	7,410
VAT Payable	5,829	1,647	-	62
	2,504,799	2,225,945	2,217,217	1,866,735
26.1 Provision for Warranty Claims				
Balance at the beginning of the year	72,887	122,655	72,887	122,655
Provision made during the year	67,541	42,813	38,140	42,813
Claims/(Reversals) made during the year	(35,511)	(92,580)	(35,511)	(92,580)
Balance at the end of the year	104,917	72,888	75,516	72,888
27. AMOUNTS DUE TO RELATED PARTIES				
Ceylon Shipping Agency (Pte) Ltd	-	-	55,344	77,018
Dockyard General Engineering Services (Pvt) Ltd	-	-	30,900	13,648
	-	-	86,244	90,665

As at 31st December,	Group		Company	
	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
28. INCOME TAX PAYABLE				
Balance at the beginning of the year	29,154	(7,767)	-	(40,854)
Provision for Income Tax on current year's profits	65,381	29,320	9,091	-
Under/(Over) provision of Income Tax in respect of prior year	(17)	(2,818)	-	(635)
Tax (paid)/refund during the year	(19,074)	10,420	-	41,489
Transfer to ESC Receivables	(9,091)	-	(9,091)	-
Balance at the end of the year	66,354	29,154	-	-
29. DIVIDEND PAYABLE				
Balance at the beginning of the year	26,364	23,278	26,364	23,278
Dividends declared during the year	215,579	287,436	215,579	287,436
Payments during the year	(202,355)	(284,350)	(202,355)	(284,350)
Balance at the end of the year	39,588	26,364	39,588	26,364

30. FINANCIAL INSTRUMENTS

30.1 Financial Instruments - Statement of Financial Position (SOFP)

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

As at 31st December,	Note	Group		Company	
		2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
FINANCIAL ASSETS					
Fair value through profit and loss					
SOFP Line Item:					
Other financial assets including derivatives - Current	19	-	19,747	-	19,747
Total		-	19,747	-	19,747
Loans and receivables					
SOFP Line Item:					
Other financial assets including derivatives - Non Current	19	427,689	420,119	421,809	413,674
Trade and other receivables	18	1,979,570	2,791,278	1,739,429	2,554,839
Other financial assets including derivatives - Current	19	153,634	149,847	151,573	148,053
Amounts due from related parties	20	-	-	30,856	12,160
Cash and cash equivalents	21	2,366,055	3,004,886	1,869,698	2,631,803
Total		4,926,948	6,366,130	4,213,364	5,760,529

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,		Group		Company	
	Note	2015 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2014 (Rs.'000)
30. FINANCIAL INSTRUMENTS (Contd.)					
Available-for-sale					
SOFP Line Item:					
Investment in Unit Trusts	19	122,952	-	-	-
Investment in subsidiaries	14	-	-	2,503	2,083
Other Investments	15	15,266	15,304	15,266	15,304
Total		138,218	15,304	17,769	17,387
		5,065,166	6,401,181	4,231,133	5,797,663
FINANCIAL LIABILITIES					
Fair value through profit and loss					
SOFP Line Item:					
Other financial liabilities including derivatives - Current	24	27,701	-	27,701	-
Total		27,701	-	27,701	-
Other Financial Liabilities					
SOFP Line Item:					
Bank Overdrafts	21	9,278	43,194	9,278	1,691
Loans and borrowings- Current	23	4,506,916	3,221,441	4,506,916	3,221,441
Trade and other payables	26	1,402,940	1,967,524	1,144,759	1,642,230
Other financial liabilities including derivatives - Current	24	-	-	419	491
Amounts due to related parties	27	-	-	86,244	90,665
Income Tax payable	28	66,354	29,154	-	-
Dividends payable	29	39,588	26,364	39,588	26,364
Total		6,025,076	5,287,677	5,787,204	4,982,882
		6,052,777	5,287,677	5,814,905	4,982,882

30.2 Financial Instruments Carried at Fair Value

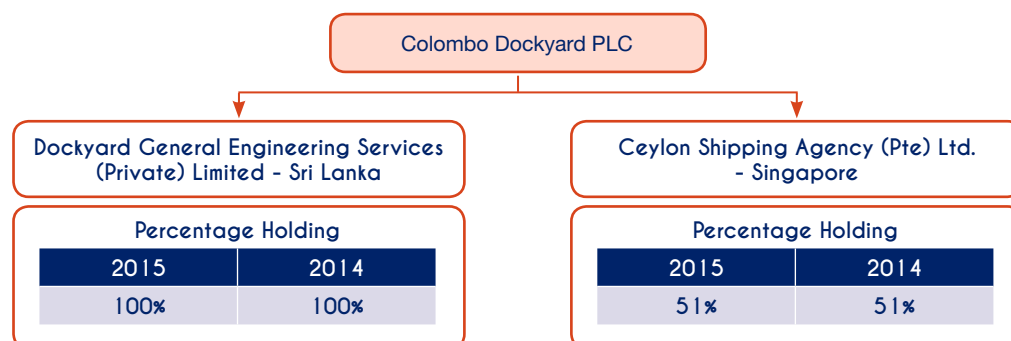
The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

- Level 01 : Quoted (unadjusted) prices in active market for assets or liabilities.
- Level 02 : Other techniques for which all inputs with significant effect on the recorded fair values are observable either directly or indirectly.
- Level 03 : Techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

	Group			Company		
	Level 01	Level 02	Level 03	Level 01	Level 02	Level 03
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
As at 31.12.2015						
Financial Assets						
Investment in Unit Trusts	-	122,952	-	-	-	-
Unquoted equity investments	-	-	15,266	-	-	15,266
	-	122,952	15,266	-	-	15,266
Financial Liabilities						
Foreign exchange forward contracts	-	27,701	-	-	27,701	-
	-	27,701	-	-	27,701	-

As at 31.12.2014**Financial Assets**

Unquoted equity investments	-	-	15,304	-	-	15,304
Foreign exchange forward contracts	-	19,747	-	-	19,747	-
	-	19,747	15,304	-	19,747	15,304

3.1. LIST OF SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS CONTD.

32. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by NCI	
			2015	2014
Ceylon Shipping Agency (Private) Limited	Singapore	Trading agent	49%	49%

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

31st December,	2015 (Rs.'000)	2014 (Rs.'000)
Revenue	567,756	607,653
Profit	771	3,240
Profit attributable to NCI	378	1,588
Other comprehensive income	6,251	(10,740)
Total comprehensive income	7,022	(7,500)
Total comprehensive income attributable to NCI	3,441	(3,675)
Current assets	170,275	185,340
Non-current assets	137	151
Current liability	(59,055)	(81,154)
Non-current liability	(43)	(44)
Net asset	111,314	104,293
Net asset attributable to NCI	54,544	51,104
Cash flow from operating activities	3,396	42,289
Cash flow from investing activities	69	(41)
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	3,465	42,248
Dividend paid to NCI during the year	-	-

33. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 1,626,288,000/- (2014 - Rs. 4,109,812,000/-) as at the reporting date.

Bank	Letter of Credit (Rs.'000)	Performance & Bid Retention Bonds (Rs.'000)	Advance and Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	302,327	210,306	-	5,500	518,133
National Development Bank PLC	-	-	-	11,200	11,200
Hongkong & Shanghai Banking Corp.	455,619	-	-	-	455,619
Hatton National Bank	219,811	-	-	-	219,811
Sampath Bank PLC	420,847	-	-	678	421,525
	1,398,604	210,306	-	17,378	1,626,288

- (b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 527,000,000/- (2014- Rs. 527,000,000/-) as at the reporting date.

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

(c)

- (i) Labour Tribunal inquiries against the Company: LT/2 Add/3713/15, LT/2 Add/3714/15, LT/8/893/2015
- (ii) A case filed by the Company against bonded employee to recovery of bond in District Court: DC Colombo 39481/MR.
- (iii) Appeals filed against the High Court orders to Supreme Court - SC/CA/LA/3/15 and SC (Spl/LA)49/2015.

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

34. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2015.

35. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Particulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering Services (Pvt) Ltd	Dr. Toru Takehara	Subsidiary	Purchase of Materials	3,638
	Mr. Ranil Wijegunawardena		Management Services	918
	Mr. M. Koshi		Lease Rentals Received	1,751
			Subcontractor Services	20,625
			Heavy Engineering	129,801
			Dividends Received	5,883
			Bond Handling	7,734
			Transportation	5,683
Ceylon Shipping Agency (Pte) Ltd	Dr. Toru Takehara	Subsidiary	Purchase of Materials	578,326
	Mr. Ranil Wijegunawardena			-
	Mr. Sarath De Costa			
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Technical services	81,450

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

(A) Transactions with Key Management Personnel

According to Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors), Chief Executive Officer 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

	2015 Rs.'000	2014 Rs.'000
Short Term Employment Benefit	64,526	62,334
Long Term Employment Benefit	38,697	32,909

(iii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 35(A) to these Financial Statements.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Colombo Dockyard PLC entered into contracts with customers for the purpose of manufacturing and delivering new shipbuilding orders. However, due to adverse global economic conditions, particularly due to the drop in oil prices, customers have indicated their inability to proceed with some orders on the originally agreed terms and conditions. The management having obtained professional advice, negotiated with the customers with regard to the above matters. Finally, it was decided to cancel a one shipbuilding contract (which is at preliminary stage) and continue other three at a discounted price. Further, the company has made its best estimate of the impact and duly provided in the financial statements for the year ended 31st December 2015 according to the LKAS 10 - Events after the Reporting Period and LKAS 11 - Construction Contracts. Accordingly, expected loss of Rs 1,171 Mn has been provided in the year ended 31st December 2015

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

37. COMPARATIVE INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

38. FINANCIAL RISK MANAGEMENT

The Group has trade and other receivables, other financial assets including loans given to employees and cash and short term investments that arise directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions. The group 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 to controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities

38.1 Credit Risk

Credit risk is the risk that a counter party will not meets its obligation under a financial instrument and leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including trade receivables, short term investments and other financial assets.

The Group trades only with recognised, creditworthy third parties. It is the group policy that all balances are monitored on an ongoing basis (approval procedures) and obtaining bank guarantees from third parties when required, result that the Group's exposure to bad debt is not significant. The Group limits its exposure to credit risk by investing only in short term liquid assets with the counter parties that have an existing business relationship.

The carrying amount of financial assets represent the maximum credit exposure. The maximum credit risk, without considering collateral (if any), at the reporting date was as follows :

As at 31st December,	Group		Company	
	2015 (Rs. '000)	2014 (Rs. '000)	2015 (Rs. '000)	2014 (Rs. '000)
Trade and other receivables	1,979,570	2,792,206	1,739,429	2,554,838
Other financial assets including derivatives	176,640	64,286	52,895	63,298
Loans give to employees	527,634	505,680	520,487	498,429
Short term investments	1,986,012	2,686,257	1,710,148	2,454,233
Cash at bank and in hand	380,043	318,629	159,550	177,570
Amount due from related parties	-	-	30,856	12,160
Other investments	15,266	15,304	15,266	17,387
Foreign exchange forward contracts	-	19,747	-	19,747
Total exposure to the credit risk	5,065,165	6,401,181	4,228,631	5,797,663
Trade and Other Receivables				
Gross amount	1,997,940	2,790,349	1,739,429	2,554,838
Provision for impairment	(18,370)	(928)	-	-
Carrying value as at reporting date	1,979,570	2,791,278	1,739,429	2,554,838

38.2 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.

Followings are the contractual maturity of financial liabilities as at 31 December 2015:

Financial Liabilities	Group		Total	Company		Total
	Less than one year	More than one year		Less than one year	More than one year	
Fair value through profit or loss	27,701	-	27,701	27,701	-	27,701
Other Financial Liabilities	6,015,798	-	6,015,798	5,777,926	-	5,777,926
Bank overdrafts	9,278	-	9,278	9,278	-	9,278
	6,052,777	-	6,052,777	5,814,905	-	5,814,905

Following are the contractual maturity of financial liabilities as at 31 December 2014

Financial Liabilities	Group		Total	Company		Total
	Less than one year	More than one year		Less than one year	More than one year	
Fair value through profit or loss	5,244,483	-	5,244,483	4,981,191	-	4,981,191
Bank overdrafts	43,194	-	43,194	1,691	-	1,691
	5,287,677	-	5,287,677	4,982,882	-	4,982,882

NOTES TO THE FINANCIAL STATEMENTS CONTD.

38. FINANCIAL RISK MANAGEMENT (Contd.)

38.3 Market Risk

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

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

Currency	Average rate	Closing rate	
		Selling	Buying
U. S. Dollar	143.75	145.5	142.00
Euro	156.93	159.94	153.91
Singapore Dollars	101.76	103.62	99.99
Danish Kroner	21.07	21.56	20.58
Japanese Yen	1.19	1.21	1.17

38.3.2 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. Group does not have any floating rate long term borrowings or investments as at the reporting date, which results material interest rate risk.

TEN YEARS FINANCIAL SUMMARY

For the year ended 31st December	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn	2009 Rs. Mn	2008 Rs. Mn	2007 Rs. Mn	2006 Rs. Mn
Income Statement										
Revenue	14,407	13,707	15,861	15,728	12,195	14,057	13,160	10,929	8,621	7,333
Cost of Production	(13,616)	(12,508)	(14,246)	(13,028)	(10,164)	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)
Gross Profit	791	1,199	1,615	2,700	2,031	3,079	3,362	2,501	2,125	1,502
Other Expenses	(1,714)	(1,607)	(1,697)	(1,411)	(1,193)	(1,579)	(1,349)	(1,110)	(1,029)	(832)
Profit before Other Income	(923)	(408)	(82)	1,289	838	1,500	2,013	1,391	1,096	670
Other Operating Income	170	347	536	470	641	147	128	123	195	209
Profit From Operation	(753)	(61)	454	1,759	1,479	1,647	2,141	1,514	1,291	879
Net Interest Costs	59	281	279	144	(83)	174	183	161	(5)	(57)
Profit before Tax	(694)	220	733	1,903	1,396	1,821	2,324	1,675	1,286	822
Taxation	(14)	(11)	91	(14)	43	193	(199)	(252)	(203)	(215)
Net Profit For The Year	(708)	209	824	1,889	1,439	2,014	2,125	1,423	1,083	607
Retained Profit b/f	9,646	9,724	9,507	7,829	6,937	5,363	3,717	2,522	1,635	1,109
Profit available for Appropriation	8,938	9,933	10,331	9,718	8,376	7,377	5,842	3,945	2,718	1,716
Issue of Bonus Shares	-	-	-	(34)	-	-	-	(32)	(31)	(31)
Final Dividends	(216)	(287)	(575)	(411)	(547)	(547)	(479)	(196)	(196)	(50)
	8,722	9,646	9,756	9,273	7,829	6,830	5,363	3,717	2,522	1,635
Balance Sheet										
As at 31st December	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ASSETS										
Property Plant & Equipment	4,328	4,281	4,147	3,900	2,514	2,254	2,051	2,146	1,826	1,607
Investments & Taxes	523	520	532	522	486	131	112	77	1	1
	4,851	4,801	4,679	4,422	3,000	2,385	2,163	2,223	1,827	1,608
Current Assets										
Inventories	985	956	753	1,202	638	624	754	937	887	486
Trade & Other Receivables	9,503	8,052	7,467	8,051	6,684	5,251	6,893	5,642	7,175	2,007
Cash & Short -term funds	1,870	2,631	3,329	3,864	3,892	5,933	3,880	3,606	1,683	1,740
	12,358	11,639	11,549	13,117	11,214	11,808	11,527	10,185	9,745	4,233
Total Assets	17,209	16,440	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841
Equity & Liabilities										
Stated Capital	714	714	714	714	684	684	684	684	652	652
Available for Re-sale Reserves	15	15	14	10	9	-	-	-	-	-
Revenue Reserves	8,722	9,646	9,756	9,362	7,829	6,830	5,363	3,717	2,522	1,635
Share Holders Fund (Net Worth)	9,451	10,375	10,484	10,086	8,522	7,514	6,047	4,401	3,174	2,287
Non-Current Liabilities										
Interest bearing Borrowings	-	-	-	52	161	61	94	148	227	253
Deferred Taxation	-	-	-	-	62	103	-	-	-	-
Retirement benefit Obligation	870	857	816	931	963	951	786	689	468	393
	870	857	816	983	1,124	1,012	880	837	757	749
Current Liabilities										
Trade & Other Payables	2,332	1,958	2,760	4,548	3,920	4,732	6,048	5,435	5,341	1,147
Interest bearing Borrowings	4,507	3,221	2,141	1,880	538	897	315	1,246	1,676	1,102
Income Tax Payable	-	-	-	16	46	-	305	329	319	193
Dividends Payable	40	27	23	19	17	15	13	7	6	5
Bank Overdraft	9	2	4	7	47	23	82	153	299	358
	6,888	5,208	4,928	6,470	4,568	5,667	6,763	7,170	7,641	2,805
	17,209	16,440	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841

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 Third 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 21st day of June 2016 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 2015 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 2016 and up to the date of the next Annual General Meeting.

By order of the Board

COLOMBO DOCKYARD PLC

Manori P. Mallikarachchi

Company Secretary

16th May 2016
Colombo, Sri Lanka

Notes

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

Please bring your National Identity Card when attending the meeting.

FORM OF PROXY

COLOMBO DOCKYARD PLC

(Company Registration No. PQ 50)

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

I/We of

(NIC No.)..... of

being a member / members of Colombo Dockyard PLC, hereby appoint,

of..... (or failing him/her)

Dr. T. Takehara	of Colombo (or failing him)
Mr. Sarath de Costa	of Colombo (or failing him)
Mr. Ranil Wijegunawardane	of Colombo (or failing him)
Mr. T. Nakabe	of Colombo (or failing him)
Mr. M. Koshi	of Colombo (or failing him)
Mr. Lalith Ganlath	of Colombo (or failing him)
Mr. H.A.R.K. Wickramathilake	of Colombo (or failing him)
Dr. Ms. Janaki Kuruppu	of Colombo (or failing her)
Mr. T M R Bangsa Jayah	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held on 21st June 2016 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 Sixteen.

.....
Signature

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

INSTRUCTIONS FOR COMPLETION

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

Please fill the details :

Share Certificate No./CDS Account No :

Name :

Address :

Jointly with :

CORPORATE INFORMATION

Name of Company

Colombo Dockyard PLC

Legal Form

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

Company Registration Number

PQ 50 Founded 1974

BOI Registration Number

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

Tax Registration Numbers

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

Directors

Dr. T. Takehara - Chairman
Sarath de Costa - Vice-Chairman
Ranil Wijegunawardane - Managing Director/CEO
T. Nakabe
M. Koshi
Lalith Ganlath
H. A. R. K. Wickramathilake
Dr. Mrs. Janaki Kuruppu
T. M. R. Bangsa Jayah
Y. Imai - Alternate Director
N. Danjo - Alternate Director
D. Liyanagamage- Alternate Director

Audit, Remuneration & Related party Transaction

Review Committees

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

Key Management

Ranil Wijegunawardane - Managing Director/CEO
D. V. Abeysinghe - General Manager (Ship Building)
K. B. P. Fernando - General Manager
(Ship Repair Business)
S. Perera - General Manager (Production)
W. M. De Silva - General Manager
(Human Recourse Redevelopment & Administration)
R. M. V. Rathnayake - General Manager (Logistics)
P. D. Gihan Ravinatha - Chief Financial Officer (CFO)
Manori P. Mallikarachchi - Manager Legal/
Company Secretary

Auditors

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

Accounting Year End

31st December

Registrars

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

Subsidiary Companies

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

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

Bankers

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
State Bank of India
Sampath Bank PLC
National Development Bank PLC
The Hongkong & Shanghai Banking Corporation Limited
Hatton National Bank PLC

Contact Details

P O Box 906 Port of Colombo
Colombo 15, Sri Lanka

Tele : 94 11 2429000,
Fax : 94 11 2446441, 94 11 2471335
Email : coldock@cdl.lk
Internet : www.cdl.lk



COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

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