



ANNUAL REPORT **2 0 0 9**

How we **Deliver results**



Making Sustained **Progress...** means never forgetting the basics, whilst carefully extending a valuable and trusted brand.

It means building the best Company for anybody to invest in, to do business with, and to work for: keep it simple and do it well.

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Financial

Sustained means Ambition

Vision

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

Mission

We strive:

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

Quality Policy

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.



Making Sustained Progress means...

Dockyard person's role
does not end with the offer or after the job is done.
It is important to keep the customer contact.

Our new approach allow us to engage in continuous dialogue
with the customer who appreciates this attention.
'Turning bad news into good news' is
one of the strengths of this approach...

Even a customer with a problem is an opportunity to show
that we do things differently.



extending the brand 'beyond value'.

whilst building long term **Revenue Visibility.**

Laurels 2009

the journey of excellence...continues

Best Corporate Citizen Award 2009

Top Ten Category Winner

Category Winner - Employee Relations

Presented by Ceylon Chamber of Commerce

Chartered Accountants Annual Report Awards 2009

Service Sector: -Gold

Presented by the Institute of Chartered Accountants of Sri Lanka

NCE Export Awards 2008

Most Outstanding Exporter of the Year : Gold

Exporter of Business and Professional Services Sector - Extra Large Category: Gold

Most Outstanding Exporter - Export of Business & Professional Services Sector : Gold

Most Value Added Exporter : Gold

Presented by National Chamber of Exporter Sri Lanka



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of Colombo Dockyard PLC (PQ 50) will be held at the Kings Court, Cinnamon Lakeside Colombo, No.115, Sir Chittampalam A Gardiner Mawatha, Colombo 2, Sri Lanka at 10.00 a.m. on the 24th day of March 2010 for the purpose of conducting the following Routine and Special business :

1. Routine Business

- 1.1 To receive the Annual Report of the Board of Directors' on the affairs of the Company, and the Audited Accounts for the year ended 31st December 2009 and the Report of the Auditors.
- 1.2 To re-elect Mr. Lalith Ganlath as a Director in terms of Article 87 of the Articles of Association of the Company.
- 1.3 To re-elect Mr. H A R K Wickramathilake as a Director in terms of Article 87 of the Articles of Association of the Company.
- 1.4 To re-appoint Messrs. KPMG Ford Rhodes Thornton & Co., the retiring Auditors and authorize the Directors to fix their remuneration.
- 1.5 To authorize the Directors to determine donations for the year 2010 and up to the date of the next Annual General Meeting.

2. Special Business

- 2.1 To pass the following resolution as a SPECIAL RESOLUTION

"IT IS HEREBY RESOLVED in terms of Section 185 (1) (a) read together with section 185 (2)(c) of the Companies Act No. 7 of 2007 that the Board of Directors are empowered to, effective from the conclusion of the 27th Annual General Meeting of the Company until the conclusion of the 28th Annual General Meeting of the company to incur obligations or liabilities of such further sums not exceeding one hundred per centum (100%) of the value of the assets of the Company, as they consider necessary for the purpose of the Company as set out in the Annual Report of the Board of Directors' on the affairs of the Company in page 60 of the Annual Report 2009, which has or is likely to have the effect of the Company incurring obligations or liabilities that may amount to a Major Transaction."

By order of the Board

COLOMBO DOCKYARD PLC

Manori P. Mallikarachchi.
Company Secretary

2nd March 2010
Colombo, Sri Lanka

Notes

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

* *Please bring your National Identity Card when attending the meeting.*

**‘ We have built
the Company on
a stable foundation
that attracts
anybody to
invest in,
to do business with,
and to work for...’**



I assumed the office of Chairman of the Company in October 2009, and it is my greatest honor and pleasure to present the brilliant results of year 2009 on behalf of my colleagues in the Board of Directors.

Reflecting on our results over past several years Colombo Dockyard have achieved astounding growth consecutively since 2005 and have accomplished targeted Rs. 10 Bn of total revenue in 2008, two years ahead of schedule.

In 2009 we have increased total revenue further by 20.4% amounting Rs.13.1Bn and Profit after Tax to Rs.2.1Bn, an increase of 49.3% respectively, which so far are the highest results the Company has posted.

World economic recession started in May 2008 has not shown any sign of strong recovery so far, is yet to settle down. Many dockyards world over were suffering from depression and scarcity of orders, cancellations due to the effects of global recession. Contrary to the situation, we however have been fortunate to proceed unhindered with neither cancellations, nor extended delivery or any changes to contracts. This was mainly due to the strong Indian economy, which is performing considerably well despite global recession. 53% of our business portfolio comprise from India.

Long before global economic meltdown surfaced, we made extremely prudent decisions to make the Company maintain its healthy condition against any possible downturn in business. As a result, company extended its investments for expansions and improvements to a value of Rs.2,418Mn, during past 5 years and 92% of it is funded internally. Although the Board had allocated Rs.442Mn for yard expansion for year 2009, company utilized only Rs.241Mn due to indications of decline in the world economic situation. While improving the areas critical to maximize output, quality and delivery, we were able to add more and more value to our services to make the product attractive and cost efficient to customers. This has earned us greater customer trust and national accolades that has enhanced our corporate image not only as the Most Outstanding Exporter, but also as a company with best labour relations.

As a result, we sailed through the recession unscathed. Our marketing staff consolidated new business in shipbuilding and Shiprepair with irresistible packages, while engineers together with skilled workforce ensured the quality of engineering to utmost satisfaction of the customer.

It is comforting that all our customers are content with our quality, speed and price. However, I would like to emphasize that

it is of paramount importance to further improve our efforts to sustain international standards of quality and budget control. Sincere devotion and diligent commitment by every member of Colombo Dockyard together with the suppliers from various related quarters is intrinsic to deliver a product or service offered that can be measured as world class.

Although shipbuilding and repair business experienced a dip in business, many shipyards have mushroomed around the world

and they too are ready to join the fray, presenting stiff competition. It is anticipated that, shipbuilding and repair market will be keenly contested on price, delivery and quality. These are our core attributes and we are in a sound financial and engineering platform to contest.

In May 2009, Sri Lanka was relieved of the painful battle that lasted almost three decades, and finally came to an end and as a reward of peace, Sri Lankan economy is expected to boom with opportunities of foreign investment and restoration of infrastructure and tourism industries.

With these factors in hindsight we have to be smart to maximize on our proven strengths and our unblemished track record to attract profitable businesses and uninterrupted yard utilisation. As nobody can precisely predict market behaviour, it is important that we should be able to adapt to desired changes and adopt every discipline to be competitive.

In 2009 we re-launched **Dockyard General Engineering Services Limited (DGES)**, our fully owned subsidiary with a new visage. DGES have been involved with Sri Lanka's large-scale power, civil and electrical projects.

In 2009, DGES has received an order of penstock and draft tube for Upper Kotmale Hydro Power Project, due for completion in early 2010. It is also expected, that the construction of infrastructures will also com-

mence in 2010, and these areas will be some of our growing future businesses. DGES is now ready, able and willing to prove their mettle, and in that endeavour Colombo Dockyard and Onomichi Dockyard (Japan) is behind them with any assistance they may need in technological know-how and support.

Ceylon Shipping Agency, another subsidiary of the Company, located in Singapore for logistical support too performed commendably as they have managed procurements saving costs and time which are crucial for a ship caring organization.

During late 2009, it was announced that Oil and Gas Exploration would commence along the north – west coast of Sri Lanka ushering a genuine industry of Offshore Development. The Company with an extensive knowledge and experience in offshore engineering is in a position of advantage to capitalize



in the development of this sector. For this purpose, we will take the following steps as the strategic action plan for year 2010.

Firstly: we will aim Construction of Infrastructure and Offshore Development Industry as strategic targets and also as the engine of future growth of the Company, and further strengthen the capacities and capabilities of ship building and repair business to stay competitive in the market place.

Secondarily: another vital factor is to increase our own higher quality standard above any other in the region, to make our standard of quality distinctly visible from others and to offer our services with a solid guarantee to our clients. For this purpose, we must perpetually strive to strengthen and improve our quality and safety standards.

Thirdly: while ship building and repair business is our mainstay, heavy engineering such as infrastructure and offshore areas will be our prominent second group of core business strategic targets in the future. As the leading company in the fields of heavy engineering in Sri Lanka, the challenges for prosperous and expanding frontiers that needs to be crossed and foundations of a genuine heavy engineering company must be established.

These three principal measures will form the kernel of our strategic business plan for 2010 towards a growing and sustainable company. At the same time, we believe that these will create transparency and open environment for management staff enabling them to tackle issues for which management shall make higher resolutions.

The whole world is smarting from the recession and it is a fact that no one can accurately predict the risks that lurk in the future. But, we cannot be pessimistic and await everything to fall into place. We have to be innovative in marketing, engineering and other areas to change as circumstances demand and offer many attractive packages to customers to win their businesses.

This presents robust questions, demand honest answers and Decisive action.

We can never afford to forget the basics, but to carefully extend a valuable and trusted brand, which means building the best Company for anybody to invest in, to do business with, and to work for...

Sustained progress means extending the brand 'beyond value'.
Keep it simple, do it well.

In order to achieve these objectives realistically, there are a few 'home truths', which must be addressed effectively. Colombo Dockyard, inside one of the sunniest ports in the global grid is in a strategic position to offer a wide range of services related to Shiprepair, Shipbuilding, Heavy and Offshore Engineering to diverse range of customers.

Soon after successful deliveries of AHTS vessels, and with the experience in Passenger vessels, we realized that 'Detailed Design' is an area where we could improve with the experience gained. While working with third party design companies, we realized that it was absolutely necessary to improve synergy between us. In many occasions, it was due to lack of understanding of production constraints that develop during physical construction.

Thus, the need for 'In House' Design Unit became a necessity to improve the situation. It also made us confident that the designs department has the knowledge and experience, which is vital to design such ships, if sophisticated Ship Design software are available. We understood that having design software for detailed design would reduce the financial burdens of a project, and will save foreign exchange for the country as well. As a result, two advanced and sophisticated ship design software were installed, and the personnel are trained in earnest.

While, we have been progressively proceeding with improving and upgrading of office management, we completed 'Management Information System' in November 2009 and made it operational immediately. This will improve our efficiency in routine office work between inter-sections and departmental communication by giving the same 'real time' understanding and knowledge base to everybody, and minimize paper distribution and consumption as well.

Human Resources.

Development of human resources, the everlasting desire of the Company that has a significant influence for the future, is promoted in various areas. Due to the current recession in the world, training in foreign countries were temporarily halted, but will be re - implemented in the future with upgraded education and training programs for promotion of employees of every level as core management staff and engineers. In our goal of establishing a growing and sustainable enterprise, we offer supreme challenges to the unknown and uncertainty under the present circumstances of volatile and severely com-



petitive industrial society. Under such circumstances, we have organized within our entity to implement and promote high corporate governance and risk control system prepared for the latent risks of failure. All departments of our organization will adopt this procedure in 2010.

For practice of our governance module, we were awarded 'Best Corporate Citizen' for three years consecutively, which underline our tenacity to good business governance.

Appreciation.

I would like to express my sincere thanks to members engaged at all levels of Colombo Dockyard for their tenacious commitment to duty.

In 2009, we bade farewell to Mr. S. Tatebe, who devoted himself for five and a half years to Colombo Dockyard as Chairman of the Board, and what we are today, is largely owed to him as well. I would like to express my appreciation and thanks to him for his contribution throughout his duty times in Colombo Dockyard.



Finally, may I express my hearty and warmest appreciation to our Board of Directors, shareholders, customers and business partners for their continued support and the vote of confidence placed in the Company. We aim to add more value than ever to our entire business and stock in the future.

Akihiko Nakauchi

Chairman

2nd March 2010

Board of Directors

Akihiko Nakauchi

*Bachelor of Science,
Civil Engineering - Kobe
University*

Chairman



Appointed to Colombo Dockyard PLC (CDPLC) Board in October 2009.
Director of CDPLC subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd, Singapore.

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

Mangala P. B. Yapa

*M.Sc. Eng (Hons.)(Astrakhan,USSR),
C Eng., FIE (SL), AMIMar. EST (UK)
and MBA (Sri J),FCPM (S.L.)*

Managing Director/ CEO.



Appointed to the CDPLC Board as Managing Director/ CEO in 2004. Serves as Director of Ceylon Shipping Agencies (Pte) Ltd., Singapore and as Chairman, Dockyard General Engineering Services (Pvt) Ltd., Also serves as Director of Sri Lanka Port Management & Consultancy Services (Pvt) Ltd.

Member - South Asia Advisory Committee of Lloyds Register of Shipping, Technical Committee for Naval Shipbuilding, Germanischer Lloyd (GL) and the South Asian Committees of the American Bureau of Shipping (ABS) and Det Norske Veritas (DNV). Vice President of International Chamber of Commerce (ICC), Sri Lanka, and the National Chamber of Exporters (NCE) Sri Lanka.



Y. Kijima

*Bachelor of Naval Architect,
Hull Engineering.*

Director

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

He is a Japan International Corporation Agency Expert on Hull repair.



R S Al Suwaidi

*B.Sc. Degree in Petroleum Engineering -
Tulsa University, (USA)*

Director

Appointed to the CDPLC Board on 28th July 2006. Presently holds office as Chairman of Horizon Group, Abu Dhabi, UAE. Currently Chairman of Al Maha Petroleum – Oman and Chairman of Abu Dhabi based companies Alsa Engineering, Control & Applications Emirates and Gulf Marine Services. He also serves as a Board Member of the Abu Dhabi Chamber of Commerce and several prestigious companies in the UAE including National Investment Company (Marina Mall) and Noor Capital PSC. Former Board Member of most of the ADNOC Group companies, Chairman of National Drilling Company and Director – Exploration & Production



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, International Trading Corporation, Japan, Director of Central Industries Ltd., and Ceylon Shipping Agency (Pte) Ltd, Singapore. Director of Industrial Development Board
 Also serves as Vice President of Sri Lanka - Japan Business Co - operation Committee, Japan.



S De Costa
Dip. Foundry Engineering.
Vice Chairman.

Appointed to CDPLC Board in June 1993.
 Chairman of Onomichi Dockyard Co.Ltd.,



Y Hamane
Graduate in Business Administration from University of Konan
Director.



T Inahara
B.A. (Sociology) - Keio University

Director

Appointed to CDPLC Board in July 2007, and is the Board Advisor to Horizon Group, Abu Dhabi, UAE. Former Executive Managing Director of Japan Oil Development Co.Ltd., Japan and Former General Manager of Zakum Development Company, Abu Dhabi UAE.



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

Director

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



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

Director

Appointed to the CDPLC Board in 1995. Chairman, Mercantile Marine Management Ltd., Mercantile Global Shipping Ltd., Mercantile Emerald Ship-ping (Pvt) Ltd., and Board Member of the Mercantile Group of Companies.

Managing Director/ CEO's Report

Sri Lanka, as a nation state, turned the corner. The bitter-armed struggle that plagued us for nearly three decades finally came to an end, and the entire nation, together with the rest of the world rejoiced.

In retrospect, the opportunities lost can be summed up with one word. **Colossal**.

For Colombo Dockyard, the forthcoming tangible benefits will be enormous. Security and insurance restrictions that prevented ship owners to patronize Colombo will diminish and the future looks exceptionally good.

Under such joyous circumstances, it indeed is my great pleasure to present you our performance report of year 2009.

We too made history.

Shipbuilding: Early 2009 we delivered Greatship Aditi, the third anchor handling tug cum supply vessel, built for Greatship Global Offshore (Pte) Ltd. of Singapore. This was our first vessel, built under Singapore Flag. In 2009, we delivered the Greatship Abha, the fourth of the series of anchor handling vessels. In December we rewrote Sri Lanka's maritime history by successfully completing Arabian Sea, the first ever Passenger Vessel, built for international market, with capacity for 250 passengers and 100 tons of cargo. This is the first vessel of an order for two of which the second is due to be delivered during mid 2010.

With this achievement, Colombo Dockyard's shipbuilding to the international market which was started modestly in 2003 came of age, making a statement that we now can handle construction of any type of vessel.

Shiprepair too made great strides by attracting businesses of larger magnitude despite world economic recession. We continued to deliver value added service to remain a highly visible shipyard in the region attracting many long and short - term customers from all over the world. It is important to note that these results were achieved under stiff competition from various shipyards vying for the same business under dire situation caused by economic recession.

In order to maximize gains we offered business packages that provided added value to customers and made us distinct from the rest. That bold move was possible due to the fact that 'Colombo Dockyard Member' enjoyed his daring to be different. He took his job seriously and reveled amidst challenge. In short, he is a proud individual cog in larger scheme of affairs. That, precisely is our main stay.

The sum of it all is, that Colombo Dockyard Member's role does not end with the business proposal or after the job is done. It is important to keep the customer contact. We engage ourselves in continuous dialogue with the customers who appreciate this attention.

Even a customer with a problem is considered an opportunity to show that we do things differently. 'Turning bad news into good news' is one of the attributes of this approach, and the results speak themselves out loud.

Performance

Total revenue of Rs. 13,160 Mn, which is 20% increase from last year's Rs. 10,929 Mn, and profit before tax of Rs.2,324 Mn, an increase of 38.7% against last year. We also posted export revenue of 90% of the total revenue in foreign exchange and recorded net profit of Rs. 2,125.0 Mn, an increase of 49.3% from last year; the highest ever recorded so far. Total asset base grew dramatically by 10.3% to gross Rs. 13,690 Mn.

Earnings per share rose to Rs. 31.05 posting an 49.3% increase from last year.

At the end of 2009, value of a share rose to Rs. 244.75 denoting a phenomenal 390% increase. This may be a direct result of Sri Lanka's prevailing peaceful environment that has enhanced investor confidence.

Foreign Revenue and Contribution to the National Economy

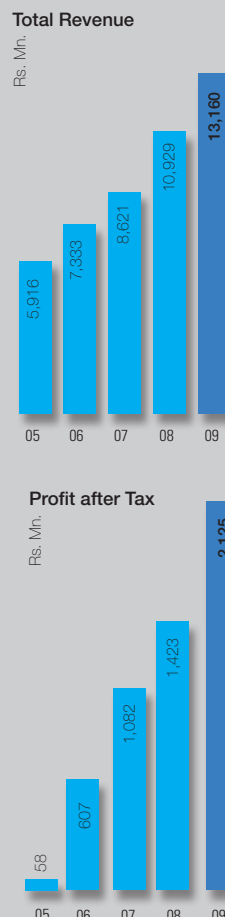
Foreign revenue is our principal bread winning mode of income and for the period in discussion rose to Rs.11,908Mn, consisting 90% of the total revenue portfolio.

As an import substitution industry of Sri Lanka, our Shiprepair, and Shipbuilding and Heavy Engineering services has retained domestic income of Rs. 1,252 Mn during the year 2009.

Even though we contributed approximately 1.47% to Sri Lanka's total export revenue in the year 2009, the growth in the export income of the company recorded a very high rate compared to the domestic total export income.

Our Customers.

We are committed to exceeding the customer expectations, making products and services that give customers a decisive advantage in the market place. We regularly measure customer satisfaction and



**‘...sustained
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loyalty in accordance with ISO 9001 2000 Quality Management System, and monitor customer perception using feedback from our customers for both internal & external customers.

One important goal of our marketing and communications strategies is to increase customers' knowledge of our products, services and our corporate performance. We are particularly focused on improving customers' awareness of the Company's excellent quality, safety, environmental and social responsibilities. We also engage in two-way communications with consumers and other stakeholders through a variety of stakeholder engagement fora.

Being a 'top value creator' of the country, and the nation honoured us as 'Best Corporate Citizen' for the second time consecutively, and also as the Company with best employee relations. In addition National Chamber of Exporters presented us four Gold awards for 'Most Outstanding Exporter, Most Value Added Exporter' and three sub categories. We also won the Gold award for Best Annual Report of Service Sector for the third time consecutively.

Our Subsidiary Performance.

Dockyard General Engineering Services (PLC).

In October 2009, we re - launched Dockyard General Engineering Services (Pvt) Limited with a new corporate identity,. DGES now is a fully owned subsidiary with a clear mandate to operate independently. Their main aim will be to cater to the country's needs in infrastructure development in civil, mechanical and electrical engineering disciplines. Since the advent of peace, restoration and expansion of civic utility projects is expected to take centre stage, and investors around the world will look towards Sri Lanka as a safe zone conducive for business.

Such interest from the rest of the world will inevitably demand modernized infrastructure system to operate in. Their need for connectivity, qualified and skilled manpower, fully integrated real - time banking system and hospital- ity services will propel the country towards accelerate development programs. It is a fact that many competitors in the region will contest for slice of the pie and DGES, being indigenous and clearly the frontrunner will sport a favoured position in that contest.



Colombo Dockyard and our principal partner Onomichi Dockyard, Japan will assist them in every way to help establish them as a serious player in heavy engineering areas. And also, the proposed offshore oil exploration program along the north - west coast is another area we are looking at with keen interest. With our extensive knowledge and experience in heavy engineering together with our skilled workforce, we are confident that we have much to offer and play a central role in that endeavour.

Ceylon Shipping Agency (Pte) Ltd and Our Suppliers

Located in Singapore, CSA has again proved their utilitarian role mainly in procurements. Assistance provided by them in locating, purchasing and shipping material for us has saved us costs and most importantly time, which in our business is always in short.

We depend on a complex, multi-tiered supply chain that includes hundreds of companies located around the world.

Together with our suppliers CSA provide a wide range of parts, equipment, materials, and services for our operational activities. With all of its complexity, our supply chain remains fully integrated, flexible, and resistant to interruption. We believe that the most reliable, sustainable supply chain is made up of companies that treat their employees and the environment with respect and dignity. We engage in long-term relationship with suppliers and subcontractors and strive to secure the most cost effective products and services that meet exacting technical, quality, performance and environmental benchmarks.

Move to Cutting – edge Technology.

For considerable period we felt the need to centralize our data systems in order to provide our staff real - time access to our data banks. In November 2009 we made our 'Management Information System' operational. And this is expected to improve our inter - departmental communication and eliminate wasteful paper consumption as well.

In a rapidly growing Shipbuilding market, initially the Shipbuilding sector was compelled to outsource even detailed design requirements. The Management was concerned about the extra time and cost involved and in order to overcome such impediments, we installed two state - of - the - art Design Software for our designers and engineers to exploit and bring out the best in them.

Human Resource Development.

Indisputably, our people are our strength. We perpetually strive to help them hone their personal skills and competencies to cutting – edge level. For this we consistently evaluate their performance to identify the potential strengths and weaknesses. This is vital as we expect them to rise to the occasion and perform decisively. The Company has plans to help cultivate their work skills and also to improve their personal lifestyles as well. Due to the recession some of the overseas training had to be shelved, but alternate opportunities are being looked for. Mean-time, focus has been shifted to provide concentrated skill development programs, in house and within Sri Lanka.

However yard managed to surpass the target set by the The Health, Environment & Safety Advisory Committee (HESAC) by further reducing Accident Frequency Ratio (AFR) and Accident Severity Ratio (ASR) by 0.726% and 0.923% respectively, preventing significant loss of man-hours which would have been otherwise wasted due to industrial accidents.

Although the shiprepair and shipbuilding work increased gradually during past few years, yard managed to reduce the lost time due to injuries. Especially when considering the lost time due to accidents in year 2008, the figure reached the best ever value in our history. Naturally, our sincerest commitment is to bring these indicators to the lowest possible level and possibly to zero, and will do our utmost to get all the people working with us towards such ambitious goals and achievements.

Contributing towards Sustainable Development.

Our Environment

Following the Triple Bottom Line principle during 2009, we continued to demonstrate our commitment to the sound environmental management of our business activities. We believe the environment as a key factor in improving our efficiency and sustaining higher living standards of the community.

Our approach is to be as much to be proactive, volunteer, full compliance with local and international regulations, as possible and strive to disclose meaningful information about our efforts. We are committed to ensure that our business practices meet the high standards of environmental protection, as the Company is fully aware of its responsibility to society for maintaining the environment, reducing negative impacts and for rational use of resources.

As part of our environmental management aspects systematic approach on disposal of waste produced, use of resources, noise, house keeping of the land were focused during the year under review. Waste oil and oily sludges are now used as alternate energy source. Used grit, an ideal substitute for aggregates in cement and pavement bloc industry, has proven to be successful. A pilot project initiated in – house has been successful and negotiations are underway to appoint a third party for manufacturing process.



Social Responsibility.

In 2009 we participated in several social responsibility projects to share our successes with the community.

Our Shareholders

Returning value, in terms of profits, shareholders funds, market share prices and dividends, are primary measures of our commitment to our shareholders. Beyond, returning financial value, we also believe we owe investors a transparent window into our financial reporting

Future.

India, in all likeliness will be the lead nation in regional maritime businesses, and is our largest business provider. Their vote of confidence in us is heart warming. Irrespective of global down trends, we have secured more contracts with Indian Government and private ship owners. The close and cordial relationship between our countries has been strengthened further with our commitment. I am confident that with our sound strategic planning, renowned for quality quality, world - class technical expertise and reputation for efficiency and timely delivery we are in a position of advantage to win more and more business.

Now that we have seen the end of the tunnel, business can only get better. But, unless the necessary mechanisms are installed to prevent repeat of such atrocities and to wipe out remaining ugly scars on the social fabric forever, we may again look down barrel before long. Political maturity and national reconciliation will be the cornerstone of a new and united nation galloping towards prosperity in posterity.

Appreciation.

I would like to take this opportunity to bid Sayonara to Mr. Shinichi Tatebe for his great contributions

to the Company, and welcome our new Chairman Mr. Akihiko Nakauchi who comes with a wealth of knowledge and experience. I look forward to his wisdom and guidance in the years to come.

I also would like to thank the Board, our customers, suppliers and our business partners for their support and look forward to more fruitful years ahead. My sincere thanks goes to my colleagues in the management and the ever-reliable staff at every level who measured up to the task at hand with unreserved passion, without whom these results may not have been possible. The pleasure of working with them is mine and I earnestly look forward for their ingenuity and support in the future.

We are integrated cogs on a grand wheel and we all have our individual roles to play. Our success will not be measured on how we perform separately, but how we rise together to challenge the unknown and unexpected.

If asked I am a champion, I would say no,... but am privileged to lead and serve with a company of Champions.

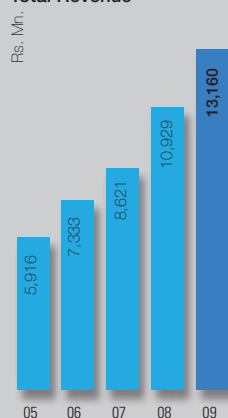
Mangala P B Yapa.
Managing Director/CEO.

2nd March 2010
Colombo, Sri Lanka.

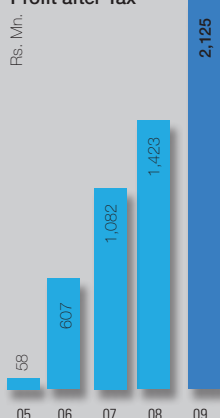
Financial Highlights

	2009 Rs. Mn	2008 Rs. Mn	Change Rs. Mn	%
Profit & (Loss) Account				
Revenue				
Shiprepairs	6,729	6,044	684	11.3
Shibuildings	5,650	4,271	1,379	32.3
Heavy Engineering	781	51	730	1431.4
Offshore Engineering	-	563	(563)	(100.0)
	13,160	10,929	2,231	20.4
Export Revenue	11,908	9,834	2,074	21.1
Local Revenue	1,252	1,095	157	14.3
Gross Profit	3,362	2,501	861	34.4
Net Finance Costs	(183)	(161)	22	(13.7)
Operating Profit	2,142	1,515	627	41.4
Taxation	200	252	52	20.6
Net Profit after Tax	2,125	1,423	702	49.3
Profit Available for Appropriation	5,363	3,717	1,618	43.5
Company Value Addition	5,262	4,045	1,217	30.1
Company Value Addition %	39	36	3	8.3
Local Value Addition	7,841	5,898	1,943	32.9
Employees Salaries & Benefits	2,456	2,099	(358)	(17.0)
Interest Costs	69	70	1	1.3
Dividends paid	479	195	284	145.0
Balance Sheet				
Total Assets	13,690	12,408	1,282	10.4
Total Liabilities	7,643	8,007	(364)	(4.5)
Share Holders' Fund	6,048	4,401	1,647	37.4
Net Cash & Cash Equivalent	3,798	3,453	85	2.5
Information Per Ordinary Share				
Earnings (Rs.)	31.05	20.80	10.25	49.3
Net Assets (Rs.)	88.37	64.31	24.01	37.4
Market Value (Rs.)	244.75	50.00	194.75	389.5
Dividends paid (Rs.)	7.00	3.00	4.00	133.0
Market Capitalization Rs. Mn	16,750	3,422	13,328	389.5
Financial Ratios				
Net Profit after Tax (%)	16.1	13.0	3.2	24.6
Return On Investment (%)	15.5	11.5	4.1	35.3
Return On Assets (%)	15.6	12.2	3.4	27.9
Interest Cover (Times)	31.2	21.7	9.5	43.8
Return On Equity (%)	35.1	32.3	2.8	8.7
Gearing Ratio (%)	1.5	3.2	1.7	53.1

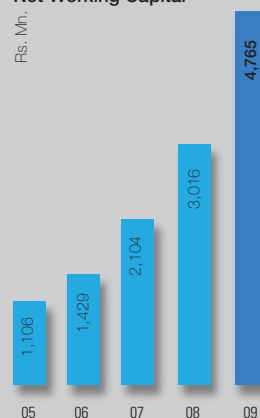
Total Revenue



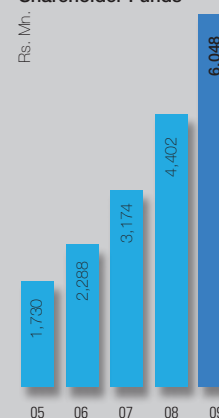
Profit after Tax



Net Working Capital



Shareholder Funds



General Management

D.V.Abeyasinghe
General Manager
(Projects & Engineering)

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

Over 24 years have been at CDPLC experienced in both Shiprepair and Shipbuilding Sectors and 1 year has been in Japan for undergoing training on ship building, repair and maintenance.

K.A.I Manil Silva
General Manager (Logistics)

M Sc Engineering from Moscow State University, USSR.

He possesses over 26 years of experience in the related field of which 19 years have been at CDPLC and an 7 years have been overseas exposure working with Arab Shipbuilding and Repair Yard, Kingdom of Bahrain.

Ranil Wijeygunawardana
General Manager (Finance)

FCA, FCMA, PDM (Sri J.), Dip in Treasury Investment & Risk Management (IBSL), Member, Institute of Chartered Accountants of Sri Lanka.

Followed Business Law for Managers conducted by National University of Singapore (NUS). He has over 28 years of experience in the field, of which 15 years have been at CDPLC.



Mangala P.B. Yapa
Managing Director/CEO

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

With over 25 years experience in the Shiprepair and Shipbuilding industry and holding senior managerial level in Quality Assurance, Project Management, and General Management.

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

Member - South Asia Advisory Committee of Lloyds Register of Shipping, Technical Committee for Naval Shipbuilding, Germanischer Lloyd (GL) and the South Asian Committees of the American Bureau of Shipping (ABS) and Det Norske Veritas (DNV). Vice President of International Chamber of Commerce (ICC), Sri Lanka, and the National Chamber of Exporters (NCE) Sri Lanka.

M.F.M.Najab
General Manager
(Administration & Corporate Affairs)

MSc Engineering, MIE Australia, CP Engineering, MCPM (SL)
A naval Architect by profession with over 30 years of experience at CDPLC with more than 15 years in the marine field in Shipbuilding/ Ship repair and related fields, such as hull repairs, steel fabrication, hull designs and new building projects development work. In addition, responsible for Company Quality Assurance & Safety functions.

Possesses overseas exposure in Ships Plan approval with Det Norske Veritas in Oslo Norway. Trained in Material Engineering at the VERITAS Training Centre, Norway, Safety & Reliability Engineering at the University of Thronheim-the Norwegian Institute of Technology and Quality Management under AOTS in Tokyo, Japan.

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

BSc Engineering (Hon) from University of Moratuwa.

He has more than 25 years experienced in the related field of which 22 years have been at CDPLC and 2 years overseas.

M.W.Prasantha Perera
General Manager
(Production)

MIDiag. E.(U.K.)

With 34 years experienced in Marine field in shiprepair and shipbuilding, of which 01 year at Brown and Company Ltd. 06 Years Sailing experience as a Marine Engineer & 27 years at CDPLC.

Trained in Repairing Small & Medium Ships from University of St-IGNATIUS - Higher Institution of Navigation Antwerp BELGIUM. Ship Building and Management in Overseas Ship Building Corporation In Japan.(JICA)/ Onomichi Ship yard Japan for Ship Repair and Management.



Shiprepair

Once the ship is accommodated inside the drydock, she rests on specifically prepared Dock Bed of keel blocks, which offers workers easy access for repair work on the ship's bottom.





**Making Sustained Progress...means
more than adding our thumbprint.**

	2009	2008
Revenue Contribution (US\$)	54,656,230	54,494,178
No of Vessels Dry-docked	82	82
No of Vessels Afloat	66	78
Total No of Vessel Repaired	148	160
DWT Handled	1,840,876	1,804,040
Average Revenue per Vessel (US\$)	369,299	340,589
Average Revenue per DWT (US\$)	29.69	30.21

Note: Information on completed Shiprepair Projects

The repair sector continued with all drydocks fully occupied, gaining momentum even through an unprecedented global economic crash. The effects of the economic crash were not visible immediately but, some ripples were felt with owners clamping their budgets towards the mid year.

The Indian sector; the main *star performing territory* contributed with tankers and dredgers being secured for drydocking and lay up repairs. Multiple dry dockings had been the order of the day, replacing the big tankers that had been calling the yard usually.

The Offshore Support vessel's from worldwide owners: Bourbon Offshore, Great Offshore utilised our facilities with repeated businesses. The dredger repairs have continued with Colombo being able to attract Van Oord Holland, one of the largest dredger operators in the world.

Significant achievements made during the year under review:

1. Dredgers owned by Dredging Corporation of India four numbers, Hyundai Engineering & construction co. Ltd. Korea two numbers, Van Oord Ship Management BV. Holland consists of major repair quantum replacing the tanker fleet.
 2. Prathibha Shipping Co. Ltd. India one of the biggest private tanker operators in India placed drydocking and major layup repairs at Colombo – Prathibha Neera, Prathibha Warna and Prathibha Tapi.
 3. The main repair volumes were generated from the Indian subcontinent, namely Shipping Corporation of India, Dredging Corporation of India and other private Indian owners.
 4. Major lay-up repairs to Offshore Support Vessels owned by Bourbon Offshore, France : Bourbon "T" series, Bourbon Thalie, Theytis, Themis & Thera all were accommodated for repairs during this year. They were accommodated in Dock No. 04 and 01 depending on the vessel's arrival schedule / work package. The "T" Series vessels were operated by Bourbon Offshore, France and Bourbon Surf.
 5. Great offshore Ltd. India also called in with Malaviya series AHT's and PSV's – highlighting Colombo's strategic location and service speed delivering what the ship owner is looking for in the day and age.
 6. Hyundai Construction Co. Ltd. Anchor Tugs and barges that are deployed for the Southport Development project has been calling in for under water maintenance repairs regularly.
- Our marketing drive to attract new ship owners was successful when the direct mailer campaign and the direct visits to promote new business and generate inquiries leading to successful business from owners / managers located mainly in the regional waters.



Multiple drydocking of vessels are the order of the day, Tanker Prathibha Tapi, OSV Bourbon Themis and a Dredger Costa Blanca accommodated simultaneously in 125,000 DWT capacity Drydock No. 04.

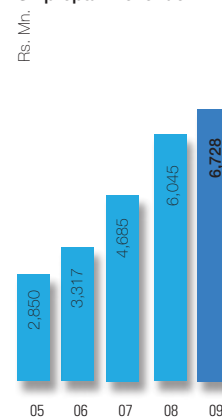
The following ship owners / managers utilised our services for the first time during the period under review.

- Van Oord, Holland one of the biggest dredger operators in the world.
- Bourbon Offshore, France. The biggest Offshore support vessel operator in the world.
- Hyundai Construction Co. Ltd. Korea
- Gati Coast to Coast, Chennai returns to CDPLC after almost a decade.
- Rickmers Reederei GMBH & Cie.KG utilizes Colombo for along side repairs.
- Pratibha Shipping Co. Ltd. India one of the biggest private tanker owners in India.
- ABS Marine Pvt. Ltd. India

Commenting on the repair revenue, this has been a record achievement, where the repair sector has been able to perform at a higher frequency with limited resources. The significance is this recorded revenue is generated from only 3 repair drydocks.

The market trends and the demand for shiprepair facilities were continuously declining, with the adverse effects of the recession taking its toll.

Shiprepair Revenue



MV. Hamburgo owned by Rickmers Reederi GMBH & Cie.KG at alongside berth for voyage repairs.



Offshore support vessel SCI-02 owned by Shipping Corporation of India accommodated in Drydock 03.



Offshore Support Vessel Bourbon Thalie undergoing repairs in Drydock No. 01.



Dredger Goryo 4 owned by Hyundai sits majestically in Drydock No. 04.



Mt. Maharshi Karve one of the biggest tankers to call for drydock repairs accommodated in 125,000 dwt capacity Dock No. 04.

Shipbuilding

In 2009, we built the first ever passenger vessel for India



Making Sustained Progress... means robust questions,

ANNUAL REPORT 2009

...and rewrote Sri Lanka's maritime history.



honest answers and Decisive action.

ANNUAL REPORT 2009

With deliveries of two large vessels taking place and another being made ready for delivery in the first week of January 2010, the year 2009 was a year filled with a heavy work load for the Shipbuilding staff. The highlight of all these projects were the fulfillment of delivery obligations within contractually stipulated times, conforming to the quality and expectation of the Customers, whilst keeping in line with our core values.

The year 2010 will be even more demanding with deliveries of six large vessels being scheduled. Geared with sufficient 'learning curve' experience, our staff gained through the previous constructions and deliveries, we are confidently optimistic of meeting these challenging schedules with greater ease.

Work carried out on Greatship Abha and Aditi, delivered during the first half of 2009 were relatively easy as they were repeat orders of their sister vessels Greatship Anjali and Amrita, delivered in 2008.

The most significant of the work carried out was, preparing the first largest ever Passenger Vessel built by Sri Lanka for India to be delivered on 2nd January 2010. This 250 Passenger cum 100 Ton Cargo Vessel built by Colombo Dockyard is owned by the Union Territory of Lakshadweep (Government of India) and the vessel will operate between the main land and the islands, and also ply between inter atolls.

The company takes pride in serving the infrastructure development needs of the Government of India and is well set to benefit greatly from the steady growth of the Indian economy and their plans to procure more vessels to meet their ever increasing requirement. The vote of confidence the Indian Government has placed in Colombo Dockyard to build their Passenger Vessels is a clear testimony of the maturity and the status the company has achieved in the field of shipbuilding in the region.



Arabian Sea - The 250 Passenger cum 100 Ton Cargo Vessel built for Union Territory of Lakshadweep, India.



Greatship Anjali - 80 Ton Bollard Pull Anchor Handling Tug Supply Vessel built for Greatship India Limited.

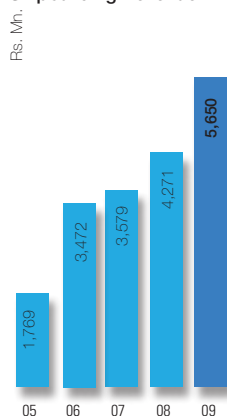


35 m Fisheries Protection Craft built for Maldives Coast Guard



Fast Landing Craft built for Maldives Coast Guard

Shipbuilding Revenue



Projects completed and delivered in 2009

Project Name	Project No.	Customer	Delivery	Country
80 T BP Anchor Handling Tug Supply Vessel	NC/0211 Greatship Abha	Greatship Global Offshore Services Pte Ltd	18 February 2009	Singapore
80 T BP Anchor Handling Tug Supply Vessel	NC/0212 Greatship Aditi	Greatship Global Offshore Services Pte Ltd	10 June 2009	Singapore

Projects scheduled to be completed in 2010-2011

Project Name	Project No.	Customer	Delivery	Country
250 passenger cum 100 T cargo Vessel	NC/0209 Arabian Sea	Union Territory of Lakshadweep India	2 January 2010	India
250 passenger cum 100 T cargo Vessel	NC/0210 Lakshadweep Sea	Union Territory of Lakshadweep India	May 2010	India
Multi Purpose Platform Supply Vessel	NC/215	Greatship Global Offshore Services(Pte) Ltd	January 2010	Singapore
Multi Purpose Platform Supply Vessel	NC/216	Greatship Global Offshore Services(Pte) Ltd	May 2010	Singapore
Multi Purpose Platform Supply Vessel	NC/217	Greatship (India) Limited	September 2010	India
Multi Purpose Platform Supply Vessel	NC/218	Greatship (India) Limited	December 2010	India
130 T BP Anchor Handling Tug Supply Vessel	NC/219	Eagle High Limited, Samoa	June 2011	Singapore
130 T BP Anchor Handling Tug Supply Vessel	NC/220	True Wisdom Limited, Samoa	September 2011	Singapore

An aerial photograph showing a large-scale construction project, likely a dam or bridge, in a mountainous region. In the foreground, a large concrete structure is under construction, with two tall cranes (one yellow, one red and white) positioned nearby. The middle ground shows a steep, rocky slope with some vegetation. In the background, a village with many small houses with green roofs is built on a hillside. The sky is overcast.

Heavy Engineering

Making Sustained Progress...



means 'call and deliver' Go wherever the client go.



Heavy Engineering

The company ventured in to heavy engineering HE business in the year 1998. Since the beginning of HE activities, the company has undertaken and completed 192 of engineering projects so far. 18 numbers of them have been completed for international clientele. Further the company has been engaged to complete other 8 of HE projects which are ongoing by the end of 2009.

The heavy engineering Department of the company has undertaken and completed seven types of main HE projects such as,

1. Heavy Fabrication Projects
2. Infrastructural Projects
3. Petro Chemical Projects
4. Services
5. Repair and Maintenance Projects
6. Hydro power Generation Projects
7. Irrigational Projects

However the contribution made by HE activities to the company was relatively low due to the main focus of the company has been given to the Shipbuilding and Shiprepair activities.

Thus, identifying possible market opportunities and potential growth, the company decided to empower its Heavy Engineering Department to operate in the market competitively. Therefore the Department was shifted to the Dockyard General Engineering Services Ltd. DGES which is a 100% subsidiary of the company; in the year 2009.



Redefining its excellence, DGES (Dockyard General Engineering Services (Pvt.) Limited has revitalized strategic alliance with Colombo Dockyard PLC (CDPLO) and Onomichi Dockyard Company Limited Japan in early 2009. This move is to concentrate more on booming state driven infrastructural development Projects in Sri Lanka and similar requirement of the Region as well.

Today DGES is driven with an ambitious vision of ***'To be the Premier Heavy Engineering Solutions Provider in South Asia'***

DGES's dedication to perfection and uncompromised commitment to deliver quality products and services on time, in the fields of

- Civil Engineering,
- Mechanical Engineering,
- Electrical Engineering
- Value Added Services & Combined Technical Services

DGES today stands confidently to undertake a Mega Engineering Project of any proportion or shape, anywhere in the South Asian region with our unblemished engineering heritage, inventiveness, ability to adapt, and use of Cutting – edge technology coupled with limitless resources that can be drawn from our strategic partners.

DGES highly skilled workforce, with classic standards of precision and imagination, led from front by supremely qualified and vastly experienced engineers are ready to assume any type of Heavy Engineering need of the nation or a similar requirement of the Region and the company has become trustworthy partner for the following institutions

Some of the Clientele in the State and Private sector of Sri Lanka:

- Ceylon Electricity Board
- Mahaweli Authority of Sri Lanka
- Ceylon Petroleum Corporation
- Sri Lanka Ports Authority
- Shell Terminal Lanka (Pvt) Ltd
- SOUTH ASIA GATEWAY TERMINALS PVT LTD
- ANSELL LANKA PVT LTD

Foreign Organization in South Asia Region:

- State Trading Organization of Republic of Maldives
- Villa Shipping & Trading Company (Pte) Ltd of Republic of Maldives
- Maldives Industry Fisheries Co Ltd of Republic of Maldives

Be the subcontractor for many Foreign Main Contractors who carry out the Mega Projects in Sri Lanka

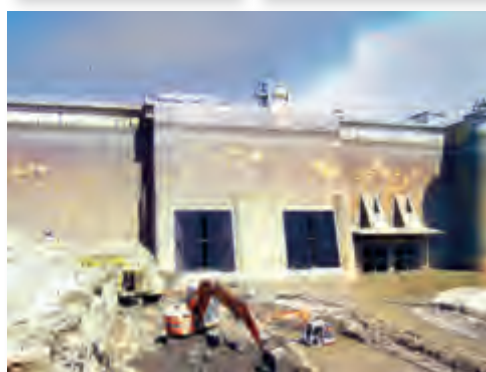
- Kirumoto Ltd
- Wakachiku Construction Co.,Ltd.
- Hitachi Plant Engineering & Construction Co. Ltd
- Taisei Corporation
- China Huanqui Chemical Eng. Corporation
- Mitsui Engineering & Shipbuilding Co. Ltd
- Beijing Municipal Engineering Corporation
- Leighton Contractors Lanka (Pvt) Ltd
- Marubeni Corporation
- Mitsui Construction Co. Ltd
- Man B & W Diesel Ag

Major Project Handled by DGES during year 2009:

1. Steel Lining and Penstock fabrication at shop for Upper Kotmale Project Lot 3 Hydro Mechanical Equipment works. DGES has involved handling 2225 MT of steel materials to fabricate penstock pipes diameter from 4300mm - 1500 mm and related accessories such as T-port, Reducers, Bends and surge tank cone etc. The work involved shot blasting, marking, cutting, edge preparation, pre pinching and rolling and painting. The work has been awarded by the main contractor, Kurimoto Ltd, Japan. The company was able to earn export revenue of Japanese Yen 333 million.
2. Shop fabrication and installation of chimney with the diameter range to 2m to 1.6 m and 32 meter high used as a boiler exhaustor for Nestle Lanka PLC. The revenue of the project is SLR 12 million
3. Construction of 45 m x 3.5 m weir, 1.2 km long head race canal, fore bay tank, pipe supports and power house for "Hiran Power Mini hydro Power Project" at Amanawela and Yatiyanthota. The revenue of the project is SLR 46 million
4. To provide services for the re-qualification of LPG sphere "C" of Shell Terminal Lanka Pvt) Ltd and the revenue of the project is SLR 39 million.

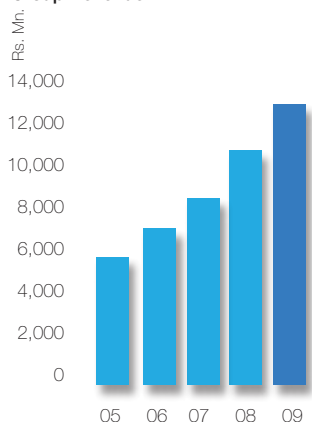
Prospective Project

1. Re-Certification of LPG Sphere "B" Project of Shell Terminal Lanka (Pvt) Ltd. (Expected Revenue SLR 36 Mn.)
2. Kirkoswald Mini Hydro Power Project (Expected Revenue SLR 105 Mn.)
3. Rehabilitation of Seethawaka Waste Treatment Plant Project (Expected Revenue SLR 9.5 Mn.)
4. Fabrication of gates for Kelani Right Bank Water Treatment Plant Project (Expected Revenue SLR 40 Mn.)

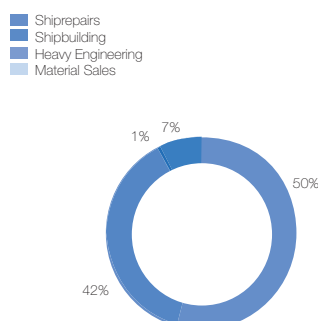


Financial Review

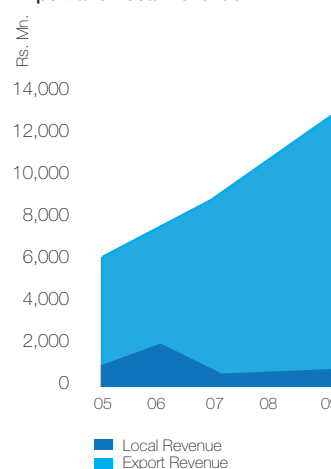
Group Revenue



Group Segmentation Revenue



Export and Local Revenue



Colombo Dockyard PLC (CDPLC), achieved an outstanding year of solid growth in 2009, posting record highs in revenue and profit.

FINANCIAL PERFORMANCE

Group Revenue

Group revenue grew by 21% (Rs. 2,343 Mn) from Rs. 11,155 Mn 2008 to Rs. 13,498 Mn in 2009, driven by its core business activities of Ship-repairs and shipbuilding

Segmental Contribution to the Group Revenue

Group revenue includes Company's core activity shiprepairs, shipbuildings, heavy engineering, offshore engineering and materials sales from subsidiary companies. The major revenue contributor for group remained ship repairs with 49.8% compared to 54.0% recorded for last year.

Export Revenue

The group's export revenue includes the revenue generated mainly from ship repairs and shipbuilding operations. Total export revenue increased by 21% (Rs. 2,074 Mn) compared to last year. The major overseas market of the group continues to be India, accounting for 51% of the total export revenue.

Further, Company's core business sector of Shiprepairs recorded 11% growth (Rs. 684 Mn) during the year with Rs. 6,729 Mn against last year Shiprepair revenue of Rs. 6,045 Mn. Shipbuilding revenue recorded a 32.3% (Rs. 1,379 Mn) growth in 2009 from Rs. 4,271 Mn to Rs. 5,650 Mn in 2009.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,115 Mn of which Rs.405 Mn from wholly owned Dockyard General Engineering Services (Pvt) Ltd and Rs. 710 Mn (SGD 8.9 Mn) from Ceylon Shipping Agency (Pte) Ltd with 51% holding.

Profit from Operations

Profit from operations of the Company for the year under review was Rs. 2,142 Mn, as against Rs. 1,515 Mn in the previous year, a growth of 41% (Rs. 627 Mn). Operating profit margin has increased to 16.3% in 2009 from 13.9% in 2008.

Other Operating Income

Other operating income excluding interest income of the Company increased from Rs. 123 Mn to Rs. 128 Mn during 2009 with 4% growth. The increase was mainly due to growth in scrap sales.

Further, Company interest income (from loans to employees and investments) increased from Rs. 230 Mn to Rs. 252 Mn during 2009 with 9% growth. The increase was mainly due to growth in investments in USD deposits.

Profit after Tax

The Company recorded a profit after tax of Rs. 2,125 Mn during the year under review representing a 49% growth relative to the year 2008 figure of Rs. 1,423 Mn. The Company has achieved 16% net profit margin during the year compared to 13% recorded for year 2008.

Finance Costs

The net finance cost (i.e. Interest less Interest Income) for year 2009 has continued record a surplus on Company's net finance cost to Rs. 183 Mn compared to Rs. 161 Mn recorded for last year. The composition of the net finance cost represents interest cost on borrowings during the year Rs. 68.8 Mn and interest income of Rs. 252 Mn.

Earning per Share (EPS)

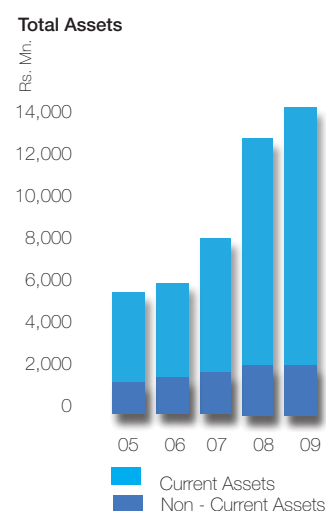
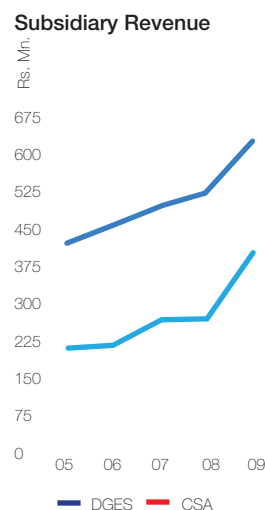
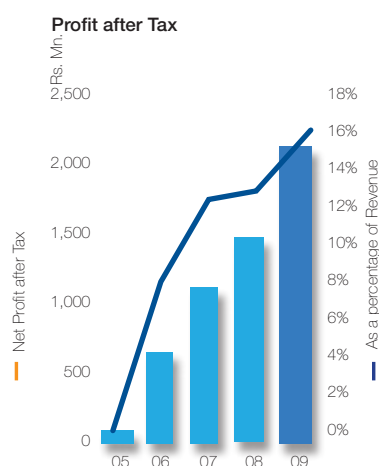
The Company recorded a basic Earning per Share (EPS) of Rs. 31.05, an increase of Rs. 10.25 (49.%) from previous year's EPS of Rs. 20.80. The market price of CDPLC share was Rs. 244.75 as at 31st December 2009, compared with the previous year end price of Rs. 50.00. In accordance with market situations, our share price reached to Rs. 248.50 and dropped to low of Rs. 50.00 during the year. The year end market capitalization of CDPLC was Rs. 16,750 Mn compared to 3,422 Mn last year.

FINANCIAL POSITION

Balance Sheet

Total Assets

Company's total assets as at 31 December 2009 were Rs. 13,690 Mn, as against Rs. 12,408 Mn, the increase of Rs. 1,282 Mn (10%) was mainly due to the increase in current assets.



Current Assets

Current assets of the Company increased from Rs. 10,186 Mn in 2008 to Rs. 11,527 Mn in 2009, an increase of Rs. 1,341 Mn (13%) against last year. This increase is mainly attributed to the investments made on short term investments & deposits and the increase on trade receivables.

Equity

Total equity of the Company increased by Rs. 1,646 Mn (37%) over 2008 to stand at Rs. 6,048 Mn at the end of year 2009 due to the increase in current year's profits.

Working Capital

Working Capital increased significantly as at 31 December 2009 to Rs. 4,765 Mn, a growth of 58% over the previous year. The main contributory factor to the increase was the 13% increase in current assets including trade debtors, deposits and short term investments and reduction of 5% in current liabilities representing significant reduction short term loan and overdraft payable as at 31st December 2009.

Liquidity Ratios

Both current and liquidity ratios improved from 1:42 to 1:70 and from 1:29 to 1:59 respectively from last year to current financial year under review.

Interest Cover

Company's Interest cover showed a healthy increase to 31.19 in 2009 as against 21.66 in 2008. Contributory factors were 41% (Rs. 627 Mn) increase in Earnings Before Interest and Tax (EBIT), and a decrease in interest expenses of 2%.

Capital Structure

The total assets of CDPLC, amounting to Rs. 13,690 Mn, were funded by shareholders' funds (44%), long-term liabilities (6%) and short-term liabilities (50%).

Debt

Company's total debt was Rs. 491Mn as at balance sheet date, 68% lower than in 2008. This was due to the reduction in short-term bank borrowings from Rs. 1,398 Mn in 2008 to Rs. 397 Mn in 2009.

The gearing level has reduced by 3 percent points, from 3.2% in 2008 to 1.5% in 2009.

CASH FLOW

Operating Activities

Cash and cash equivalents increased by Rs. 345 Mn during the year. Net cash flow from operating activities was Rs. 2,080 Mn in 2009. Interest paid during the financial year was Rs. 69 Mn, as against Rs. 70 Mn in 2008.

Investing Activities

Net cash outflow from investing activities was Rs.151 Mn for the year in review, compared with Rs. 336 Mn in 2008.

Financing Activities

Net cash outflow from financing activities was Rs. 1,583 Mn in the financial year 2009, compared with Rs. 813 Mn in 2008. Net cash flow from financing activities includes the repayment of Rs. 5,642 Mn on for maturing debt and a dividend payment of Rs. 473 Mn.

STATEMENT OF CHANGES IN EQUITY

Shareholders' funds as at 31 December 2009 stood at Rs. 6,048 Mn, as against Rs. 4,401 Mn as at 31 December 2008. This constitutes an increase of Rs. 1,647 Mn (37%).

Changes in equity were primarily impacted by profit after taxation, which was Rs. 2,125 Mn.

Financial Reporting

Colombo Dockyard Plc is committed to adopting best practices in financial reporting to its investors and other stakeholders. As a result our 2008 Annual Report was adjudged Gold Award in the Service Sector at the 2008 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka.

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.

Corporate Governance

Colombo Dockyard PLC's (CDPLC's) Corporate Governance Principles are built on the core value of integrity, and reflect our commitment to protect and enhance shareholder value.

Overview

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

This report outlines the Company's corporate governance processes and activities for the financial year 2009 with reference to the Code of Best Practice of the Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

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

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

Board of Directors

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

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

To ensure the efficient discharge of its responsibilities and to provide Independent oversight of Management, the Board has established a number of Board Sub Committees, including the Audit Committee and Remuneration Committee.

These committees are primarily made up with Non-executive directors. The respective roles and responsibilities of each Board sub Committees are included in this report.

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

The current Board comprises nine directors, six of them are non-executive directors. The Board's chairman is Mr. A. Nakauchi is an executive Director. Mr. Mangala P B Yapa who is the Managing Director & CEO, of Colombo Dockyard PLC is also an executive director.

All non executive Directors submit a Declaration annually to the Board regarding their independence.

The non-executive directors, Mr. H.A.R.K. Wickramathilaka and Mr. L. Ganlath are independent except for the fact that they hold offices over nine consecutive years; under the listing rules of CSE which has been duly ratified and determined by the Board for the current year as they have been duly reelected by the shareholders at the Annual General Meeting of each year.

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

Director	Position held on the Board	Date of appointment to the Board	Nature of Appointment
A. Nakauchi	Chairman	28 Oct. 2009	Executive/ Nominee Director
S. De Costa	Vice Chairman	21 June 1993	Non-executive/ Nominee Director
Mangala P. B. Yapa	Managing Director/CEO	22 April 2004	Executive/ Nominee Director
Y. Hamane	Director	21 June 1993	Non-executive/ Nominee Director
Y. Kijima	Director	25 Mar 2008	Executive/ Nominee Director
R.S.J. Al Suwaidi	Director	28 July 2006	Non-executive/ Nominee Director
T. Inahara	Director	13 July 2007	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)

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

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	6	91%
Audit Committee	3	100%
Remuneration Committee	1	100%

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

A separate Audit Committee has been formed which comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H.A.R.K. Wickramathilaka, Chairman and Mr. Lalith Ganlath who are public Directors, and 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. It will focus on system of internal control financial reporting process compliance with the laws and regulations and other best practices for Corporate Governance.

The Committee ensures the independence of the External Auditors and confirms the compliance with the requirements under the Act in relation to appointment, re-appointment and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate. The External Auditors are duly appointed by the shareholders at the Annual General Meeting of each year.

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

The committee met the Managers of various Sections and discussed the matters arising from various reports and how existing systems can be further improved.

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

The Managing Director/CEO and General Manager (Finance) are participating in the meeting to assist the Committee to obtain any clarifications within the parameters given by the Listing Rules of the Colombo Stock Exchange.

The Audit Committee reviews the quarterly accounts and audited accounts before they are presented to the Board of Directors.

Remuneration Committee

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

Report of the Remuneration Committee

Policy

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

Functions

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

The aggregate remuneration paid to the executive and non-executive directors are given in Note 4 to the Financial Statements.

The Committee will have meetings as and when it deemed necessary.

Directors are Equipped with Complete, Adequate and Timely Information and Resources

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

Quarterly financial highlights performance and developments of the Group are presented at Board meetings. The General Manager (Finance) and senior managers if necessary are also present at the meeting to address queries the Board may have. The Company Secretary assists the Chairman with the preparation of meeting agenda and administers, attends and prepares minutes of Board proceedings, ensuring good information flow within the Board and its Committees. The Secretary assists the Board on the compliance with its Articles of Association, laws and regulations, including requirements of the Companies Act, Rules of Colombo Stock Exchange and Securities & Exchange Act. 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 and monitors the performance of such companies, by following means:

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

The Company Secretary

The Company secretary plays key role in ensuring that the Board procedures are followed and regularly reviewed. The Company secretary ensures that all relevant information, details, documents is made available to the directors for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory, new regulations and is the interface between the management and the regulatory authorities for governance matters.

Communication with Shareholders

All CDPLC price-sensitive information is disseminated to its shareholders via 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) maintains by the Company offers macro level information of the Company to interested person.

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

Quality Assurance

CDPLC holds valid certificates granted by classification societies authorizing the company to do ultrasonic thickness measurement of ship hull structures according to class requirements & rules. Our Approved classification societies are:

- 1. Indian Register of Shipping (IRS),**
- 2. Det Norske Veritas (DNV),**
- 3. Lloyds's Register (LR),**
- 4. American Bureau of Shipping (ABS),**
- 5. Bureau Veritas(BV),**
- 6. Germanischer Lloyd's (GL),**
- 7. Nippon Kaiji Kyokai (NKK)**

The teams have been equipped with Latest Multiple Echo through coating Ultrasonic Equipment of portable Krautkramer DM4 make. During surveys the operators use portable Krautkramer DM4 Ultrasonic Thickness Gauges with through-coating measurement.

The DM4 ultrasonic thickness gauges allow our operators to avoid time-consuming and expensive removal of coating, which saves time spent on ultrasonic measurements and thereby provides our customers a saving of costs.

The qualification of UTM operators conforms to UT level 2 and ability to communicate in English. The Company is professionally equipped to carry out Hull Thickness Survey on all types of ships i.e. Bulk Carriers, General Cargo Ships, Container Ships, Tankers, LPG Carriers, Chemical Tankers, etc and irrespective if it is CAP, Special Survey, Intermediate Survey or Annual Survey. All our teammates are fully knowledgeable in working with national as well as international surveyors and floating staff. They are committed to find better ways to meet client's needs, make correct decisions, adhere to safety norms and deliver high quality services.

Our Edge on Services

1. A professional and responsive attitude in addressing issues.
2. Quick turnaround when presented with urgent Issues.
3. Prior Docking Survey, prepare dry dock specifications pertaining to steel renewal quantity at each location of vessel including Identification of substantial wastages.
4. Monitor steel repairs during dry dock / surveys and provide quick steel Estimation on daily basis.
5. Assist ship managers to conclude final negotiation of work done reports by providing precise details of steel renewal quantities at all locations.
6. Provide TM reports of High Accuracy on time for submission to classification Societies
7. Provide Certifications.





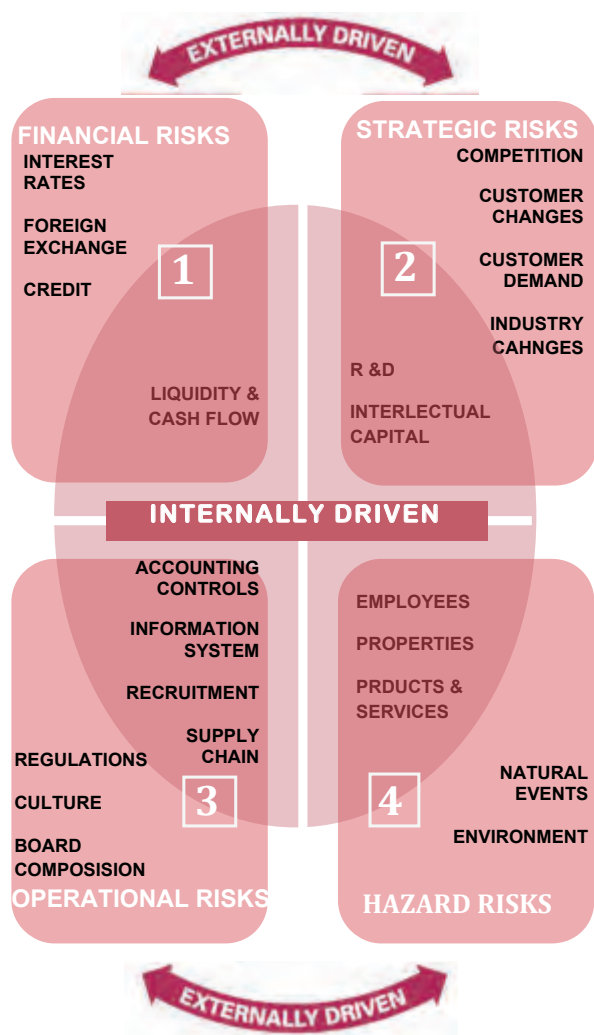
Risk Management and Mitigation Strategies



Facts that affect the smooth operation and sustainability of the business identified as risk factors. Presently the company has been moving from rigid business to an adaptive business culture. Thus, survival and growth in the industry would be much challenging in such a pace of change.

Thus planning in the face of uncertainty is essential and is expected to be right as well. The year 2009 started with a gloomy market scenario due to the relentless spread the effect of global economic crisis. The management of Colombo Dockyard vigilantly observing the market dynamics and evaluating possible effects to the business applies prudent measures to face those challenges.

Thus all risks as they affect to the company are identified either as externally driven or internally driven.



Risk management; which is subjective is embedded in the whole management process. Perhaps, it is difficult to take out or separated from the entire management process.

Addressing the internally driven risks may indirectly help to finance external risk factors and vice-versa. However a separate identification of such risk elements would be more helpful for decision making and effective policy implementations. Thus all risks factors are categorized in to four types and they are identifiable as either externally or internally driven.

1. Financial Risk

Changes in interest rates, fluctuations in foreign exchange rates and limitations to access to credit could be risky and make financial losses to the organization. Such externally driven risk elements are difficult to control by the company. However such negative effects to the company's cash flow can be lessened through proper management of internally driven financial risk elements. Such internally driven financial risks; liquidity and cash flow are well managed by CDPLC. Thus, company's short term funds or cash channeled for high yielding short-term investment opportunities like treasury bills, short-term fixed deposits etc.

Even though official interest changes are not frequent, the effect of significant alterations to the interest rates by the monetary authority of Sri Lanka is understandable to the company. Recent cut-down in the interest rates by the government effected to the company cash flow too. The worst scenario; the expected interest income from savings at the government bank reduced drastically while loan re-payments to the commercial banks remain unchanged.

Prudent measures to minimize exchange losses are applied by the company. Company always tries to maintain foreign currency denominated liabilities at a low level compare to the foreign currency denominated assets. Thus company recorded foreign currency gains during last few years. The upward pattern in the exchange rate changes add no more risk to the revenue side since all foreign jobs are charged in foreign currency. However, the company noticed significant fluctuations in the cross currency rates recently; especially between US \$ and Euro €. Company expected this situation to be affected negatively to the cash flow of the company since a significant amount of its material procurement related with Europe countries. If the Euro value increased grammatically against US \$ value, the cost of production could have increased due to Euro € denominated material procurements. Thus company admitted a rational solution and agreed with the customers to receive a part of its revenue in Euro € which is equivalent to the Euro € denominated material procurement value.

Credit risk to the company is also identifiable as an externally driven facet. Collapses or draw backs in the financial market reduces the availability of funds to the commercial entities. The company faced for such credit risks during the period of last financial market turmoil. Further, unexpected significant decisions taken by the monetary authority are also affect to such credit limits.

As internally driven financial risks; liquidity and cash flow risks are at controllable situation. Thus, prudent measures have been taken to maximize debt collection and optimize creditor settlements. Credit given is reviewed within the pre-determined approval procedure and contractual agreements made for every long-term and high value transactions. Certain times appropriate hedging initiatives also taken to optimize cash inflow to the company. Forward exchange contracts also being considered on case by case basis.

Further, net working capital value need to be at high level to reduce dependency on credit borrowing from the commercial market at high cost. The company therefore maintains its net working capital at high level; perhaps with an upward trend over last few years. Prudent monitoring process on net operating cash flow and level of cash and cash equivalent is carry out whilst securing funding facilities from the financial market.

2. Strategic Risk

The company has taken significant strategic initiatives over the history. Such strategic initiatives were given prudent emphasis to improve the market competitiveness of the company. The management of CDPLC signed a declaration to agree with a new business strategy called "Blue Ocean Strategy BOS" in the year 2008. The company with this new

strategic vision seeks ways and means first to be well competitive and later to make the high market competition irrelevant more rational way. Commitment to the new strategy adds no additional cost to the company but add a new value to the customers. In the first step of the process company tries to make its internal operations more efficient and productive. Thus the saved funds will be allocated to execute the strategy in to practice. As Shipbuilding and Shiprepair industry faces a huge competition in the maritime market; prominence need to be given for customer perception and value creation instead of battling with price competition.

Customer demand and change in customer perception need to be understood time to time. Thus company not only compliance to the international standard of shipbuilding but also to the regional standards like Indian Register of Shipping IRS. Therefore to retain and satisfy the customers and reach to new customers are not such challenging to CDPLC as it flexible and competent enough to comply with international and other regional standards, where situational needs arise.

Industry changes; the other externally driven strategic risk factor makes challenging situation for any emerging business entity. The shipping industry too is changing rapidly day by day. New trend of building huge double hull ships is one such example. With the new technological changes, many of shipping companies seek quantitative returns through building and operating huge ships. Therefore, CDPLC too has to take appropriate strategic measures to meet such emerging demand in the market through internally structural changes as appropriate. CDPLC has been expanding its Shipbuilding and Shiprepair capacity to meet such emerging requirements of the industry over the past. Further, CDPLC also is very keen to understand possible risk of strategic failures. However the changes in maritime industry are not for shorter period like in other industries. Therefore strategic risk of failure is minimal unless the strategy is incorrect.

Research and Development as well as Intellectual Capital building activities are carried out by the company to reduce internal issues which act for strategic failures. Thus, as R & D initiatives, CDPLC annually participate for the shipping related international exhibitions and collect international maritime intelligence. Such regularly participated exhibitions are POSIDONIA - International Shipping Exhibition - Greece, Work Boat World - Dubai, SMM (Shipbuilding Machinery & Marine Technology International Trade Fair) – Germany. Further, company invests a significant amount of money and allocates time to build its intellectual capital every year. International trainings, seminars, local in-house and outdoor trainings, seminars and workshops organized for the employees while hiring such intellectual bodies from outside on contractual basis.

3. Operational Risks

External factors affects to the operational risk also place at uncontrollable but forcible position. General regulations especially on government tax and levies and related payment procedures, access to land and other resources, tight labour regulations, and changing of the same regulations bring significant risks to the operation of the business.

Cultural values and norms of the society are somewhat less effective to the operations of the company. The company has created its own culture within the organization which is aligned to the productivity improvement of the operation. Thus, inflow of any cumbersome social cultural norms to the company is barred by internal cultural setup.

Board composition of a company is a significant fact in respect of the operational risk of the firm. The board of CDPLC consists with nine of intellectual experts in the fields which are relevant to the operations of the company. The parent company of CDPLC; Onomichi Dockyard is a well matured ship yard in Japan. Thus with its maritime expertise; has appointed three executive directors who are expert in engineering and management fields. Four of other non-executive nominee directors are experts in the fields of Business Administration, Engineering and Sociol-

ogy. The other two directors appointed by public are experts in the fields of Law, Accountancy and Public Administration. (Profile of directors given in the report of "Board of Directors" Annual Report 2009) Thus it's experienced that the board of the company has composed well to be helpful to operate its business with least risk.

As internally driven operational risk factor; accounting controls done in more efficient manner to evaluate and monitor the Yard's operations. However, if any additional financial or labor requirements come up from the fields are also arranged as appropriate with especial budgetary provisions. Company uses its rich communication channels to inform and empower the line management or Departmental Heads to carry out the operational activities more efficiently under the budgetary provisions, whilst communicating discrepancies of budgetary allocation and actual yard performance with the higher management. Such adaptive work culture helps to make the operation free of risks on monitoring or accounting controls.

The company has an integrated central information system called CDLMIS which supports almost all the operations of the yard. Such information system would become cumbersome to the operation of the company if it is incomplete or providing wrong information. However the CDLMIS initiated in the year 2002 has improved almost up to a complete information system by present. Further, an annual IT system audit process too is carry out by the company for necessary improvements. Thus, instead of being risky to the operation, CDLMIS acts as an exceptional helper to the day to day operation.

Recruitment of the company is done more efficient manner. Company selects right candidates with right qualifications and skills without any political or personal biases. The permanent work carder in the company is maintained and updated based on the right requirement of the company on long-term basis. Over the history, company does not record any wrongful recruitment, employee dismissal on weak performance. Further the company is benefitted with a stable, competent workforce where the labour turnover is very minimal.

Supply Chain of the company too handled more efficiently through separate departments. Such material and labour (Sub-contract) supply is channelled on registration basis. Material supply chain is handled by the Material Procurement Division of the company whilst labour supply chain is handled by the Sub-Contract Service Procurement Department. Thus suppliers from international and local markets are categorized in to Registered, Qualifying and One off state. Thus present strong supply base of the company is quite enough to meet the prevailing and changing demand from the market. Further, the company has no record of any delay in production due to inadequate supply channels. Therefore the operational risk is minimal on the side of supply channels.

4. Hazard Risks

Unexpected incidents or shocks that are coming from the external environment and/or internal environment are identified as hazard risk to the overall performance of the company.

Possible major hazard risks to the company have been identified and such risks have been neutralized through various insurance schemes. Externally, natural events and environmental changes are not such considerable risk factors. However minor incidents recorded in the past due to tide water in the sea. Thus, damages to the property due to such effect of tide water have been financially recovered through insurance. Internal hazards to the employees, properties and product and services also covered with relevant insurance schemes.

- 1999 International Quality Accreditation - Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
- 2002 Upgrading the Quality Management System to ISO 9001: 2000.
- 2004 Diversification: Commencement of Offshore Engineering and Maintenance Sector.
- Major Repairs to Mobile Offshore Drilling Unit "Sagar Vijay;
 - First Project to the Indian Navy: OE 0002 - Retrofit of Floating Dock Navy – 1.
- 2005 Internationalization of Shipbuilding Activities & Breakthrough to Middle Eastern Market.
CDL Yard Nos. 0185/0186: Zamil Operations and Maintenance Company Limited, Saudi Arabia and
Yard Nos. 0187/0188 Lamnalco Limited, Cyprus.
Expansion of Dock No. 2, enhancing the capacity for Shipbuilding.
- 2006 CDL Yard No. 200: The largest Aluminium Hull built in Sri Lanka - 40 M Fisheries Protection Vessel for the National Security Services (NSS) of the Republic of Maldives.
CDL Yard Nos. 202, 203 & 204: First Tug Boat to an International Client - A. A. Turki Corporation (ATCO) of the Kingdom of Saudi Arabia
CDL Yard Nos. 207/208: First Anchor Handling Tug/Supply Vessel (AHTSV) Construction in Sri Lanka. – 80 T BP AHTSV for Greatship (India) Ltd.
- 2007 Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment.
Delivery of 6 New Constructed ships during the year 2007
- In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel
 - First 80T BP Anchor Handling Tug/Supply Vessel (AHTSV) Construction in Sri Lanka
- 2008 The year of structural adjustment for the enhancement of shipbuilding and ship repair sector
- Shift to a new head office building with five floors to enhance the shipbuilding capacity and improve the productivity of yard performance. Total investment: Rs. 250mn.
 - Expansion of shipbuilding facilities: total land area of 2,575 square meters has been restructured for Shipbuilding activities
 - Building of Deck Barge for enhance of Shipbuilding capacity for the first time in the history
 - New technological adaptation: Use of "line heating" technology
 - Introduction of Computer Aided Designs (CAD) and consequently Computer-Numerically Controlled production technologies for Steel aluminum Plate Marking and Cutting.
 - Use of state-of-the-Art welding technologies: MIG, TIG and Submerged Arc welding techniques.
 - Introduction of latest Non Destructive Examination Technologies to control production processes.
 - Commencement of the largest Shipbuilding project in the history: NC 212, 80T Anchor Handling Tug/ Supply Vessel of 78m and 17m length and width respectively.
- 2009 The Successful year despite international market downturn due to global Economic Crisis
- Enhancing carnage capacity by 20 tons for Dry Dock no 03 and enhance operation of Dry Dock 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs.
 - Completion of first ever passenger cum 100 ton cargo vessel "Arabian Sea" built for the government of India.
 - Restructuring of Heavy Engineering activities under the subsidiary of Dockyard General Engineering Services DGES to improve the productivity and profitability.

Corporate Achievements - 2009

- Awarded as the Best Corporate Citizen for Employee Relations cup Top Ten Category winner at Best Corporate Citizen Award organized by Ceylon Chamber of Commerce
- Gold Award for excellent Annual Reporting from the Service Sector for the third consecutive years
- Four Gold Awards for Excellent Exportation for the third consecutive years from NCE Export Awards
- Most Outstanding Exporter of the Year
- Exporter of Business and Professional Services Sector - Extra Large Category
- Most Outstanding Exporter - Export of Business & Professional Services Sector
- Most Value Added Exporter Organized by National Chamber of Exporters Sri Lanka

එයා 'අපේ කෙනෙක්'

'Opening the eyes' of an offspring is the most cherished dream of a mother, that make her forget all difficulties that life presented in bringing him up... when she witness the child advance upwards the social ladder.

This year, we invited the mother of the member, who won **'Best Employee Award'**, to honour her for giving us that valuable son... and share her pride.

We indeed look forward, to see more mothers to come and bestow wishes upon their heroes

Best Employee Award Ceremony
"Sevaka Prethibha Prenama Ulela 2009"



Sustainability Report

CDPLC has been committed for corporate responsibility since inception. Thus the company tries to keep a well balanced life with main five of corporate responsibility drivers such as Economic Progress, Environmental Concern, Customer and Supplier Relations, and Social Inclusiveness. The main concerns behind this ongoing effort is the enthusiasm of thousands of individuals who have rendered their enormous service to the progress of the company, the betterment of the society they live in and the well being of the future generations.

Incorporation of CSR Committee and Fund

Focusing on Triple Bottom Line concept, CDPLC has initiated to form a CSR committee represented by Senior Management and several functional executive members to perform the planned CSR activities in an effective manner. Further, a CSR fund has been created based on stakeholder contributions and funding from the company.

The Company has created a 'New CDPLC Person' who is economically stable, socially responsible, loyal, disciplined, knowledgeable & competent with shared goals. Thus all employees of the company have almost an equal interest in the environment and concerns on community at large. The all are committed to reduce energy consumption and focus on the prudent use of resources. Not only it is the right thing to do, but also it makes good business sense for the Company. Thus corporate responsibility and working towards a cleaner, healthier, safer environment are primary components the team of CDPLC personnel.

The Company has had a number of achievements on their behalf since our last Sustainability Report. Highlights of our efforts include:

- Records highest financial performance with revenue of Rs. 13.16 Bn. and net profit after tax Rs. 2.1 Bn.
- Winning number of awards like Most Outstanding Exporter, Top Ten Category Winner of Best Corporate Citizen Award and Gold Award for Annual Report 2008 of the Service Sector – Sri Lanka.
- Acknowledgment of our leadership to continue with good employer & employee relationships. Thus the Company was awarded as and the winner for "Best Employee Relations" by the Ceylon Chamber of Commerce at their Best Corporate Citizen Award ceremony 2009.

Our Business Performance

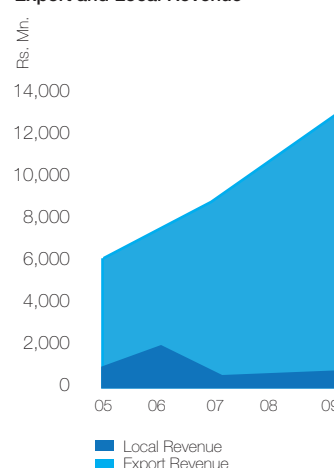
CDPLC financial performance in 2009 was the best in its history. Total revenue recorded Rs. 13,160 Mn. which is a 20 percent growth compare to the last year 2008. Net earnings in the year 2009, Rs. 2,125 Mn. recorded a 49% growth compared to Rs. 1,423 Mn. of the previous year.

Over the last five consecutive years, CDPLC recorded a continuous improvement in its business performances.

Foreign Revenue Generation

CDPLC is presently appearing to be the strongest emerging Shipbuilder and Shiprepair entity in the Asian maritime industry whilst presenting as an anchor in the global marine market. Thus company foreign earnings over 90% of its total revenue recorded for both year under review and last year 2008. The export revenue of the company has been increased by 21% compare to the last year.

Export and Local Revenue



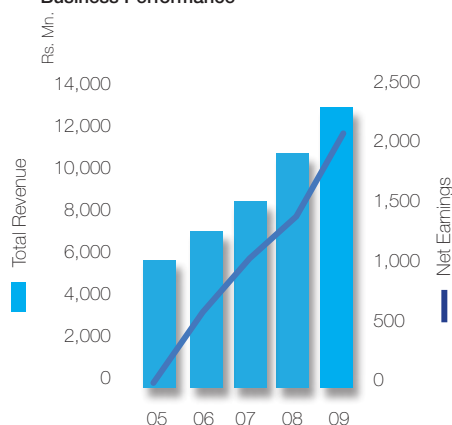
Contribution to National Economy

CDPLC recorded a significant progress in its business over the last decade. Thus it would be ideal for those who are interested, to read and understand the Company's economic progress comparative to the national economic progress.

CDPLC's total export turnover value of Rs. 11,908 Mn. contributed a 1.47 % to the total national export value in the year 2009. The effect of the Global Financial Crisis to the national export has been worse in the year 2009. As a result, the total national export revenue diminished by 8% compared to the previous year. Despite such unprecedented world economic downturn and market collapse, CDPLC continued its odyssey excellently improving its export turnover by 21%.

CDPLC being an import substitution industry to Sri Lanka: its Shiprepair activities for local customers helped to retain Rs. 1,252 Mn. of domestic currency, during 2009.

Business Performance



Company Value Added Statement

	2009 Rs. 000	2008 Rs. 000
Ship Repairs	6,728,936	6,044,507
Offshore Marine	-	562,806
Shipbuilding	5,649,812	4,270,834
Heavy Engineering	781,380	50,711
Operating Revenue	13,160,127	10,928,858
Other Income	380,110	354,010
Total Revenue	13,540,238	11,282,868

Less: Cost of Materials & Services purchased from External Sources	8,277,999	7,238,033
VALUE ADDITION	5,262,239	4,044,835
Value Addition as a % on Revenue	38.9%	35.8%

Value Distribution:		
To Employees as Remuneration & Benefits	2,455,567	2,098,590
To Shareholders as Dividends	479,059	195,534
To Lenders as Interest	68,653	69,938
To Government as Income Tax Retained in the Business	199,591	252,377
-as Depreciation	413,285	200,720
-as Revenue Reserves	1,646,084	1,227,676
VALUE DISTRIBUTION	5,262,239	4,044,835

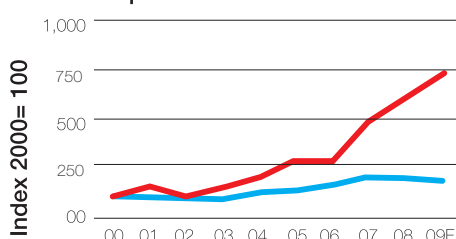
Value Distribution %

For Employees	47%	52%
For Shareholders	9%	5%
For Lenders-Interest	1%	2%
For Government	4%	6%
For Business Development	39%	35%

Our Shareholders

Returning value, in terms of profits, shareholders funds, market share prices and dividends are the primary measures to CDPLC's commitment to its shareholders. Beyond, offering financial value, the company also believes on its duty to provide a transparent window of its finan-

Export Income Indices



— Sri Lanka Total Export Income Index
— Colombo Dockyard Export Income Index

National Export
Revenue Growth
Rate

-8%

CDPLC Export
Revenue Growth
Rate

+21%

cial progress to the investors. Thus a complete Annual Report which is complying with statutory requirements is provided to the hand of its every shareholder. Company also placed the intrinsic value of the shareholders in its vision statement too "We pursue excellence and superior performance in all what we do to enhance the long-term interests of all our stakeholders in a social responsible manner".

Financial Performance

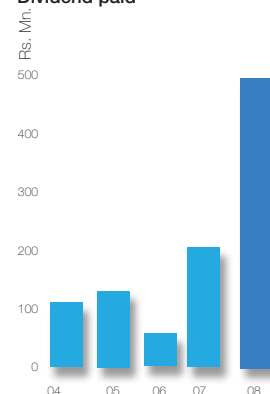
During the year under review, the Company achieved record breaking total revenue of Rs. 13,160 Mn. and net profit of Rs. 2,125 Mn., strengthening shareholders' value with an increase of 47% over the last year.

Commitment to Enhance the Shareholder Value

CDPLC has been committed to create and enhance shareholder value at every time.

Directors have distributed a final dividend of Rs. 7.00 per Share (2008 - Rs. 3.00) based on the profit for the year 2008, which is an increase of Rs. 4.00 (133%) against previous year.

Dividend paid



CDPLC is committed to have a proper communication with its shareholders and other investors too. Thus, during the year 2009 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) and Extra Ordinary General Meeting (EOGM) adequate notice is given together with Annual Report enabling them to prepare in advance.

Further, the company is very much concern about its statutory commitments to the society. Thus, The Company audited Financial Statement and Balance Sheet for the year 31st December 2009 has been made available to CSE within three months of the BS date.

Financial Reporting

CDPLC is committed adopting the best practices in financial reporting and providing same to the all stakeholders. Thus Company provides quarterly and annual financial statements on timely and accurately with up to date financial performance.

	1st Quart Rs. Mn	2nd Quart Rs. Mn	3rd Quart Rs. Mn	4th Quart Rs. Mn	2009 Rs. Mn	2008 Rs. Mn
Revenue	2,921	3,385	3,171	3,683	13,160	10,929
Operating Profits	626	692	703	120	2,142	1,515
Profit after Tax	510	577	706	305	2,125	1,423
Shareholders' Fund	4,433	5,009	5,715	6,020	6,048	4,401
Total Assets	15,852	15,688	17,760	13,699	13,690	12,389

Company's Annual Report -2008 was adjudged Gold Award of Service Sector at the Annual Report Award Ceremony 2008 organized by the Institute of Chartered Accountants of Sri Lanka ICASL.



Shareholders Information Share Capital

	31/12/2009	31/12/2008
Stated Capital Rs.	684,370,710	684,370,710
Number of Shares	68,437,071	68,437,071
Number of Shareholders	4,828	4,735
Voting Rights:	One Vote per Share	
Class of Shares:	Ordinary Share.	

Distributing of Shareholding as at 31st December 2009

From	To	No of Shares	No of Shares	%
		Shareholders		
1	1,000	3,687	707,114	1.03
1,001	10,000	1,016	2,971,075	4.34
10,001	100,000	98	2,364,443	3.46
100,001	1,000,000	21	5,722,445	8.36
1,000,001	above	6	56,671,994	82.81
		4,828	68,437,071	100.00

Public Shareholding

A percentage of shares held by the Public as at December 2009 is 27.60% (2008 - 27.63%)

List of Largest 20 Shareholders			
No.	Name	Total	%
1	Onomichi Dockyard Co, Ltd	34,902,906	51.000
2	Horizon Representation of Companies LLC	7,291,231	10.654
3	Horizon Energy LLC	7,291,095	10.654
4	Sri Lanka Insurance Corporation Ltd - Life Fund	3,036,475	4.437
5	Sri Lanka Ports Authority	2,082,087	3.042
6	Employees Provident Fund	2,068,200	3.022
7	Mr. M.M. Udeshi	789,743	1.154
8	Thurston Investments Limited	765,000	1.118
9	Ms. A.M. Udeshi	518,675	0.758
10	Pershing LLC S/A Averbach Grauson & Co	422,100	0.617
11	Bhadra Investments Limited	374,100	0.547
12	Bank of Ceylon-N02 A/C	349,200	0.510
13	MAS Capital (Pvt.) Ltd	272,000	0.397
14	Mrs. P.N. Bhatt	266,700	0.390
15	Eagle Insurance Company Ltd Ac No. 3	254,740	0.372
16	Lanka Milk Foods (CWE) Ltd	209,475	0.306
17	DFCC Bank A/C 1	194,125	0.284
18	Mr. K.R. Kamon	159,972	0.234
19	Mr. A.P. Somasiri	150,050	0.219
20	Mr. K N J Balendra	147,500	0.216

Composition of Shareholding

The total number of shareholders of CDPLC is 4,828 as at 31st December 2009, and it is a 2% increase compared to 4,735 as at 31st December 2008.

	No of Shareholders	No of Shares	%
Local Individuals	4,587	6,755,418	9.87
Local Institutions	147	10,251,563	14.98
Foreign individuals	84	549,623	0.80
Foreign institutions	10	50,880,467	74.35
	4,828	68,437,071	100.00

Market Value per Share

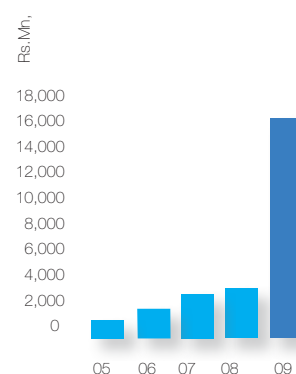
At the end of the year 2009, the share price of Colombo Dockyard PLC recorded a dramatic increase of 389.5 % compare to the previous year's closing price. Thus the highest market value for a CDPLC share is recorded in the year 2009 for the first time in CDPLC's history.

Market Price per Share	As at 31/12/2009	As at 31/12/2008
Highest during the year	Rs 248.50 (30/12/09)	Rs 77.00 (01/09/08)
Lowest during the year	Rs 50.00 (12/01/09)	Rs 48.25 (18/12/08)
As at end of the year	Rs 244.75	Rs 50.00

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date as Rs. 16,750 Mn. (2008 – Rs. 3,422 Mn.). CDPLC represent approx. 1.51% of the total market capitalization.

Market Capitalisation



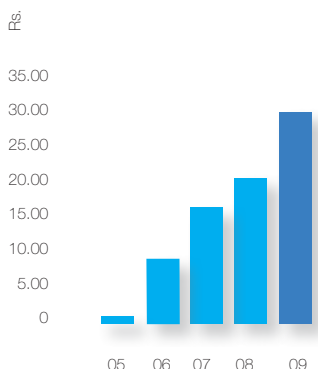
Shares Trading

	As at 31/12/2009	As at 31/12/2008
No of Transaction	9,541	5,208
No of Shares traded (Rs.)	13,344,600	9,298,000
Value of Share traded (Rs.)	1,753,209,350	583,003,025

Earnings per Share

The Earning per share (EPS) of Rs. 31.05 in the year 2009 recorded a growth of 49.3% compare to the last year EPS value of Rs. 20.8. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year

Earnings per Share



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.

Our Environment

Colombo Dockyard carry out its businesses in conformity with environmental protection measures. Thus the company has received the Environmental Protection License, issued under Section 23B of the National Environment Act No. 47. Also the company was issued an Annual Permit for Shipboard Waste Reception Service by the Marine Environment Protection Authority (MEPA).

The Company operates its businesses with least damages to the environment, even though some of the production processes (especially grit-blasting) is generally accepted as high dust- generating process, in view of the mitigate measure taken by the company. Further, the Division of Occupational Hygiene of the Department of Labour, Ministry of Employment and Labour, Sri Lanka has certified that the hazardous ratio of air pollution generated by CDPLC is far below the critical level.



Protect Our Water Resource

CDPLC adopts more efficient means to manage water usage. The Rainwater Harvesting Project implemented in 2008, with an investment of Rs. 10 Mn for continuous and efficient rainwater harvesting, is one such successful project. Since the implementation of this project, approximately 60% (3,000 tons (approx..)) of the total industrial water requirement is utilized from the harvested rainwater collected in an underground sump. Further, a tube well project, for harvesting groundwater is installed, to augment the rainwater-harvesting project, especially during rain less or dry seasons.

Water Saving Project – High Pressure Water Gun

One of the initiatives taken to implement the triple R concept (Reduce, Recycle and Reuse), CDPLC employees have volunteered to introduce an unique water saving system. Since the high pressure water gun that

was used for hull cleaning process wasted a mammoth quantity of fresh water. The new system introduced has been able to utilize such let – out, high tempered water from the gun, totally. The traditional high pressure water gun let – out seven units of water as waste while using one unit, thus the calculation reveals that the new water saving system saves or re-use the total 700% of waste water which is let – out.

In the past CDPLC has been disposing, the oily sludge released from vessels under repair through registered waste receivers approved by MPPA (present MEPA). However, CDPLC, a responsible corporate citizen, not content with such disposal, despite fully compliant legally, took initiative and tasked Geocycle Ltd (former Holcim Lanka Ltd) for Total Waste Management in early 2007. Today, this exercise has blossomed into a long-term partnership, where over 14,000 tons of different waste generated/collected at CDPLC are being separated, co-processed and disposed in a completely environment friendly manner.

Further, the Deck fitting shop of CDPLC was installed with Wind Power Roof Ventilators (WPRV), which does not consume electricity. The Engine Fitting Shop and Machine Shop of the company have replaced roof sheeting with see - through GRP sheeting. Such initiatives have reduced consumption of electricity in the Yard considerably.

The company introduced dust extraction facilities and hence the dust generated is collected and disposed in an environmentally friendly manner. The grit/sand blasting process used for Hull Cleaning is a hazardous process. Thus, CDPLC's approach to use such copper grit, which is a waste generated in the Iron Ore Smelting process, as a substitute for sand or quartz, which are natural resources, and support the Steel Industry in productive use of waste material generated from the industry; i.e. through Industrial Ecology.

CDPLC's commitment towards continuous and systematic reduction of all types of waste is amply demonstrated by the introduction of its unique, fully customized "eSystems"; the Paperless Secured Electronic Office, is a voluntary initiative by the right-minded employees in conjunction with the CDPLC IT Department. The objective of this initiative is to create a completely paperless office and to have easy and ready on – line Real – time access to important information internally and externally.

Reducing waste

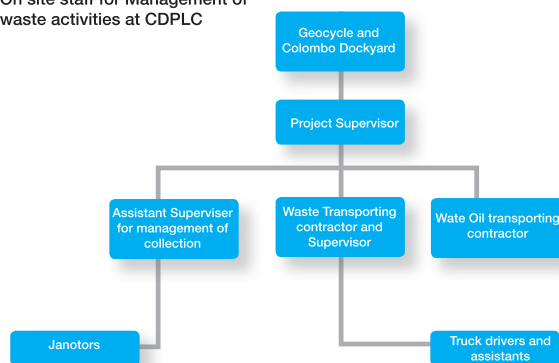
Waste Oils received by CDPLC are continuously used as an alternate fuel for the Steam Crane, which perhaps is the only operational crane in the entire island which utilise the "waste oil" in an environment friendly manner.

Further, the Company has already taken steps to replace the traditional shot blasting process with hydro blasting. This contemporary technology adoption and implementation is planned for year 2010.

Reduce Use of Toxic Chemicals

CDPLC has already allocated Rs. 5 million as a prime investment for purchasing Ultrasonic Cooler cleaning equipment to replace the current practice of chemical cleaning, where hazardous chemical solvents are used.

On site staff for Management of waste activities at CDPLC



As a proactive initiative to eliminate asbestos in the marine industry, CDPLC has taken a voluntary policy decision to abstain from use of asbestos or asbestos based material for its shipbuilding, shiprepair and other auxiliary processes. Although, asbestos is not banned in Sri Lanka yet, CDPLC committed to its corporate and social responsibility, adopted this initiative and replaced such substance with slightly expensive, alternate material that are considered less hazardous.

Reuse of Waste

As CDPLC generates 6,000 tons of copper grids averagely, every year, the Company recently initiated to use such waste copper grids to manufacture cement blocks. Presently the Company has successfully experimented and manufactured such cement blocks using copper grids instead of sand. This substitution will indirectly help to reduce country's sandy wealth from unnecessary use.

Recycling of Waste (Polythene)

Polythene waste generated through CDPLC operations is segregated and directed for recycling. Such wastes are redirected to produce various products locally. Approximately 10 metric tons of polythene wastes are directed for recycling every year.

CDPLC total waste management

CDPLC generates total wastes approximately 16,000 metric tons per year. However, its total waste management approach has achieved significant targets over the past period. The amount of waste dispatched for land filling; which is environmentally unsound has reduced by 51%. 78% of total wastes sent to land filling diminished to 38% with the initiation to re-use of wastes.

Type of Waste	Quantity MT	Waste Management
Used Grit	350.00	Re-use
Garbage	5,318.40	Landfill
Mud	425.00	Landfill
Mud with Grit	4,264.00	Re-use
Sludge	948.00	Re-use
Pallets	249.00	Re-use
Debris	170.00	Landfill
Waste Oil	633.60	Re-use
Coconut Shells	69.00	Re-use
Shredables	228.00	Re-use
Farm Rice	175.00	Re-use
Steel/wire Scrap	2,900.00	Re-use
Total Wastes	15,730.00	
Total Re - use	9,817.00	
Landfill percentage	62%	

Our Employees

As a people oriented company, CDPLC believes 'flexibility' and 'pliancy' instead of 'rigidity' in shaping its HR Policy. Therefore, the Company does not maintain a mechanistic 'marriage' between business strategic objectives and human resource management strategies. Thus, CDPLC maintains a set of well-structured procedures (ISO certified) that deals with and guide its human resource management to practice in a more humane manner.

Adopting prudent policies and procedures, the Company places high emphasis on development of its human capital. CDPLC maintains a proper evaluating system and recognize promising employees who are committed to their tasks. All employees are treated on a fair basis and rewarded aptly for their performance. Thus, the Company offers annual awards on various criterion; i.e. Best Safety Inspector, Best Employee of each Division, Best Division/Department, Best Subcontractor Company, Best Social Worker etc. These awards are offered based on impartial evaluations guaranteeing equality and transparency, thus establishing a amiable relationship and goodwill among employees and the management. Further, the Company has proved its commitment towards equality by articulating and implementing non-discriminatory employment policy irrespective of sex, ethnicity, religion, or place of abode.

Workforce Strength

CDPLC's total workforce as at 31st December 2009 excluding subcontract employees.

	No of Employees	Men	%	Women	%
Management	184	174	94%	10	6%
Supervisory	222	222	100%	0	0%
Clerical & Allied	83	51	61%	32	39%
Industrial Workers	1,137	1,137	100%	0	0%
	1,626	1,584	97%	42	3%

Transparency and two-way communication

Organization-wide communication schemes are implemented through "Tool Box Meetings" (held daily at shop-floor level), 'Ape Handa'; in house breakfast & lunchtime radio and through internal publications, such as "Vinivida" and internal seminars as well.

An organization-wide Employee Suggestion Scheme "Yojana Pettiya" (ESS) is launched to obtain suggestions and proposals from the employees. These suggestions are invited on Energy Conservation, Quality of Production Process, Employee Health, Environmental Protection and Productivity Improvement etc.



Communication strategies and channels

CDPLC follows several communication approaches; both formal and informal, within the company to achieve enhanced understanding through two-way communication amongst all the employees. A series of meetings are held on regular basis to deliberate on many aspects of management.

- Divisional Heads Meetings – once a month and deals with higher level Operational Management Decisions
- Health, Environmental and Safety Advisory Committee meeting (HEA SAC) - Once in every six months.
- Sales Meetings – Once a month.
- Strategic Progress Review Meetings – once a month.
- Training Committee Meetings – once a quarter.
- Management Review Meetings – Twice a year
- Shipbuilding Progress Review Meetings - once a week
- Shiprepair Progress Review Meetings – Everyday
- Divisional Meetings – As relevant by the Division
- Tool Box Meetings – Short meetings, at the commencement of daily work
- Meetings with Trade Unions – As circumstance demands

Employee Remuneration and Benefits

All benefits to employee and management staff are decided through an agreement reached between concerned parties periodically (Once in 2 - 3 years, and, a consensus is reached between parties through a mutual deliberation.

Company maintains its labor harmony through a package of benefits to employees arranged every 3 years through a collective agreement.

Other Benefits to Employees

- Three months annual bonus and sharing of profit bonus
- Medical insurance benefits to all employees including their family members.
- 24 hour internal medical treatment through in-house medical center with medical doctor during day time
- Medical tests facilitated in collaboration with Asiri Hospital Ltd.
- First aid-points located at critical yard operation areas with ambulance services.
- Health assessments are conducted on annual basis for employees engaged at various health risk points.
- Company housing, vehicle, wedding, and welfare loan facilities
- New loan arrangements up to Rs. One million through Bank of Ceylon
- AC and Non-AC bus provided for family trips at concessionary rates.
- Facilities to purchase commodities at very low prices from the Budget Shop at the company premises which is managed by Company Welfare Association

Workplace Safety.

A range of insurance covers are provided for employees to maintain the workplace security within and outside the Yard premises. Company has protected its risk towards all personal employee, subcontractor or visitor with appropriate Insurance cover.



Employee Recognitions & Motivation Drive

Company offers a proper recognition to its employees and/or teams, who perform excellently in their career paths, contribute to the overall business performance of the company, excellent satisfaction rendered for the stakeholders etc. Thus, its annual Best Employee Award Ceremony BEAC was held on 11th July 2009 at Elphinstone Theater, Maradana for the 4th consecutive year. 21 employees were awarded certificates and trophies as Best Employees of the year. In addition, 6 special awards were presented to the individual employees/teams for their excellent performance in the areas of Social Philanthropic Initiatives, Industrial Safety, Employee Welfare, Volunteer Social Service and for New productive suggestions etc. 7 other special awards were offered to the divisions selected as best of the company.

Company also acclaims employees with long survive records; 15 years and 25 years. So far, 1317 employees have been awarded Gold Sovereigns during

last 12 years.

Year	Employees Awarded	Year	Employees Awarded
1998	76	2005	80
1999	431	2006	127
2000	22	2007	69
2001	32	2008	43
2002	71	2009	118
2003	114	2004	78
Total		1261	

General Facilities Provided for Employees

The Company also acknowledge that it is imperative to provide workforce with proper attire to maximize employee's safety. In addition all accessories i.e. Personal Protective Equipment such as Safety Helmets, Safety Belts, Ear Plugs, Dust Masks, Gas Masks, Ear Muffs, Goggles for Chipping and Gas Cutting, Work Overalls, and Hand Gloves for rigging; welding and other specific requirements are also provided free of charge. Washing and laundry facilities also are provided.

In order to meet deadlines, and improve efficiency, company provides Quarters/Dormitory for bachelors and, for some categories of employees, on marital basis.

Meals – Free Breakfast, Tea & Snacks and subsidized Lunch/Dinner is provided for all employees and trainees.

Employee and Employee Family Welfare

The Welfare Association of CDPLC comprising of all the employees, is a voluntary organization which provides a range of benefits and other welfare facilities to all members of the association.

The company provides scholarships for undergraduate children of employees. During the year 2009, company granted a total sum of Rs. 1,008,000 as a monthly scholarship to 17 students. Welfare society, together with the management of the company, facilitated a financial donation to the value of Rs. 61,375 for 28 of grade 5 students who passed the grade 5 scholarship examination in 2008.

Holiday Bungalow – CDPLC Employees own a 13-room modern Holiday Bungalow, in the central city of Nuwara Eliya. This Retreat, is maintained and operated by the Welfare Association, and is available for current and retired employees.

Family Get-togethers – CDPLC organizes various Get-together functions with the intention to support and inculcate casual relationships and togetherness amongst employees and their families, thus achieving greater understanding. An organisation wide family get-together with a participation of a mammoth 7,000 pax, comprising of all employees and their family members, was held at Suthuru Uyana of Viharamaha Devi Park.

Training and Development -In House Training Sessions

Company maintains a fully equipped training center for industrial, technical and managerial training. To disseminate and internalize information pertaining to Strategic Development of the organization, special training sessions are organized for all employees of the company. Few of such trainings were themed as Blue Ocean Strategy, Global Economic Crisis and its Impact to CDPLC, Management Competencies and Leadership Skills, Dilemmas of Strategic Business Management etc.

CDPLC supports and encourages career growth of its all employees. Thus the Company offers a series of training facilities for the employees to enable them sufficiently to challenge and develop their careers in an adaptive business culture.

Annual Training Summary

Training Program	Executive	Supervisory	Clerical	Industrial
Computer Training	12	40	22	23
Electrical Engineering	8	11		57
Electronics and Automation	1			2
English	2	13	1	
Financial Management	51		1	
General Management	262	237	83	768
Human Resource Development and Administration	38	69	13	307
Industrial Safety and Health	5	9		93
Law	37			
Marine Engineering	2	14		15
Mechanical Engineering		4		130
Productivity and Quality	11	2	1	86
Supply and Material Management		4	4	3
Yard Operations		2		

Quarterly In-house Publication “Vinivida”

CDPLC publishes an internal quarterly magazine, titled “Vinivida” (transparency) and distributes among all employees free of charge. The “Vinivida” deals with contemporary management themes that are pertinent to the Company and often deliberates on critical issues.

“Ape Handa” – In-House Lunch Time Radio

The In-House Lunch Time Radio deals with current issues relevant to the Company including live interviews with different stakeholders (management, trade unions, Project Managers etc.), whilst highlighting Safety Messages, Management Communiques and other salient news.



CDPLC is more concerned about occupational health and safety which may be affected from various types of hazards, including noise, dust, lack of ventilation (air), fire, accidents and have adopted strenuous procedures to control and minimize any adverse impact from such hazards. Hazardous situations are carefully identified, monitored by an independent Safety Department, who are adequately trained to the task.

CDPLC recognizes its corporate responsibility to provide a safe and healthy work environment for all personnel who have legitimate business in such work environment. Therefore the company and its Safety Inspectors Committee is committed to, provide safe plant, machinery, equipment and systems of work; ensuring compliance with relevant statutory and regulatory requirements. Further, the safety department of the company provides procedures, information, instructions, training and supervision to employees, contractors, customers and visitors to ensure their safety.

In addition to the above, the company always take corrective as well as preventive measures for possible threats that may occur against employee health and safety. Therefore, the following tasks are carried out continuously.

- Analyzing accidents, incidents and near misses and identifying the “trends”, based on which the Safety Plan for the ensuing year is prepared.
- Share accident/incident details through notice board and Public Announcements systems in view to impede recurrence.
- Continuously monitor the safety performance of each location/department and encourage/guide the respective departments to archive safety performance targets set for each year.

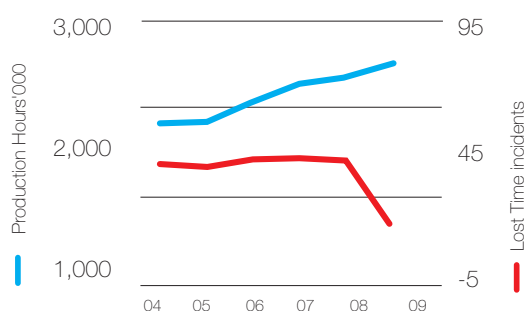
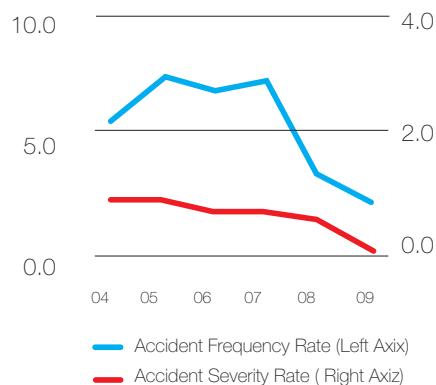
Safety Performance target for the year 2009 was to maintain the Accident Severity Rate (ASR) less than 1.289, which was the best performance observed in the history. However, the company successfully lowered the rate further to 0.923 (ASR) last year.

CDPLC has a very efficient Fire Unit for emergencies. The staff of FU consists 02 executives, 07 fire prevention supervisors and 35 firemen. An emergency team of one supervisor and six firemen is always in station around the clock.

The objective of the Fire Unit is to prevent fires, attend emergency situations, fire fighting and carry out rescue operations. Thus, fire prevention is achieved by providing fire watchman onboard ships, controlling unsafe hot work through issuing hot work permits, supplying fire fighting equipment such as portable fire extinguishers, hose reels and charge fire hoses too and carrying out tool box meetings, pocket meetings, gangway meetings, educational programs and fire & rescue drills.

The Fire Brigade of the Port Colombo is the nearest fire brigade to CDPLC, but is 800m away from the yard. Port Fire Brigade and Fire Unit of CDPLC usually carry out joint fire & rescue drills, familiarization visits and training programs.

Rate of Accident



Annual Training on Fire and Safety

Name Of Event	Number of Training Sessions	Employees participation hours Taken	Total Man
How to use portable fire equipment	09 Sessions at Work Shops	382	221.5
How to use portable fire equipment	02 Sessions for Sub Contract Employees	156	85.5
Fire drills	03 sessions at new office Building and New Ships	All relevant	162
How to use portable fire equipment & How to face to a fire	03 sessions for employees on vessels	All on vessels	83

Our Customers & Suppliers

Customer satisfaction measures in place: All external Customer (Shiprepair, Shipbuilding and Heavy Engineering) Feedbacks, suggestions are collected and analyzed and actions taken to improve service in accordance with the procedures for Monitoring & Measurement. Customer feedback is collected on a progressive basis for each project upon reaching identified milestones.

CDPLC make periodic visits to the global industry exhibitions and conferences where the suppliers showcase their new arrivals and technologies, provide valuable inputs to the knowledge base of the company and this knowledge gained is transferred among the staff through training programs conducted in house.

CDPLC maintains a separate procedure (ISO certified) to address and handle customer complaints. Further, company evaluates customer feedback time to time when Shipbuilding and Ship repair projects completed as well as while they are 'in progress'.

Supplier Complaints: In case of any Sub Contract Company/Supplier is dissatisfied about their payments under given invoices; facility has been granted for them to make appeals on relevant invoices within 14 days of receipt of the payment. Status of sub contract bill payment are displayed on a notice board on twice a week inviting their grievances and if necessary to log complains.

Our Community

CDPLC always understands the crying needs of the society during difficult times and venture to help the society as and when possible. Thus all executives and the Management of CDPLC donated a new house of value Rs. 107,720 to one of their sub-contract employee, whose son made the supreme sacrifice at war front; Pudukuduiruppu in 2009. The house was built for the family who lives in 44/1/18, Beragala, Bambaradeniya, Kegalle.

Another house construction project carried out by the employees of CDPLC, was for an industrial employee worked as a permanent carder died after falling from a tree at his home place. Beraved employees of CDPLC constructed house worth Rs. 790,000 for the family of dead W.Wasantha Perera at no 279, Moris Road, Welipotha, Galle. Further, the organizers of this great mission is planing to donate bank accounts worth Rs. 36,000 for his four children in the near future.





Donations for Military Forces

During the conflict period in early 2009, Company visited the 3rd Commando Regiment Base in Medawachchiya and donated Rs. 780,235 worth construction material, electrical and other appliances, foot wear, computers and allied instruments, generators, digital cameras, dragon torches, mosquito nets and mattress, roofing sheets, halogen bulbs etc.

Another donation of Rs. 85,750 worth desks and benches were donated to the Army Camp of Thanthirimala. At the second stage, three savings accounts (BOC) to the value of Rs. 75,000 were donated to three children of war heroes.

Donations for Internally Displaced Persons (IDP)

Employees of Colombo Dockyard visited internally displaced refugees (IDPs) at Veerapuram, Vaunia during the conflict period and offered helping hand in several ways to maintain their health, recreational life and to fulfil other basic human needs. The Company and its employees collectively contributed Rs. 2,141,705 and constructed 150 sanitary toilets for IDPs. Further a Rs. 250,000 worth of construction material i.e. cement, electrical equipment, 2 bicycles, one TV and 10 modern sprayers (for pest control to prevent from epidemic diseases) were donated to the military forces in Vaunia. The Company also donated a Rs. 147,000 worth of modern imported artificial hand with moving option to a disabled soldier during the war time. The employees made five official visits to Vaunia for the entire mission during such volatile period.

As yet another philanthropic initiative, a high quality boat modification project was carried by the Company for Marine Police Sir Lanka. A number of projects have been completed and handed over to Marine Division, Harbour Police Station. Based on the estimated figures, these fibre - glass production costs a considerable amount of Company labour, fibre glass materials etc.



Infrastructure development at village level

Pasiyaweve Bridge Project: A bridge across water way was built and installed by Metal workshop under job CS/001, which is of great importance to villagers of Pasiyaweve. The bridge was ceremonially opened by MD/CEO of CDPLC on 08/10/2009, for the villagers

Entrepreneurship development

CDPLC continues to play an active role with almost all related Universities and Professional Institutions for the development of entrepreneurship skills of the human resources within and outside of the company each year. Listed below are some of the important interactions.

- In-plant training for Engineering, Management, Computer Science Undergraduates from Peradeniya, Moratuwa, Ruhuna, Colombo and Kelaniya universities.
- In-plant training for undergraduates and diploma students from Colombo International Nautical Engineering College (CINEC), Asian Aviation Centre, Apprentice Training Institute
- On the job training for employees of Sri Lanka Ports Authority and other government institutions and on request for private institu



tions, especially for offering required exposure for the Institution of Engineering of Sri Lanka (IESL) membership.

- Participation and sponsorship of IESL, University, Institute of Marine Engineering, Science and Technologists (IMarEST) seminars, discussions, workshops, symposium, exhibitions etc.
- Continuous interaction with professional bodies such as, Ceylon Chamber of Commerce, National Chamber of Commerce, International Chamber of Commerce, National Chamber of Exporters, Company of Master Mariners, IESL, IMarEST, Institute of Policy Studies (IPS), the central bank of Sri Lanka, Directorate of Merchant Shipping, National Apprenticeship & Industrial Training Authority, (NAITA), Chartered Institute of Marketing, Chartered Institute of Sri Lanka, Post Graduate Institute of Management (PIM).





We are the 'Top Value Creator' of the country, and nation has honoured as 'Best Corporate Citizen' for the second time consecutively



The nation also honoured us as the 'Best Corporate Citizen' for employee relations in Sri Lanka..

We also won the Gold award for 'Best Annual Report' of Service Sector for the third time consecutively.





Sayonara, Tatebe san...

*warm farewell toast
to former Chairman.*

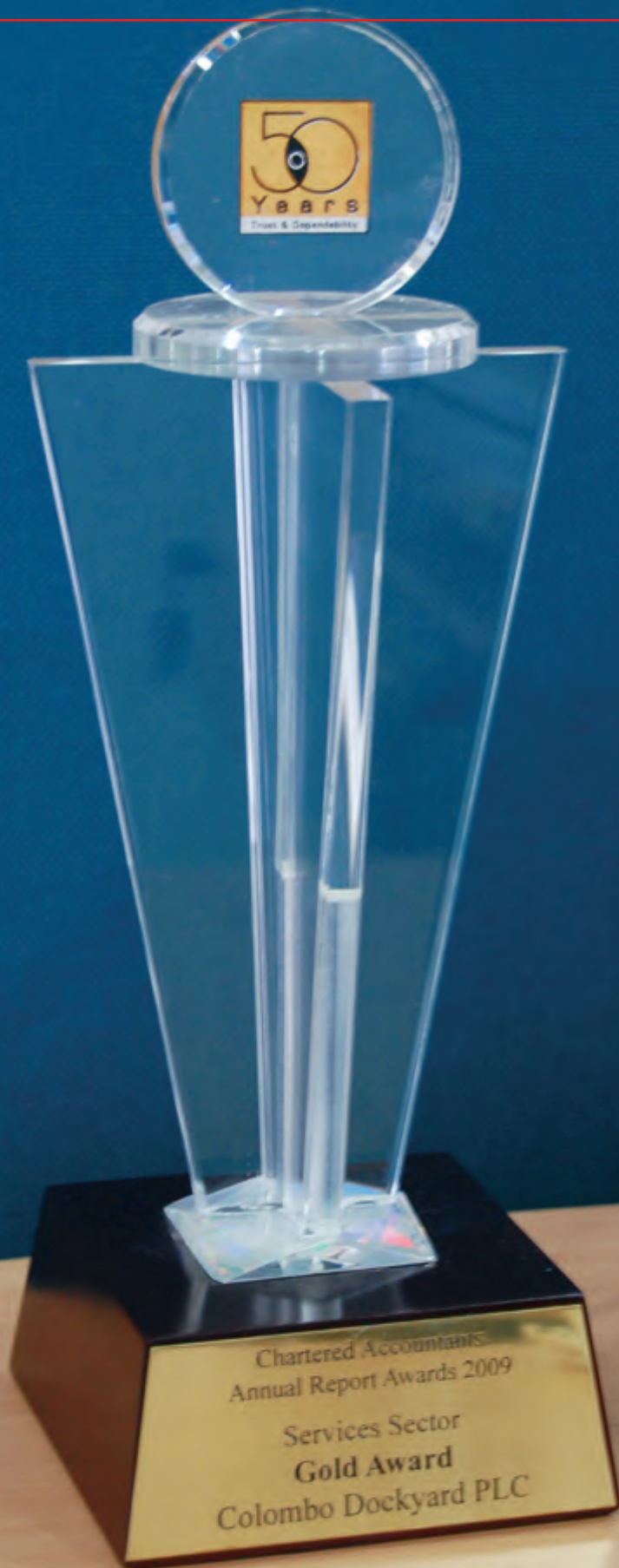


The National Chamber of Exporters presented us the prestigious Gold Award for 'Most Outstanding Exporter' for the second time consecutively and the Gold Award 'Most Value Added Exporter' for the first time, with two Gold Awards for sub categories.



Dressed in new livery...

In October 2009, we re - launched Dockyard General Engineering Services (Pvt) Limited with a new corporate identity, and DGES now is a fully owned subsidiary with a clear mandate to operate independently



Financial Statements

following statements are
based on our four pronged
strategic approach to business
with clear focus on risks
we face:

balancing investment,
maximising the profitability
of success,
using new ideas as leverage,
operating a sound
financial discipline.

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Financial Calendar

2009

Despatch of Annual Report - 2008	March 04, 2009
Ex-Dividend Date	March 30, 2009
26th Annual General Meeting - 2008	March 27, 2009
First & Final Dividend	February 20, 2009
Payment of Dividend	March 31, 2009
Interim Report - 1st Quarter-2009	May 15, 2009
Interim Report - 2nd Quarter-2009	August 14, 2009
Interim Report - 3rd Quarter-2009	November 13, 2009
Financial Year-end	December 31, 2009

2010

Interim Report - 4th Quarter-2009	February 26, 2010
Despatch of Annual Report - 2009	March 02, 2010
27th Annual General Meeting - 2009	March 24, 2010
Interim Report - 1st Quarter-2010	May 14, 2010
Interim Report - 2nd Quarter-2010	August 13, 2010
Interim Report - 3rd Quarter-2010	November 15, 2010
Financial Year-end	December 31, 2010

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

The Directors presents their report to the members together with the audited Financial Statements of Colombo Dockyard PLC and Consolidated Financial Statements of the group for the year ended 31st December 2009.

PRINCIPAL ACTIVITIES

The principle activities of the Group during the year were:

- Shiprepairs
- Shipbuilding
- Heavy Engineering
- Offshore Maintenance & Engineering
- General Engineering
- Supply channel for high-tech engineering items

There have been no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

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 Communique & Managing Director/CEO's Report on page 8 and 14 in this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

FUTURE DEVELOPMENTS

Future prospects of the group are covered in Chairman's Communique & Managing Director/CEO's Report.

GOING CONCERN

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

GROUP REVENUE

The revenue of the Group during the year was Rs. 13,498 Mn (2008 - Rs. 11,155 Mn). An analysis of the revenue is given in Note 1 to the Financial Statements.

PROFIT & APPROPRIATION

	2009 Rs'000	2008 Rs'000
Profit for the year:		
Group pre - tax Profit	2,372,576	1,722,003
Provision for Taxation	(215,954)	(266,881)
Group post - tax profit	2,156,622	1,455,122
Amount attributable to Minority Interest	(4,436)	(1,644)
Profit attributable to the Shareholders of		
Colombo Dockyard PLC	2,152,186	1,453,478
Retained Profit B/F	3,818,905	2,593,550
Dividends - Paid Rs. 7/= per Share (2008 - Rs.3/=)	(479,060)	(195,534)
Capitalisation of Reserves (Bonus Issue)	-	(32,589)
Retained C/F	5,492,031	3,818,905

SHAREHOLDER INFORMATION

Information relating to earnings, dividends paid, net assets per share and market value per share is given in the Sustainability Report from page 47 to 48.

GROUP EMPLOYMENT

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2009 was as follows:

	2009	2008
Group	1,646	1,662
Colombo Dockyard PLC	1,621	1,643

DIVIDENDS

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

The resident share holders' dividends are subject to dividend tax of 10%, since tax exception period under BOI agreement has been completed in the year of 2008.

STATEMENT OF SOLVENCY

The assessment of solvency of the Company is based on the audited Financial Statements of the year/period ended 31st December 2009.

(i) ABILITY TO PAY DEBTS IN THE NORMAL COURSE OF BUSINESS

Net Current Assets/(Liability) Position as at 31st December 2009

2008 Rs'000		2009 Rs'000
10,185,774	Total Current Assets	11,527,549
7,170,173	Total Current Liabilities	6,762,497
3,015,601	Net Current Assets	4,765,052

(ii) Value of Company's Assets less liabilities and stated capital.

2008 Rs'000		2009 Rs'000
12,408,534	Total Assets	13,690,348
8,007,087	Total Liabilities	7,642,818
4,401,447	Stated Capital & Reserves	6,047,530

SOLVENCY TEST

Based on the above assessments Company is solvent to net assets worth Rs. 4,765 Mn (2008 -Rs. 3,015 Mn.) and stated capital and reserves to Rs. 6,048 Mn (2008 - Rs. 4,401 Mn.)

RESERVES

Total Group Reserves as at 31st December 2009, was amounted to Rs. 5,492 Mn (2008 - Rs. 3,819 Mn). The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on page 67.

PROPERTY, PLANT & EQUIPMENT

The total net capital expenditure on acquisition of Property, plant and equipment and capitalisation work in progress cost during the year amounted to Rs. 402.9 Mn. (2008-Rs. 508.2 Mn).

The extent of the freehold lands held by the Company as at the balance sheet date is 1,108.06 perch (2008- 1,108.06 perch) are recorded at cost.

The details of Property, plant and equipment are given in Note 8 to the Financial Statements.

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 2009.

CORPORATE DONATIONS

Total donations made by the group during the year was amounted to Rs. 1,612,785/- (2008-Rs. 1,156,097/-) in terms of the resolution passed at the last Annual General Meeting.

COMPANY RECORDS

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

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

SPECIAL BUSINESS (Major Transactions)

At the last Annual General Meeting the shareholders empowered the Directors to incur obligations or liabilities of sums not exceeding one hundred per centum (100%) of the value of the assets of the Company, as they consider necessary for the purposes of the Company, for the period from the last Annual General Meeting from 27th March 2009 until the date of next Annual General Meeting to be held in year 2010.

Due to the exigencies of fund requirements and the requirement of high level of borrowing to meet the continuous working capital to execute orders on behalf of clients, the Directors consider it prudent to seek similar approval of the shareholders to facilitate incurring of obligations and liabilities, up to 100% of the value of the Company's assets which may amount to a "Major Transaction" in terms of the Companies Act No.7 of 2007(Act) during the period from the conclusion of the 27th Annual General Meeting in 2010 until the 28th Annual General Meeting to be held in the year 2011.

A Special Resolution is placed before the shareholders in terms of Section 185(1)(a) read together with Section 185(2)(c) of the Companies Act seeking the approval of the shareholders, for the Company if required to enter into a major transaction which has or likely to have the effect of the Company incurring obligations or liabilities of a value which is greater than half the value of the assets, for the period aforesaid.

The present value of the total assets of the Company is Rs. 13,690 Mn and the present level of obligations and liabilities of the Company stands at Rs 17,902 Mn, which includes, current & non-current liabilities of Rs. 7,642 Mn and bank & corporate guarantees of Rs. 10,260 Mn at the balance sheet.

The Directors draw the attention of the shareholders to Sections 92, 93, 94 and 95 of the Act which sets out the rights of a dissenting shareholder (a shareholder who votes against the special resolution placed before the meeting).

DIRECTORATE

Executive Directors

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

Non-Executive Directors

Mr. S. De Costa – Vice Chairman
Mr. Y. Hamane
Mr. L. Ganlath
Mr. H.A.R.K. Wickramathilake
Mr. R.S.J. Al Suwaidi
Mr. T. Inahara

Alternate Directors

Mr. R.F. Goninon
Mr. Y. Imai
Mr. H. Omori

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 changes in the directorate from the date of the last report to this report are as follows.

- Mr. Shinichi Tatebe (Chairman) who was nominated and appointed as a Nominee Director of Onomichi Dockyard Co., Ltd., Japan on 22nd April 2004 retired with effect from 28th October 2009 and Mr. Akihiko Nakauchi was nominated and appointed as the Chairman in place of Mr. S. Tatebe, on 28th October 2009 as a Nominee Director of Onomichi Dockyard Co. Limited, Japan in terms of Article 80 (2) of the Articles of Association of the Company.

- Mr. Haruhito Omori was appointed as an Alternate Director to Mr. Y Hamane with effect from 11th January 2010 in place of Mr. Junji Furukawa who was appointed as an Alternate Director to Mr. Y Hamane since 25th March 2008.

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Messrs. Akihiko Nakauchi, Sarath de Costa, Mangala P B Yapa, Y. Hamane, and Y. Kijima and the Nominee Directors of Horizon Energy LLC and Horizon Representation of Companies LLC namely Messrs. Mr. R S J Al Suwaidi and Mr. T Inahara respectively continue to hold office.

DIRECTOR'S SHARE HOLDINGS

The Directors' and their spouses' holding of number of ordinary shares of the Company as at 31st December 2009:

	31/12/2009	31/12/2008
Mangala P. B. Yapa	2,284	2,284
L. Ganlath	551	551
H A R K Wickramathilake	25, 551	551

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

...cont'd/

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts of the Company is disclosed in Note 27 to the Financial Statement, 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.

CORPORATE GOVERNANCE

The Board of Directors of the Company has acknowledged the adoption of good governance practices has become an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 36.

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

SUBSTANTIAL SHARE HOLDINGS

The twenty major shareholders of the Company and the percentage held by each as at 31st December 2009 are given on page 48 of this report.

CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingencies or commitments other than those disclosed in the Note 25 to the Financial Statements.

EVENTS AFTER BALANCE SHEET DATE

No circumstances have arisen and no material events have occurred during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements other than those disclosed in the Note 28 to the Financial Statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Kings Court, Cinnamon Lakeside Colombo, No.115, Sir Chittampalam A Gardiner Mawatha, Colombo 2, Sri Lanka at 10.00 a.m. on the 24th day of March 2010.

The Notice to the Annual General Meeting is given on page 5.

AUDITORS

In accordance with the Companies Act No. 17 of 1982, resolution proposing the re-appointment of Messrs. KPMG Ford, Rhodes, Thornton & Co. Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

For and on behalf of the Board,
Colombo Dockyard PLC

Akihiko Nakauchi

Chairman

2nd March 2010

Colombo, SRI LANKA

AUDITOR'S REPORT



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 188,
Colombo 00300,
Sri Lanka.

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Internet : www.lk.kpmg.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Colombo Dockyard PLC, and the Consolidated Financial Statements of the Company and its subsidiaries as at 31st December 2009, which comprise the Balance Sheet as at 31st December 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 64 to 84 to this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

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

Opinion Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2009, and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st December 2009, and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st December 2009, and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

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

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants,
2nd March 2010.
Colombo

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A.N. Fernando FCA
Ms. M. P. Perera FCA
T.J.B. Rajakumar FCA
Ms. S.H.S. Jayasinghe ACA

D. Sirkemathathan FCA
P.V.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne ACA

M.R. Mahipala FCA
C.P. Jayatilaka FCA
Ms. S. Joseph ACA
S.T.D.L. Perera FCA

INCOME STATEMENT

Group

Company

FOR THE YEAR ENDED 31ST DECEMBER,	Note	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
Revenue	1	13,498,106	11,155,089	13,160,127	10,928,858
Cost of Sales		(9,984,510)	(8,560,894)	(9,797,767)	(8,428,108)
Gross Profit		3,513,596	2,594,195	3,362,360	2,500,750
Other Income	2	271,602	333,032	282,076	320,839
Distribution Expenses		(16,407)	(20,505)	(15,071)	(20,101)
Administrative Expenses		(1,512,138)	(1,316,233)	(1,419,809)	(1,259,420)
Other Expenses		(68,039)	(27,325)	(68,040)	(27,325)
Net Finance Income/ (Expense)	3	183,962	158,839	183,219	160,844
Profit before Tax	4	2,372,576	1,722,003	2,324,735	1,675,587
Income Tax Expense	5	(215,954)	(266,881)	(199,591)	(252,377)
Profit for the period		2,156,622	1,455,122	2,125,144	1,423,210
Attributable to;					
Equity holders of the parent		2,152,186	1,453,478	2,125,144	1,423,210
Minority Interest		4,436	1,644	-	-
		2,156,622	1,455,122	2,125,144	1,423,210
Earnings Per share (Rs.)	6.1	31.45	21.24	31.05	20.80
Dividends paid Per share (Rs.)	6.2	7.00	3.00	7.00	3.00

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

(Figures in brackets indicate deductions.)

BALANCE SHEET

Group

Company

AS AT,		31.12.2009 (Rs.'000)	31.12.2008 (Rs.'000)	31.12.2009 (Rs.'000)	31.12.2008 (Rs.'000)
	Note				
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	8	2,060,654	2,146,585	2,051,121	2,140,697
Intangible Assets	9	9,182	4,210	9,182	4,210
Investment in Subsidiaries	10	-	-	857	857
Other Investments	11	57,060	56,610	57,060	56,610
Deferred Taxation	12	44,580	19,748	44,580	20,386
		2,171,476	2,227,153	2,162,800	2,222,760
Current Assets					
Inventories	13	778,932	992,932	754,199	936,529
Trade and Other Receivables	14	7,072,728	5,768,167	6,892,905	5,636,370
Amounts due from Related Parties	15	-	-	343	6,989
Cash and Cash Equivalents	16	3,939,083	3,657,448	3,880,102	3,605,886
		11,790,743	10,418,547	11,527,549	10,185,774
Total Assets		13,962,220	12,645,700	13,690,348	12,408,534
EQUITY AND LIABILITIES					
Stated Capital	17	684,370	684,370	684,370	684,370
Exchange Fluctuation Reserve		9,398	8,576	-	-
Retained Earnings		5,492,031	3,818,905	5,363,160	3,717,077
Shareholders Funds		6,185,798	4,511,851	6,047,530	4,401,447
Minority Interest		29,988	24,763	-	-
Total Equity		6,215,786	4,536,614	6,047,530	4,401,447
Non-Current Liabilities					
Interest Bearing Borrowings	18	95,991	150,175	94,248	147,513
Deferred Taxation	19	41	-	-	-
Retirement Benefit Obligations	20	791,360	691,596	786,072	689,401
		887,392	841,771	880,320	836,914
Current Liabilities					
Interest Bearing Borrowings	18	316,955	1,246,526	316,035	1,245,763
Trade and Other Payables	21	6,128,156	5,515,049	5,949,632	5,361,947
Amounts due to Related Parties	22	-	-	97,572	73,082
Income Tax Payable	23	319,338	345,480	304,682	329,498
Dividends Payable	24	13,037	7,301	13,037	7,300
Bank Overdraft	16	81,555	152,959	81,538	152,583
		6,859,042	7,267,315	6,762,497	7,170,173
Total Equity, Liabilities		13,962,220	12,645,700	13,690,348	12,408,534
Net Assets per Share (Rs.)		90.39	65.93	88.37	64.31

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Ranil Wijegunawardena
General Manager (Finance)

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Colombo Dockyard PLC.

Akihiko Nakauchi
Chairman

Mangala P. B. Yapa
Managing Director/CEO

02nd March 2010.
Colombo, Sri Lanka

CASH FLOW STATEMENT

Group

Company

FOR THE YEAR ENDED 31ST DECEMBER

	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
Cash Flow from Operating Activities				
Net Profit Before Interest and Tax	2,188,613	1,563,164	2,141,515	1,514,743
Adjustments for,				
Depreciation of Property, Plant and Equipment	361,011	206,948	354,632	198,615
Impairment of Property, Plant and Equipment	123,317	-	123,317	-
Amortization of Intangible assets	10,168	2,105	10,168	2,105
Provision for Retirement Benefit Obligations	155,697	260,449	152,604	259,916
Provision/(reversal) for Bad and Doubtful Debts	23,920	(31,714)	22,466	(28,150)
Provision for/(Reversal) of Obsolete Stocks	69,741	31,777	68,044	31,777
(Profit)/Loss on Disposal of Propety, Plant and Equipment	(522)	(9,004)	(532)	(9,004)
Foreign Exchange (Gain)/Loss (Unrealised)	128,558	111,120	127,221	109,287
Operating Profit Before Working Capital Changes	3,060,503	2,134,845	2,999,437	2,079,289
(Increase)/Decrease in Inventory	144,259	(96,571)	114,286	(81,469)
(Increase)/Decrease in Trade and Other Receivables	(1,328,481)	1,540,991	(1,279,001)	1,554,955
(Increase)/Decrease Amounts Due from Related Parties	-	-	6,646	4,646 Increase/
(Decrease) Trade and Other Payables	613,106	122,715	587,685	99,816
Increase/(Decrease) Amounts Due to Related Parties	-	-	24,490	(5,589)
Cash Generated from/(used in) Operating Activities	2,489,387	3,701,980	2,453,543	3,651,648
Interest Paid	(69,727)	(71,633)	(68,879)	(69,938)
Gratuity Paid	(55,933)	(37,843)	(55,933)	(37,843)
Income Tax Paid/Set offs	(266,047)	(335,317)	(248,601)	(325,314)
Net Cash Generated from/(used in) Operating Activities	2,097,680	3,257,187	2,080,130	3,218,553
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(413,003)	(525,252)	(402,982)	(513,294)
Proceeds from Disposal of Property, Plant and Equipment	-	9,004	-	9,004
Interest Received	253,689	231,181	252,098	230,782
Investment in Debentures	(450)	(56,500)	(450)	(56,500)
Acquisition of Intangible Assets	-	(6,315)	-	(6,314)
Net Cash Generated from/(used in) Investing Activities	(159,765)	(347,882)	(151,334)	(336,322)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(62,227)	(62,785)	(62,227)	(62,659)
Repayment of Short Term Loans	(5,642,004)	(4,467,875)	(5,642,004)	(4,454,532)
Loans Obtained during the period	4,594,018	3,902,679	4,594,018	3,898,022
Repayment of Leases	(1,342)	(1,342)	-	-
Dividend Paid	473,323	(194,345)	(473,323)	(194,345)
Net Cash Generated from/(used in) Financing Activities	(1,584,877)	(823,668)	(1,583,535)	(813,514)
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	353,038	2,085,637	345,261	2,068,717
Cash and Cah Equivalents at the beginning of the period (Note 16)	3,504,489	1,418,852	3,453,303	1,384,586
Cash and Cash Equivalents at the end of the period	3,857,527	3,504,489	3,798,564	3,453,303

STATEMENT OF CHANGES IN EQUITY

Group

Attributable to equity holders of parent

	Stated Capital	Retained Earnings	Exchange Fluctuation Reserve	Total	Minority Interest	Total equity
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
For the year ended 31st December 2009						
Balance as at 01st January 2008	651,781	2,593,550	7,631	3,252,962	22,211	3,275,173
Issue of Bonus Shares	32,589	(32,589)	-	-	-	-
Net Profit for the year	-	1,453,478	-	1,453,478	1,644	1,455,122
Dividend Paid (Rs. 3.00 per share)	-	(195,534)	-	(195,534)	-	(195,534)
Exchange Translation Difference	-	-	945	945	908	1,853
Balance as at 31st December 2008	684,370	3,818,905	8,576	4,511,851	24,763	4,536,614
Net Profit for the year	-	2,152,186	-	2,152,186	4,436	2,156,621
Dividend Paid (Rs.7.00 per share)	-	(479,060)	-	(479,060)	-	(479,060)
Exchange Translation Difference	-	-	822	822	789	1,611
Balance as at 31st December 2009	684,370	5,492,031	9,398	6,185,798	29,988	6,215,786

Company

	Stated Capital	Retained Earnings	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)
Balance as at 01st January 2008	651,781	2,521,990	3,173,771
Issue of Bonus Shares	32,589	(32,589)	-
Net Profit for the year	-	1,423,210	1,423,210
Dividends Paid (Rs.3.00 per share)	-	(195,534)	(195,534)
Balance as at 31st December 2008	684,370	3,717,077	4,401,447
Net Profit for the year	-	2,125,144	2,125,144
Dividend Paid (Rs.7.00 per share)	-	(479,060)	(479,060)
Balance as at 31st December 2009	684,370	5,363,160	6,047,530

(Note)

As per SLAS 21 on the effect of changes in foreign exchange rates (Revised 2005) all resulting exchange differences has been recognised as a separate component of equity.

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

(Figures in brackets indicate deductions)

SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL INFORMATION

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

The Company and its Subsidiaries, together referred to as "Group" provides a vast variety of services with regard to ship repairs and ship construction.

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) where both subsidiaries are engaged in material sales related to shipping and construction work.

1.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such comprise the Balance Sheet and the Statements Income, Changes in Equity and Cash Flows together with the Accounting Policies and Notes to the Financial Statements. These Statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No 7 of 2007.

1.2 Basis of Preparation

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires the management to use of certain critical accounting estimates. It also requires management exercise its judgement in the process of applying the Company's Accounting Policies.

The Accounting policies that have been applied by the Company and the Group are consistent with those of the previous year except for those listed in 1.3 below, and the previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

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.

The Financial Statements of the Company and the Group have been prepared on a historical cost convention except for the valuation of certain Property, Plant and Equipment and Short-term investments which are valued at market values as disclosed in relevant notes to the Financial Statements.

All values presented in the Financial Statements are in Sri Lankan Rupees Thousand (Rs.'000) unless otherwise indicated. Figures in brackets indicate deductions/negative changes.

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

1.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

1.4 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or con-

vertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Inter-company transactions, balances and unrealised gains on transactions between Group Companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

b) Transactions and Minority Interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interest results in gains and losses for the Group that are recorded in the Income Statement. Purchases of minority interest results in Goodwill, being the difference between any consolidation paid and the relevant share acquired of the carrying value of net assets of subsidiary.

1.5 Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates critical and assumptions made during the year with regard to Income Tax are discussed below.

Income Tax liabilities arise to the Group in various jurisdictions. These liabilities are provided for in the Financial Statements applying the relevant tax statutes and regulations which the management believes reflect actual liability. There can be instances where the stand taken by the Group on transactions is contested by the revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point liability is confirmed on any Group Company.

1.6 Foreign Currencies

a) Functional Currency and Presentation Currency

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

b) 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 balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that is translated at the rates prevailing on the date when the fair value was determined.

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 from on monetary items that form part of the Group's net investment in foreign operations/subsidiaries, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations/subsidiaries, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations/subsidiaries, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations/subsidiaries, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's Financial Statements of the foreign operations/subsidiaries, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's Financial Statements or the individual Financial Statements of the foreign operations/subsidiaries as appropriate.

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 arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

c) Foreign Operations/Subsidiaries

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

- Assets and liabilities of each Balance Sheet presented are translated at the closing rate prevailing at the Balance Sheet date.
- Income and expense for each Income Statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are to the foreign currency translation reserve within equity.

1.7 Taxation

a) Current Taxes

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the commissioner general of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

The provision for income tax on Sri Lankan operation is based on the elements of income and expenditure 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 in which operations are carried out.

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

b) Deferred Taxation

Deferred taxation is provided, 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. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, 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 can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.8 Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred except those are directly attributable to the construction/purchase/development of Property, Plant and Equipment which are capitalised as a part of the cost of that asset during the period of construction/development.

1.9 Events Occurring After the Balance Sheet Date

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

2 ASSETS AND THE BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to realize in cash, during the normal operating cycle of the Company's business, or within one year from the Balance Sheet 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 Balance Sheet date.

2.1 Property, Plant & Equipment and Depreciation

a) Cost and Valuation

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment. 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 labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

c) Depreciation

The provision for depreciation is calculated by using the straight line method on the cost or valuation of all property, plant & equipment other than freehold land, in order to write-off such amounts over the following estimated useful lives;

SIGNIFICANT ACCOUNTING POLICIES...cont'd/

Company – Colombo Dockyard PLC

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Dry-docks	25-50	4% - 2%
Buildings	20-25	5% - 4%
Plant & Machinery	10	10%
Electrical Installations	10	10%
Furniture Fittings & Office Equipment	6.6	15%
Motor Vehicles	5	20%
Boats & Launches	6.6	15%
Loose Tools	1	100%

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	3	33.3%

Ceylon Shipping Agency (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Office Equipment	10	10%
Computers	3	33.3%
Furniture 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 de - recognised.

The appropriateness of useful lives of the asset and the depreciation rates are assessed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Property, Plant and Equipment on Finance Lease, (which effectively transfers to the Company, substantially, all of the risks and benefits incidental to ownership of the leased item) are capitalised at their cash price and depreciated over the period the Company is expected to benefit from the use of the leased assets

The corresponding principal amount payable to the lessor is shown as a liability. The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.2 Intangible Assets

An Intangible Assets is recognised if it is probable that are attributable to the assets will flow to the entity and cost of the assets can be measured reliably.

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 Balance Sheet under the category of intangible assets and

carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Intangible Assets, except for goodwill are amortised on a straight line basis in the Income Statement from the date when the assets available for use, over the best estimate of its useful economic life. The estimated useful life of software is three years.

2.3 Investments

a) Classification

Investments in subsidiaries of the Company are treated as long term investments and stated at cost. Other investments which are held for yield or capital appreciation are also classified as long term investments that are intended to be held for trading purposes are classified as short-term investments.

b) Valuation

Investments in Companies where the Group's holding is less than 20% and where the Group do not exercise significant influence and/or control over the financial and operating policies/decisions, are accounted at lower of cost and Directors' valuation, if any. Provision is made for any permanent diminution in value.

c) Cost

Cost of investments is the cost of acquisition including brokerage, commission and other fees

d) Diminution in Carrying Value

Diminution in carrying value of investments are deemed to be permanent where the Investee Company and/or Auditors have qualified their opinion on the going concern status, and/or operations have resulted in net losses and these losses are expected to continue, and/or where the core business has become non-viable due to environmental and/or other concerns, and/or where the industry/sector has an uncertain outlook due to environmental and/or other concerns.

2.4 Impairment of Assets

The Company 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 or an asset is required, the Company makes an estimate of the assets' recoverable amount. An assets' recoverable amount is the higher of an assets' fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount.

Impairment loss of continuing operations are recognized in the Income Statement in those expenses categories consistent with the function of the impaired asset,.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to it's recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impair-

ment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement. Impairment losses recognized in relation to Goodwill are not reversed for subsequent increases in its recoverable amount.

2.5 Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be revised in future periods.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31st December either individually or at the cash generating unit level, as appropriate.

2.6 Inventories

Inventories are recognized at cost and net realizable value whichever is lower after making due allowance for obsolete and slow moving items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of inventories includes expenses incurred in acquiring the inventories and bringing them to their existing conditions. Accordingly, the costs of inventories are accounted as follows;

a) Raw Materials

Valuation method of all inventories has been changed to first in first out method from weighted average costs.

b) Consumables

At Actual purchase cost.

c) Goods in Transit

At the invoice value of the goods that has been dispatched to the Company.

Provisions for slow moving slow moving Inventories are made as follows,

- o Inventory age below 6 Months no provision is made
- o Inventory age between 6 to 12 Months at 15%
- o Inventory age between 12 to 24 Months at 25%
- o Inventory age over 24 Months at 100%

2.7 Trade and Other Receivables

Trade and other receivables are stated at the values estimated to be realized net of provision for bad and doubtful receivables.

The Company identifies the specific receivables, which are not realizable, for the specific provision and the general provision for the rest of the receivables are made on the following basis,

- * Trade Receivables age below 60 Days at 2%
- * Trade Receivables age between 60 to 90 Days at 3%
- * Trade Receivables age between 90 to 180 Days at 4%
- * Trade Receivables age between 180 to 360 Days at 6.5%
- * Trade Receivables age more than 360 Days 12.5%

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

	On Housing Loans	On Vehicle Loans
Colombo Dockyard Limited	7.5%	10.0%
Dockyard General Engineering Services (Private) Limited	7.5%	10.0%
Ceylon Shipping Agency (Private) Limited	3.0%	-

2.8 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, and bank demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash in hand, and bank deposits held in banks and investments in money market instruments, net of short-term loans and bank overdraft.

3 LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities in the Balance Sheet are those obligation payable on demand or within one (1) year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one (1) year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the Financial Statements. Provisions and liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Retirement Benefit Obligation

Defined Benefit Plans

a) Local

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every two years using Projected Unit Credit method (PUC) as recommended by SLAS 16 – "Employee Benefits" (Revised 2006). The actuarial gains or losses are recognised as income or expenses in the Income Statement in the period in which then arise.

b) Overseas Operations/Subsidiary

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

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 the Income Statement when incurred.

3.2 Provision for Warranty

Provision for warranty jobs is made for all construction contracts based on the contractual and projects estimates figures. However, warranty

SIGNIFICANT ACCOUNTING POLICIES...cont'd/

provision for Shiprepair projects is made based on the revenue values of jobs completed during last quarter of each year.

3.3 Stated Capital

As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

3.4 Capital Commitment and Contingent Liabilities

Capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective notes to the Financial Statements.

3.5 Trade and Other Payables

Trade and other payables are stated at their cost.

4 INCOME STATEMENT

4.1 Revenue

The Group revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

4.2 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.

a) Ship Repairs, Ship Building, Offshore Engineering and Heavy Engineering

In respect of ship repairs, ship building, off shore engineering and heavy engineering contracts, revenue is not based on the percentage of completion method in accordance with the Sri Lanka Accounting Standards (SLAS) No. 13 – “Accounting for Construction Contracts”. Since the outcome of such uncompleted contracts cannot be reliably measured, therefore the revenue is recognized only to the extent of cost incurred that is probable to be recovered. However, future expected losses are recognized during the period as matter of prudence. As such, there is no impact for the profit for the year regarding such uncompleted contracts.

b) Sale of Material and Steel Scrap

For sale of materials and steel scrap, revenue/income is recognized based on the invoice value raised to customers when disposing the same.

c) Interest Income

Interest from bank deposits are recognized on a time proportion basis from the date of deposit to the Balance Sheet date.

d) Other Income

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property plant and equipment and other non current assets including investment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

4.3 Expenditure Recognition

a) 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 Statements in arriving at the profit for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant and equipment.

b) Warranty Claims/Provisions

Costs incurred by the Company under the terms of warranty entered with the customers are charged to the Income Statement

c) Finance Costs

Interest expenses are recognized on an accrual basis.

5 SEGMENTAL INFORMATION

Segmental information is presented for identifiable operative units of the Group classified according to two segment formats, namely, industry and geographical segments.

5.1 Industry Segments

The activities of the Group have been broadly classified into seven segments according to the nature of the service rendered.

5.2 Geographical Segment

The activities of the Group have been broadly classified into 14 segments, namely, Sri Lanka, India, Maldives, Greece, Bangladesh, Hong Kong, Jordan, Italy, Taiwan, Cyprus, Dubai, Saudi Arabia, Singapore, and other based on the geographical spread of operations.

Segmental expenses are expenses that are directly attributed to a segment or a relevant portion of expenses that can be allocated on a reasonable basis as determined by the management.

6 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 is being charged.

7 CASH FLOW

Interest paid, interest received and dividends received are classified as operating cash flows, while dividend paid is classified as financing cash flows for the purpose of presentation of Cash Flow Statement which has been prepared using the 'Indirect Method'.

8 EARNINGS PER SHARE

The Group presents basic and diluted Earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average no. of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENT
Group
Company

FOR THE YEAR ENDED 31ST DECEMBER,

	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
1 REVENUE				
Shiprepair	6,728,936	6,044,507	6,728,936	6,044,507
Ship Building	5,649,812	4,270,834	5,649,812	4,270,834
Heavy Engineering	922,747	105,806	781,379	50,711
Offshore Engineering	-	562,806	-	562,806
Material Sales	198,841	173,447	-	-
Gross Revenue	13,500,336	11,157,400	13,160,127	10,928,858
Turnover Tax	(2,230)	(2,311)	-	-
	13,498,106	11,155,089	13,160,127	10,928,858
1.1 Project Types Segment Revenue (Business Segment)				
Ship Repair				
Tankers	2,246,875	2,862,700	2,246,875	2,862,700
General Cargo	534,108	546,250	534,108	546,250
Container Carriers	368,283	229,809	368,283	229,809
Fishing Trawlers	-	13,022	-	13,022
Passenger Vessels	138,795	114,072	138,795	114,072
Tugs	808,535	333,401	808,535	333,401
Dredgers	1,189,569	921,515	1,189,569	921,515
Bulk Carriers	99,409	-	99,409	-
Floating Dock	83,950	-	83,950	-
Naval Vessels	127,215	73,521	127,215	73,521
Cement Carriers	-	199,122	-	199,122
Research Vessel	197,570	308,420	197,570	308,420
Offshore Support Vessels	561,637	275,462	561,637	275,462
Barge	250,239	47,420	250,239	47,420
Others	122,751	119,793	122,751	119,793
	6,728,936	6,044,507	6,728,936	6,044,507
New Construction				
Tugs	1,842,012	2,950,357	1,842,012	2,950,357
Passenger Vessels	1,605,021	740,916	1,605,021	740,916
Supply Vessels	2,202,779	554,022	2,202,779	554,022
Deck Barges	-	25,539	-	25,539
	5,649,812	4,270,834	5,649,812	4,270,834
Heavy Engineering				
Infrastructure	123,323	72,861	-	50,711
Services	18,044	3,979	-	-
Power Generation	781,380	6,683	781,379	-
Repairs & Maintenance	-	22,102	-	-
Irrigation	-	181	-	-
	922,747	105,806	781,379	50,711
Offshore Engineering				
Naval Vessels	-	562,806	-	562,806
	-	562,806	-	562,806
Material Sales				
	198,841	173,447	-	-
	13,500,336	11,157,400	13,160,127	10,928,858

NOTES TO THE FINANCIAL STATEMENTS

Group

Company

1.2 Geographical Segment Revenue

	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
India	6,947,929	6,336,439	6,947,929	6,336,439
Canada	48,000	-	48,000	-
Ethiopia	122,872	-	122,872	-
Korea	437,858	99,336	437,858	99,336
Maldives	100,250	191,148	100,250	191,148
Sri Lanka	819,071	1,381,760	478,864	1,153,219
Netherlands	93,644	34,539	93,644	34,539
Singapore	4,628,518	2,404,429	4,628,518	2,404,429
Japan	17,878	220,967	17,878	220,967
England	-	92,236	-	92,236
Germany	22,525	76,260	22,525	76,260
Greece	7,549	68,985	7,549	68,985
Philippines	-	129,789	-	129,789
Hong Kong	12,116	27,437	12,116	27,437
USA	52,735	-	52,735	-
Taiwan	18,971	13,022	18,971	13,022
Others	170,413	81,053	170,418	81,052
	13,500,336	11,157,400	13,160,127	10,928,858

2 OTHER INCOME

Exchange Gain (both realized and unrealized)	154,064	197,611	154,064	197,611
Disposal of Steel Scrap	108,290	98,495	108,290	98,495
Miscellaneous Income	9,770	27,923	18,105	13,629
Profit on disposal of Property, Plant and Equipment	(522)	9,004	(532)	9,004
Management Fees	-	-	921	900
Lease Rental	-	-	1,228	1,200
	271,602	333,032	282,076	320,839

3 NET FINANCE INCOME /(EXPENSE)

Interest Expense				
Interest on Term Loans	(4,834)	(9,107)	(4,834)	(8,150)
Interest on Finance Lease Obligations	(579)	(708)	-	-
Interest on Bank Overdrafts and Short Term Loans	(64,314)	(62,526)	(64,045)	(61,788)
	(69,727)	(72,341)	(68,879)	(69,938)
Interest Income				
Interest Income from Investments	211,640	201,097	211,640	201,097
Other Interest Income	42,048	30,083	40,458	29,684
	253,689	231,180	252,098	230,782
	183,962	158,839	183,219	160,844

4 PROFIT BEFORE TAX

Is stated after charging all expenses including the following,

Directors' Emoluments	14,614	14,491	14,455	14,337
Auditors Remuneration - On statutory audit - KPMG	1,275	2,430	950	800
For other services - Other	440	440	440	440
Business Promotion Expenses	97,610	95,318	97,610	95,318
Depreciation on Property Plant & Equipment	361,011	206,948	354,632	198,615
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	27,743	(31,714)	22,466	(28,150)
- Obsolete and Slow Moving Stocks	69,741	31,777	68,044	31,777
Staff Related Cost				
- Salaries and Wages	2,479,980	2,020,837	2,455,566	1,995,257
- Defined Benefit Plan Cost - Gratuity	155,697	260,449	152,604	259,916
- Defined Contribution Plan Cost - EPF	93,974	83,248	91,756	82,617
ETF	23,125	20,811	22,940	20,654

	Group		Company	
YEAR ENDED 31ST DECEMBER,	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
5. INCOME TAX EXPENSE				
On the Current years Profit (Note 5.4)	243,345	350,221	223,785	335,235
Under/ (over) Provision in previous year	(2,770)	(42)	-	-
Deferred Taxation (Note 5.6)	(24,621)	(83,298)	(24,194)	(82,858)
	215,954	266,881	199,591	252,377

5.1 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 to, the Company with taxable profit is liable to Income Tax at 35%. (2008 - 35%).(Further refer 5.3 for applicable tax exemptions and concessions).

Subsidiary

Dockyard General Engineering Services (Pvt) Ltd

In accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to, the Company, with taxable profit in excess of Rs. 5 million are chargeable to Income Tax at 35% (2008 - 35%).

(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.

(iii) Social Responsibility Levy

All Companies operating in Sri Lanka are required to pay 1.5% of Income Tax as a Social responsibility Levy (2008-1.5%)

5.2 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 Income statement.

5.3 Tax Exemptions and Concessions

In accordance with the agreement entered into with the Board of Investments of Sri Lanka and pursuant to Section 17 of the BOI Law No. 4 of 1978 the following tax exemptions have been granted to Colombo Dockyard PLC.

The tax holiday granted to the Company ended in the year of assessment 2006/07. Thereafter, profit and income of the enterprise is chargeable at the rate of 15% for any year of assessment as per second supplementary agreement entered with BOI Sri Lanka on 21st October 2004. Any local revenue received in local currency shall be liable for applicable Income Tax and it is currently at 35%.

A special exemption has been granted under the Section 5 of the Inland Revenue (Amendment) act No. 19 of 2009, period from April 1st 2009 and ending on 31st March 2011, profit and income earned in foreign currency from any services rendered to party outside Sri Lanka and remitted to Sri Lanka through a Bank.

5.4 Reconciliation between current tax expense and the accounting profit

Profit before tax	2,372,575	1,722,003	2,324,735	1,675,587
Profit Exempt from Tax	(211,640)	(148,476)	(211,640)	(148,476)
Disallowable Expenses for Taxation	875,576	683,781	858,361	680,442
Allowable Expenses for Taxation	(868,746)	(360,921)	(862,799)	(359,238)
Taxable Profit	2,167,945	1,896,387	2,108,657	1,848,315
Profit Exempt from Tax	(900,710)	-	(900,709)	-
	1,267,235	1,896,387	1,207,948	1,848,315
Tax at the Rate of 15% (2008 - 15%)	151,728	237,472	151,728	237,472
Tax at the Rate of 17% (2008 - 18%)	707	316	-	-
Tax at the Rate of 35% (2008 - 35%)	87,938	109,099	68,750	92,808
Social Responsibility Levy (1.5% of Income Tax)	3,605	5,117	3,307	4,954
Deemed Dividend Tax	(1,357)	(1,783)	-	-
Provision for Taxation on Current Year Profit	242,620	350,221	223,785	335,235

5.5 Deferred Taxation**Company**

Since the Company's income is liable for income tax at different rates, the deferred tax liability is arrived at by applying the income tax rates of 35% and 15% applicable for the local income received in local currency and local income received in foreign currency. The effective tax rate applicable is 10%.

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 35% to the timing differences of DGES as at 31st December 2009. Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 18% to the timing differences of CSA as at 31st December 2009.

Company

	2009		2008	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Temporary Difference on Property Plant & Equipment	121,584	82,180	120,850	21,753
Temporary difference on Retirement Benefit Obligations	96,672	(45,485)	40,350	7,263
Temporary Difference on Voluntary Retirement Provision	-	(16,000)	200,000	36,000
Temporary Difference on Stock general Provision	75,616	4,240	41,523	7,474
Temporary Difference on Debtors general Provision	38,677	(740)	57,597	10,367
	332,549	24,195	460,320	82,858

Group

Temporary Difference on Property Plant & Equipment	121,584	82,433	121,573	22,007
Temporary difference on Retirement Benefit Obligations	96,672	(45,312)	40,884	7,450
Temporary Difference on Voluntary Retirement Provision	-	(16,000)	200,000	36,000
Temporary Difference on Stock general Provision	75,616	4,240	41,523	7,474
Temporary Difference on Debtors general Provision	38,677	(740)	57,597	10,367
	332,549	24,621	461,577	83,298

6 EARNINGS PER SHARE / DIVIDEND PER SHARE**6.1 Earnings Per Share**

The calculation of the earnings per share has been done based on profit attributable to equity shareholders of Colombo Dockyard PLC after tax for the year divided by the weighted average number of ordinary shares outstanding as at the balance sheet date and calculated as follows :

	2009	2008	2009	2008
Amount used as the Numerator				
Profit for the period (Rs.'000)	2,156,621	1,455,122	2,125,144	1,423,210
Minority Interest (Rs.'000)	(4,436)	(1,644)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	2,152,186	1,453,478	2,125,144	1,423,210
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares	68,437,071	68,437,071	68,437,071	68,437,071
Earnings Per Share (Rs.)	31.45	21.24	31.05	20.80

Group

Company

6.2 Dividend Per Share

The calculation of the dividend per share is based on the dividend paid in the year divided by number of ordinary shares in issue as at the date of approval of dividend and calculated as follows:

	2009	2008	2009	2008
Dividend Paid (Rs.'000)	479,060	195,534	479,060	195,534
Number of Ordinary Shares at the date of approval of Dividend (Rs.000)	68,437	68,437	68,437	68,437
Issue of Shares by capitalization of reserves		3,258		3,259
No of Ordinary shares at the date of approval of Dividend (Rs.'000)	68,437	65,179	68,437	65,178
Dividend Paid Per Share (Rs.)	7.00	3.00	7.00	3.00

7 FOREIGN CURRENCY TRANSLATIONS

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

	2009 (Rs.)	Average Rate 2008 (Rs.)	2009 (Rs.)	Closing Rate 2008 (Rs.)
U. S. Dollar	115.34	108.40	115.20	113.88
Euro	160.50	160.57	165.90	160.43
Danish Kroners	21.50	21.55	22.44	21.55
Singapore Dollars	79.50	77.01	81.56	79.41

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Group Cost

	As at 01.01.2009 (Rs.'000)	Exchange Fluctuation Impact (Rs.'000)	Additions/ Adjustments/ Transfer in (Rs.'000)	Disposals/ Transfer out (Rs.'000)	As at 31.12.2009 (Rs.'000)
Freehold Drydocks	1,158,286	-	2,886	(126,012)	1,035,160
Freehold Land	32,607	-	-	(3,784)	28,823
Road Ways	-	-	3,784	-	3,784
Freehold Buildings	719,417	-	92,475	(117,600)	694,291
Plant, Machinery and Equipment	1,860,527	-	435,197	(68,278)	2,227,447
Electrical Installation	208,394	-	-	(2,272)	206,122
Motor Vehicles	86,244	-	20,380	-	106,625
Inventory Items	35,107	-	4,941	(3,008)	37,041
Office Equipment, Furniture and Fittings	218,720	169	27,953	(17,172)	229,670
Loose Tools	232,444	-	26,460	(40,571)	218,333
Boats / Launches	2,717	-	-	-	2,717
	4,554,464	169	614,076	(378,697)	4,790,012
Leasehold					
Motor Vehicles	4,335	-	-	-	4,335
	4,558,799	169	614,076	(378,697)	4,794,347
Depreciation	As at 01.01.2009 (Rs.'000)	Exchange Fluctuation Impact	Charge for the year (Rs.'000)	On Disposals/ Transfers (Rs.'000)	As at 31.12.2009 (Rs.'000)
Freehold Drydocks	458,839	-	45,449	(53,331)	450,956
Road Ways	-	-	1,602	-	1,602
Freehold Buildings	254,221	-	51,232	(17,832)	287,620
Plant, Machinery and Equipment	1,107,637	-	206,782	(30,355)	1,284,064
Electrical Installation	137,120	-	9,109	(454)	145,774
Motor Vehicles	67,528	-	6,547	-	74,075
Inventory Items	29,626	-	602	-	30,228
Office Equipment, Furniture and Fittings	167,099	139	12,110	(4,143)	175,204
Loose Tools	232,408	-	26,496	(40,571)	218,333
Boats / Launches	2,717	-	-	-	2,717
	2,457,194	139	359,927	(146,687)	2,670,573
Leasehold					
Motor Vehicles	1,626	-	1,084	-	2,709
	2,458,820	139	361,011	(146,687)	2,673,282
Written Down Value		-	231,045	(214,725)	62,907
Capital Work in progress	46,587				2,183,971
Provision for Impairment					(123,329)
Written Down Value	2,146,567				2,060,642

NOTES TO THE FINANCIAL STATEMENTS

8.2 Company Cost

	As at 01.01.2009 (Rs.'000)	Additions/ Transfer in (Rs.'000)	Disposals/ Transfer out (Rs.'000)	As at 31.12.2009 (Rs.'000)
Freehold Drydocks	1,158,286	2,886	(126,012)	1,035,160
Freehold Land	32,607	-	(3,784)	28,823
Road Ways	-	3,784	-	3,784
Freehold Buildings	701,262	92,475	(117,600)	676,137
Plant, Machinery and Equipment	1,856,089	431,390	(68,252)	2,219,227
Electrical Installation	208,394	-	(2,272)	206,122
Motor Vehicles	80,165	20,051	-	100,216
Inventory Items	34,081	4,941	(3,008)	36,014
Office Equipment, Furniture and Fittings	214,043	26,153	(16,526)	223,670
Loose Tools	226,382	22,208	(40,571)	208,018
Boats / Launches	2,717	-	-	2,717
	4,514,027	603,887	(378,025)	4,739,889
Depreciation	As at 01.01.2009 (Rs.'000)	Charge for the year (Rs.'000)	On Disposals/ Transfers (Rs.'000)	As a 31.12.2009 (Rs.'000)
Freehold Drydocks	458,839	45,449	(53,331)	450,956
Freehold Buildings	236,067	51,232	(17,832)	269,466
Road Ways	-	1,602	-	1,602
Plant, Machinery and Equipment	1,105,265	206,430	(30,329)	1,281,366
Electrical Installation	137,120	9,109	(454)	145,774
Motor Vehicles	61,448	6,540	-	67,988
Inventory Items	28,712	489	-	29,201
Office Equipment, Furniture and Fittings	163,257	11,574	(3,563)	171,269
Loose Tools	226,382	22,208	(40,571)	208,018
Boats / Launches	2,717	-	-	2,717
	2,419,806	354,632	(146,081)	2,628,358
Capital Work in progress	46,477	231,045	(214,614)	62,907
Provision for Impairment	-			(123,317)
Written Down Value	2,140,697			2,051,121

8.3 Details of Securities

Refer Note No 18.1.4 for details on assets secured for loans.

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

	Group		Company	
	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
Freehold Drydocks	5,215	2,543	5,215	2,543
Freehold Buildings	57,688	26,255	39,533	8,200
Roadways	147	-	147	-
Plant, Machinery and Equipment	781,579	684,682	780,034	683,841
Electrical Installation	109,868	108,791	109,868	108,791
Motor Vehicles	57,009	65,707	50,929	59,627
Inventory Items	27,358	23,667	26,331	22,866
Office Equipment, Furniture and Fittings	60,888	101,350	59,867	99,895
Loose Tools	218,333	216,560	208,018	211,065
Boats / Launches	2,717	2,717	2,717	2,717
	1,320,801	1,232,272	1,282,660	1,199,545

		Group		Company	
		2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
9. INTANGIBLE ASSETS					
Cost					
Balance at the beginning of the year		6,315	-	6,315	-
Additions during the year		15,141	6,315	15,141	6,315
Balance at the end of the year		21,456	6,315	21,456	6,315
Amortisation					
Balance at the beginning of the year		2,105	-	2,105	-
Charge during the year		10,169	2,105	10,169	2,105
Balance at the end of the year		12,274	2,105	12,274	2,105
Carrying Amount		9,182	4,210	9,182	4,210
I					
10. INVESTMENTS IN SUBSIDIARIES					
		No of Shares	Percentage Holding	2009 (Rs.'000)	2008 (Rs.'000)
Dockyard General Engineering Services (Private) Limited - Incorporated in Sri Lanka		49,999	100%	500	500
Ceylon Shipping Agency (Private) Limited - Incorporated in Singapore		21,500	51%	357	357
				857	857
10.1 The Director's assessment of the fair value of investments.					
The Board of director's assessed the fair value of investments in subsidiaries as follows based on the net assets attributable for the respective investments.					
				2009 (Rs.'000)	2008 (Rs.'000)
Dockyard General Engineering Services (Private) Limited				107,913	85,865
Ceylon Shipping Agency (Private) Limited				27,877	25,757
				135,790	116,622
11. OTHER INVESTMENTS					
		2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
11.1 Investments in shares					
No. of Shares					
Sri Lanka Port Management and Consultancy Services Limited	1,002	10	10	10	10
Associated Newspapers of Ceylon Limited	10,000	100	100	100	100
		110	110	110	110
11.2 Investments in debentures					
Bank of Ceylon PLC - Debentures (Redeemable)		56,950	56,500	56,950	56,500
		56,950	56,500	56,950	56,500
		57,060	56,610	57,060	56,610

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
AS AT 31ST DECEMBER,	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
12. DEFERRED TAXATION				
Balance at the beginning of the year	19,748	(63,550)	20,386	(62,472)
Reversal during the year	24,382	83,298	24,194	82,858
Balance at the end of the year	44,580	19,748	44,580	20,386
Temporary Difference on Property Plant & Equipment	(75,368)	(158,955)	(75,368)	(157,548)
Temporary difference on Retirement Benefit Obligations	78,607	124,860	78,607	124,092
Temporary Difference on Voluntary Retirement Provision	20,000	36,000	20,000	36,000
Temporary Difference on Stock general Provision	11,714	7,474	11,714	7,474
Temporary Difference on Debtors general Provision	9,627	10,367	9,627	10,367
	44,580	19,748	44,580	20,386
13. INVENTORIES				
Raw Materials	866,013	1,011,013	838,482	954,610
Consumables	4,547	32,907	4,547	32,907
Less: Provision for Inventories (Note:13.1)	(132,521)	(62,780)	(130,824)	(62,780)
	738,039	981,140	712,206	924,737
Goods in Transit	40,893	11,792	41,993	11,792
	778,932	992,932	754,199	936,529
13.1 Movement in Provision for Inventories				
Balance at the beginning of the year	62,780	31,003	62,780	31,003
Provision/(Reversal) made during the year	69,741	31,777	68,044	31,777
Balance at the end of the year	132,521	62,780	130,824	62,780
14. TRADE AND OTHER RECEIVABLES				
Trade Receivables	4,312,472	3,444,320	4,159,125	3,332,948
Less: Provision for Bad and Doubtful Debts	(103,565)	(79,645)	(98,660)	(76,194)
	4,208,907	3,364,675	4,060,465	3,256,754
Loans given to employees (Note:14.1)	386,048	374,661	382,610	371,479
VAT/GST Recoverable	146,210	8,407	135,483	-
Deposits and Prepayments	2,234,567	1,958,330	2,233,010	1,956,800
Other Receivables	96,998	62,094	81,338	51,338
	7,072,729	5,768,167	6,892,906	5,636,370
14.1. Loans given to employees				
Balance at the beginning of the year	374,661	329,685	371,479	327,174
Loans Granted during the year	128,906	152,169	128,411	150,015
Loans Repaid during the year	(117,822)	(107,201)	(117,279)	(105,710)
Effect of exchange rate fluctuations	-	8	-	-
Balance at the end of the year	385,744	374,661	382,610	371,479
The loans given to employees are secured and interest is charged at the following rates.				
Colombo Dockyard PLC			Housing Loans	Vehicle Loans
Dockyard General Engineering Services (Private) Limited			6.5%	10.0%
Ceylon Shipping Agency (Private) Limited			7.5%	10.0%
			3.0%	-
15. AMOUNTS DUE FROM RELATED PARTIES				
Relationship	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
Dockyard General Engineering Services (Private) Ltd			343	6,989
Subsidiary			343	6,989
16. CASH AND CASH EQUIVALENTS				
16.1 Favourable Balances				
Call Deposits	2,417,019	386,485	2,408,019	386,485
Fixed Deposits	1,419,297	3,197,478	1,403,378	3,182,076
Cash at Bank	96,419	66,506	62,607	31,250
Cash in Hand	6,348	6,979	6,098	6,075
	3,939,083	3,657,448	3,880,102	3,605,886

	Group		Company	
16.2 Unfavorable Balances				
Bank Overdraft	(81,555)	(152,959)	(81,538)	(152,583)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	3,857,528	3,504,489	3,798,564	3,453,303
17. STATED CAPITAL				
At the beginning of the year				
68,437,071 Ordinary Shares (2008 - 65,178,163)	684,370	651,781	684,370	651,781
Ordinary Shares issued during the year				
Capitalization of Reserves	-	32,589	-	32,589
At the end of the year				
68,437,071 Ordinary Shares (2008- 68,437,071)	684,370	684,370	684,370	684,370
18. INTEREST BEARING BORROWINGS				
Payable after one year				
Long Term Loans (Note 18.1.3)	94,248	147,513	94,248	147,513
Finance Lease Obligations (Note 18.3)	1,743	2,662	-	-
	95,991	150,939	94,248	147,513
Payable within one year				
Long Term Loans (Note 18.1.3)	55,856	63,206	55,856	63,206
Short Term Loans (Note 18.2)	260,179	1,182,557	260,179	1,182,556
Finance Lease Obligations (Note 18.3)	919	763	-	-
	316,955	1,246,526	316,035	1,245,762
18.1 Long Term Loans				
18.1.1 Analysed by Lending Institution				
National Development Bank PLC	28,928	60,512	28,928	60,512
DANIDA Government Loan	121,176	150,206	121,176	150,206
	150,104	210,718	150,104	210,718
Payable within one year	(55,856)	(63,206)	(55,856)	(63,206)
Payable after one year	94,248	147,512	94,248	147,512
18.1.2 Analysed by Repayment Period				
Payable within one year	55,856	63,206	55,856	63,206
Payable between one and two years	26,928	55,405	26,928	55,405
Payable between two and five years	67,320	78,938	67,320	78,938
Payable after five years	-	13,170	-	13,170
	150,104	210,719	150,104	210,719
18.1.3 Movement in Interest Bearing Borrowings				
Balance at the beginning of the year	210,719	274,796	210,719	274,670
Effect of Exchange Fluctuations	1,612	(1,292)	1,612	(1,292)
	212,331	273,504	212,331	273,378
Loan Re-payments during the year	(62,227)	(62,785)	(62,227)	(62,659)
Balance at the end of the year	150,104	210,719	150,104	210,719
Payable within one year	(55,856)	(63,206)	(55,856)	(63,206)
Payable after one year	94,248	147,513	94,248	147,513
18.1.4 Details of Securities				
The loan obtained from the National Development Bank PLC has been secured by way of primary mortgage over the two dock side cranes owned by Colombo Dockyard PLC.				
With regard to the DANIDA Loan, the Government retains the right to movable and immovable assets of the Company to the extent of outstanding payments due to the Government at any time until the amount of loan is fully repaid.				
18.2 Short Term Loans				
Balance at the beginning of the year	1,182,556	1,637,174	1,182,556	1,628,487
Loans obtained during the year	4,594,018	3,902,679	4,594,018	3,898,022
Loan Re-payments during the year	(5,642,004)	(4,467,875)	(5,642,004)	(4,454,532)
Adjustment in respect of Exchange Rate Fluctuations	125,609	110,579	125,609	110,579
Balance at the end of the year	260,179	1,182,557	260,179	1,182,556

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
18.3 Finance Lease Obligations				
Balance at the beginning of the year	4,697	6,039	-	-
Add: Leases Obtained During the year	-	-	-	-
Less: Payments made during the year	(1,342)	-	-	-
Gross Lease Obligation at the end of the year	3,355	4,697	-	-
Less: Interest in Suspense	(693)	(1,271)	-	-
Net Finance Lease Obligations	2,662	3,426	-	-
Payable within one year	919	763	-	-
Payable after one year	1,743	2,662	-	-
	2,662	3,426	-	-
19. DEFERRED TAXATION				
Balance at the beginning of the year	639	-	-	-
Provision/(Reversal) during the year	(598)	-	-	-
Balance at the end of the year	1	-	-	-
Deferred Tax provision as at the year end is made up as follows:	41			
Temporary Difference on Property Plant & Equipment	41			
	41	-	-	-
		-	-	-
20. RETIREMENT BENEFIT OBLIGATIONS				
Balance at the beginning of the year	691,596	468,989	689,401	467,328
Provision made during the year	155,697	260,449	152,604	259,916
Payments made during the year	(55,933)	(37,843)	(55,933)	(37,843)
Balance at the end of the year	791,360	691,595	786,072	689,401
The actuarial valuations have been carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2009 amounts to Rs.786 Mn.				
			2009 (Rs.'000)	200 (Rs.'000)
20.1 The amount recognised in the Balance Sheet are as follows				
Present value of unfunded obligations			1,049,271	695,310
Present value of funded obligations			-	-
Total present value of obligations			1,049,271	695,310
Fair value of plan assets			-	-
Present value of net obligations			1,049,271	695,310
Unrecognised actuarial (gains)/ losses			(263,198)	(5,909)
Recognised liability for defined benefit obligations			786,072	689,401
20.2 Movement in the present value of defined benefit obligations				
Liability for defined benefit obligations as at 1st January			689,401	467,328
Actuarial (gains)/ losses			-	-
Benefit paid by the plan			(55,933)	(37,843)
Current service costs			42,778	165,058
Interest Cost			109,827	94,858
Liability for defined benefit obligations as at 31st December			786,072	689,401
20.3 Expense recognised in Profit or Loss				
Current service costs			42,778	165,058
Interest on obligation			109,827	94,858
Expected return on plan assets			-	-
			152,604	259,916

	Group		Company	
AS AT 31ST DECEMBER,	2009 (Rs.'000)	2008 (Rs.'000)	2009 (Rs.'000)	2008 (Rs.'000)
21. TRADE AND OTHER PAYABLES				
Trade Payables	403,703	523,492	279,271	435,134
Subcontract Payables	1,254,571	669,339	1,254,571	668,711
Progress Bills	3,339,331	3,363,205	3,339,331	3,363,205
Provision for Warranty Claims	4,005	3,911	4,005	3,911
Accrued Expenses and Other Provisions	998,840	826,767	955,842	774,990
Other Payables	119,339	122,202	112,418	110,392
VAT Payable	8,368	6,134	4,195	5,604
	6,128,156	5,515,050	5,949,632	5,361,947
22. AMOUNTS DUE TO RELATED PARTIES				
Ceylon Shipping Agency (Pte) Ltd	Relationship Subsidiary			
	-	-	97,572	73,082
	-	-	97,572	73,082
23. INCOME TAX PAYABLE				
Balance at the beginning of the year	345,361	330,634	329,498	319,577
Provision for Income Tax on current year's profits	240,025	350,221	223,785	335,235
Under/(Over) provision of Income Tax in respect of prior year	-	42	-	-
Tax paid during the year	(38,410)	(24,606)	(23,394)	(17,908)
- Income Tax	(184,784)	(270,065)	(183,641)	(268,225)
- Withholding Tax	(42,853)	(40,746)	(41,566)	(39,181)
- Economic Service Charge				
Balance at the end of the year	319,338	345,480	304,682	329,498
24. DIVIDENDS PAYABLE				
Balance at the beginning of the year	7,300	6,111	7,300	6,111
Dividends declared during the year	479,060	195,534	479,060	195,534
Payments during the year	(473,323)	(194,345)	(473,323)	(194,345)
Balance at the end of the year	13,037	7,300	13,037	7,300
25. CONTINGENT LIABILITIES				
(a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 8,158,539,000/- (31-12-08 - Rs. 7,260,954,000/-) as at the Balance Sheet date.				
Bank	Performance & Bid Bonds	Advance and Retention Bonds	Miscellaneous Bonds	Total Rs. 000
Bank of Ceylon PLC	82,752	2,146	4,560,060	4,644,958
Commercial Bank of Ceylon PLC	197,196	-	-	197,196
National Development Bank PLC	-	-	2,484,067	2,484,067
Hatton National Bank	-	-	684,244	684,244
Sampath Bank	41,250	-	94,660	135,910
State Bank of India	12,164	-	-	12,164
	333,362	2,146	7,823,031	8,158,539

- (b) Colombo Dockyard PLC has issued corporate guarantees to banks on behalf of Dockyard General Engineering Services (Pvt) Ltd (Subsidiary) amounting to Rs. 109,000,000/- (2008- Rs. 69,000,000/-) and corporate guarantees issued to customers Rs. 1,992,278,000/- (2008- Rs. Nil)

(c) An arbitration between Nautical Lines Ltd and Colombo Dockyard PLC.

The case bearing No: HC (ARB) 1515/2003 filed in respect of the Arbitration Award made against Colombo Dockyard PLC, on a claim of US\$ 3,027,493/- together with interest at 9% per annum from 26th November 2002 for violating the copyrights and sum of US\$ 316,440/- as the cost of arbitration made by Nautical Lines Ltd. It was concluded in June 2004 in favour of Colombo Dockyard PLC.

However, Nautical Lines Ltd has instituted a fresh action in the Commercial High Court of Colombo bearing No: HC (Civil) 266/04(1) on 29th November 2004, against CDPLC, based on the same Arbitration Award, claiming the identical sums.

The order was delivered on 4th December 2007 in favour of CDPLC dismissing the action of Nautical Lines Ltd. Subsequently on 17th December 2007, Nautical Lines Ltd, have appealed on the said order to the Supreme Court.

NOTES TO THE FINANCIAL STATEMENTS

26. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2009.

27. TRANSACTIONS WITH RELATED PARTIES

Company Director	Name of Interest	Nature of Financial Dealings	Particulars of	Value of Transaction Rs.'000'
Dockyard General Engineering Services (Pvt) Ltd	Mangala P.B. Yapa	Chairman	Subcontractor Services obtained	58,308
	A. Nakauchi	Director	Dividend declared	6,525
	S. Ohashi	Director	Management services	922
			Engineering jobs undertaken	5,685
			Lease rentals received	1,229
			Interest on Term Loans	13
			Purchase of Materials	3,088
			Other Expenses	1,817
Ceylon Shipping Agency (Pvt) Ltd	A. Nakauchi	Director	Purchase of Materials	709,547
	Mangala P.B. Yapa	Director	Services obtained	12,006
	C.S.W. De Costa	Director		
Onomichi Dockyard Company Ltd	Y. Hamane	Chairman	Technical Support Obtained	69,673
Central Industries Limited	C.S.W. De Costa	Director	Purchase of Materials	1,076

This note should be read in conjunction with Note No. 04, 15, 22 and 25(b) to these Financial Statements.

Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) 'Related Party Disclosures', Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, an amount of Rs. 50.3 Mn have been paid to key management personnel of the Group as remuneration.

28. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

29. CHANGES IN CLASSIFICATION

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

Last Decade at a Glance

Income Statement	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
For the year ended 31st December	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	13,160	10,929	8,621	7,333	5,916	4,749	2,683	4,533	5,092	3,914
Cost of Production	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)	(4,075)	(2,129)	(3,735)	(4,005)	(3,184)
Gross Profit	3,362	2,501	2,125	1,502	666	674	554	798	1,087	730
Other Expenses	(1,349)	(1,110)	(1,029)	(832)	(669)	(548)	(556)	(511)	(697)	(527)
Profit before Other Income	2,013	1,391	1,096	670	(3)	126	(2)	287	390	203
Other Operating Income	128	123	195	209	91	71	44	54	50	22
PROFIT FROM OPERATION	2,141	1,514	1,291	879	88	197	42	341	440	225
Net Interest Costs	183	161	(5)	(57)	(52)	(8)	(24)	(62)	(103)	(74)
Profit before Interests	2,324	1,675	1,286	822	36	189	18	279	337	151
Taxation	(199)	(252)	(203)	(215)	21	(4)	37	(45)	(103)	(31)
NET PROFIT FOR THE YEAR	2,125	1,423	1,083	607	57	185	55	234	234	120
Retained Profit b/f	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888	747	720
Profit available for Appropriation	5,842	3,945	2,718	1,716	1,233	1,269	1,177	1,122	981	840
Issue of Bonus Shares	-	(32)	(31)	(31)						
Final Dividends	(479)	(196)	(196)	(50)	(124)	(93)	(93)		(93)	(93)
	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888	747

Balance Sheet										
As at 31st December	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
ASSETS										
Property Plant & Equipment	2,051	2,146	1,826	1,607	1,363	1,109	1,158	1,229	1,286	1,339
Investments & Taxes	112	77	1	1	1	1	1	1	1	1
	2,163	2,223	1,827	1,608	1,364	1,110	1,159	1,230	1,287	1,340
Current Assets										
Inventories	754	937	887	486	546	285	324	318	788	986
Trade & Other Receivables	6,893	5,642	7,175	2,007	1,791	1,549	1,110	2,762	1,633	1,139
Cash & Short-term funds	3,880	3,606	1,683	1,740	1,678	1,395	550	469	390	854
	11,527	10,185	9,745	4,233	4,015	3,229	1,984	3,549	2,811	2,979
TOTAL ASSETS	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779	4,098	4,319

EQUITY & LIABILITIES										
Stated Capital	684	684	652	652	621	621	621	621	621	621
Revenue Reserves	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888	747
Share Holders Funds	6,047	4,401	3,174	2,287	1,730	1,797	1,705	1,743	1,509	1,368
Non-Current Liabilities										
Interest bearing Borrowings	94	148	227	253	286	217	209	209	276	481
Deferred Taxation	-	-	62	103	119	155	203	-	-	-
Retirement benefit Obligation	786	689	468	393	334	279	220	185	157	135
	880	837	757	749	739	651	632	394	433	616
Current Liabilities										
Trade & Other Payables	6,048	5,435	5,341	1,147	981	734	453	641	848	680
Interest bearing Borrowings	316	1,246	1,676	1,102	1,472	500	179	1,227	623	806
Income Tax Payable	305	329	319	193	4	(2)	(48)	177	158	96
Dividends Payable	13	7	6	5	4	3	3	3	56	96
Bank Overdraft	81	153	299	358	449	656	219	594	471	657
	6,763	7,170	7,641	2,805	2,910	1,891	806	2,642	2,156	2,335
	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779	4,098	4,319

Key Indicators										
Earnings per Share (basic) Rs.	31.05	20.80	16.60	9.31	0.94	2.98	0.86	3.77	3.78	1.94
Net Assets per Share (Rs.)	88.37	64.31	48.69	35.10	27.87	28.97	27.45	28.07	24.3	22.02
Market Price per Shares (Rs.)	244.75	50.00	53.00	36.00	22.25	22.50	21.00	30.50	25.75	10.00
Return on Capital Employed (%)	35.0%	33.3	37.9	34.6	4.4	9.8	2.2	17.4	24.4	12.0
Dividend per Share (Rs.)	7.00	3.00	3.00	0.80	1.50	1.50	1.50	1.50	1.50	1.50
Current Ratio (Times)	1.70	1.43	1.28	1.51	1.38	1.31	2.46	1.35	1.31	1.19
Interest Cover (Times)	31.2	21.66	10.65	8.34	1.06	6.37	1.03	3.94	3.60	2.09

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Form of Proxy

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

A. Nakauchi	of Colombo	(or failing him)
C.S.W. de Costa	of Colombo	(or failing him)
Mangala P.B. Yapa	of Colombo	(or failing him)
Y. Hamane	of Colombo	(or failing him)
Y. Kijima	of Colombo	(or failing him)
G.A.D.L.H. Ganlath	of Colombo	(or failing him)
H.A.R.K. Wickramathilake	of Colombo	(or failing him)
R.S.J. Al Suwaidi	of Colombo	(or failing him)
T. Inahara	of Colombo	(or failing him)

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on 24th March 2010 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We* the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows :

1. Routine Business

For **Against**

1.1	To receive the Annual Report of the Board Directors on the affairs of the Company, and the Audited Accounts for the year ended 31st December 2009 and the Report of the Auditors	<input type="text"/>	<input type="text"/>
1.2	To re-elect Mr. Lalith Ganlath as a Director in terms of Article 87 of the Articles of Association of the Company	<input type="text"/>	<input type="text"/>
1.3	To re-elect Mr. H A R K Wickramathilake as a Director in terms of Article 87 of the Articles of Association of the Company	<input type="text"/>	<input type="text"/>
1.4	To re-appoint Messes KPMG Ford Rhodes Thornton & Co., the retiring Auditors and authorize the Directors to fix their remuneration	<input type="text"/>	<input type="text"/>
1.5	To authorize the Directors to determine donations for the year 2010 and up to the date of the next Annual General Meeting	<input type="text"/>	<input type="text"/>

2. Special Business

2.1	To pass a Special Resolution pertaining to a "Major Transaction" in terms of Section 185(1)(a) read together with Section 185 (2) (c) of the Companies Act No.7 of 2007 as set out in the Notice of Annual General Meeting	<input type="text"/>	<input type="text"/>
-----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------	----------------------

In witness my/our* hand/s this day of Two Thousand Ten.

.....
Signature

Notes: * Instructions as to completion appear overleaf.
Please indicate with an 'x' in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

INSTRUCTIONS FOR COMPLETION

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

Please fill the details :

Share Certificate No:.....
Name:.....
Address:.....
Jointly with:.....

