

Colombo Dockyard PLC



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



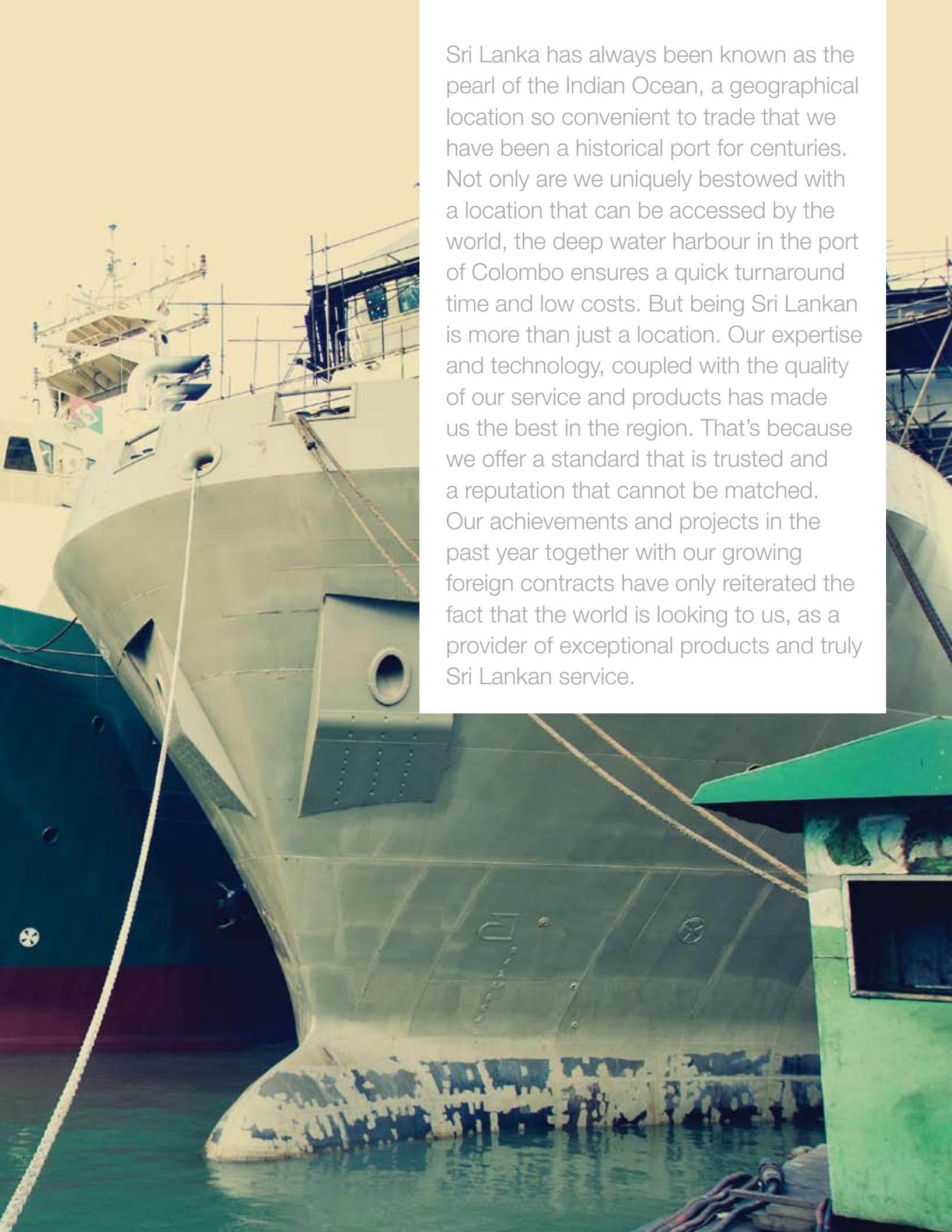
From here
to the **World**

Annual Report 2010

From here
to the

World





Sri Lanka has always been known as the pearl of the Indian Ocean, a geographical location so convenient to trade that we have been a historical port for centuries. Not only are we uniquely bestowed with a location that can be accessed by the world, the deep water harbour in the port of Colombo ensures a quick turnaround time and low costs. But being Sri Lankan is more than just a location. Our expertise and technology, coupled with the quality of our service and products has made us the best in the region. That's because we offer a standard that is trusted and a reputation that cannot be matched. Our achievements and projects in the past year together with our growing foreign contracts have only reiterated the fact that the world is looking to us, as a provider of exceptional products and truly Sri Lankan service.

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Vision

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

Mission

We strive:

- *To be the most competitive and viable business entity in South Asia in Shipbuilding, 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.*

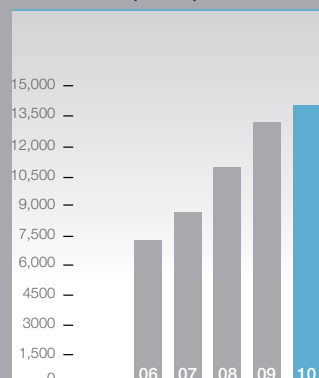
Quality Policy

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.

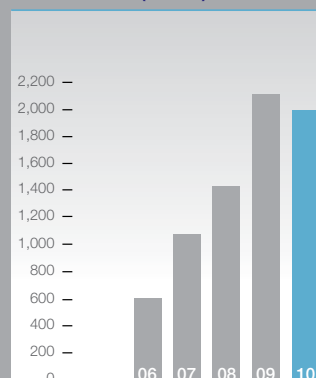
Financial Highlights

	2010 Rs. Mn	2009 Rs. Mn	Change Rs. Mn	%
Results for the Year				
Revenue				
Ship repairs	4,217	6,729	(2,512.0)	(37.33)
Shipbuilding	9,566	5,650	3,916.0	69.31
Heavy Engineering	274	781	(507.0)	(64.92)
Total Revenue	14,057	13,160	897.0	6.82
Export Revenue	13,419	11,908	1,511.4	12.69
Local Revenue	637	1,252	(615.4)	(49.14)
Gross Profit	3,079	3,362	(283.0)	(8.42)
Net Finance Costs	(174)	(183)	(9.0)	4.92
Operating Profit	1,822	2,324	(502.0)	(21.60)
Taxation	(193)	200	393.0	196.50
Net Profit after Tax	2,015	2,125	(110.0)	(5.18)
Profit Available for Appropriation	6,810	5,363	1,447.0	26.98
Company Value Addition	5,385	5,407	(22.0)	(0.41)
Company Value Addition %	37	40	(3.0)	(7.50)
Local Value Addition	7,324	7,841	(517.0)	(6.59)
Employees Salaries & Benefits	2,717	2,320	(397.0)	(17.11)
Interest Costs	55	69	14.0	20.29
Balance Sheet				
Total Assets	14,193	13,690	503.0	3.67
Total Liabilities	6,678	7,643	(965.0)	(12.63)
Share Holders' Fund	7,515	6,048	1,467.0	24.26
Net Cash & Cash Equivalent	5,339	3,798	1,541.0	40.57
Information Per Ordinary Share				
Earnings (Rs.)	29.44	31.05	(1.6)	(5.18)
Net Assets (Rs.)	109.81	88.37	21.4	24.26
Market Value (Rs.)	275.00	244.75	30.3	12.36
Dividends Authorised (Rs.)	8.00	8.00	-	-
Market Capitalisation Rs. Mn	18,820	16,750	2,070.2	12.36
Financial Ratios				
Net Profit after Tax (%)	14.3	16.1	(1.8)	(10.97)
Return On Investment (%)	14.2	15.5	(1.3)	(8.54)
Return On Assets (%)	11.7	15.6	(3.9)	(25.00)
Interest Cover (Times)	29.8	31.2	(1.4)	(4.49)
Return On Equity (%)	26.8	35.1	(8.3)	(23.69)
Gearing Ratio (%)	0.8	1.5	0.7	46.67

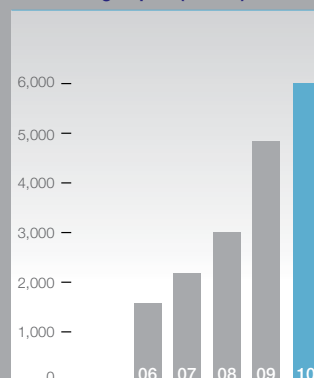
Total Revenue (Rs. Mn)



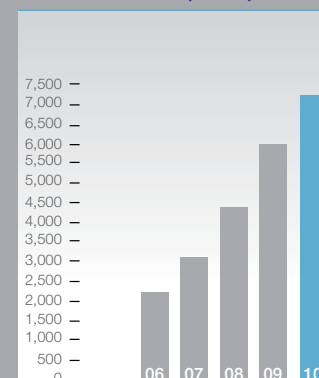
Profit after Tax (Rs. Mn)



Net Working Capital (Rs. Mn)



Shareholders Funds (Rs. Mn)



An Overview of the Business Sectors

Ship Repairs

Our main business sector and we have completed over 8,600 ship repair jobs over the 36 years of service generating over Rs. 52.2 Bn with 90% foreign earnings. However, during the year under review it contributed only 30% of the total revenue volume of the Company.

Shipbuilding

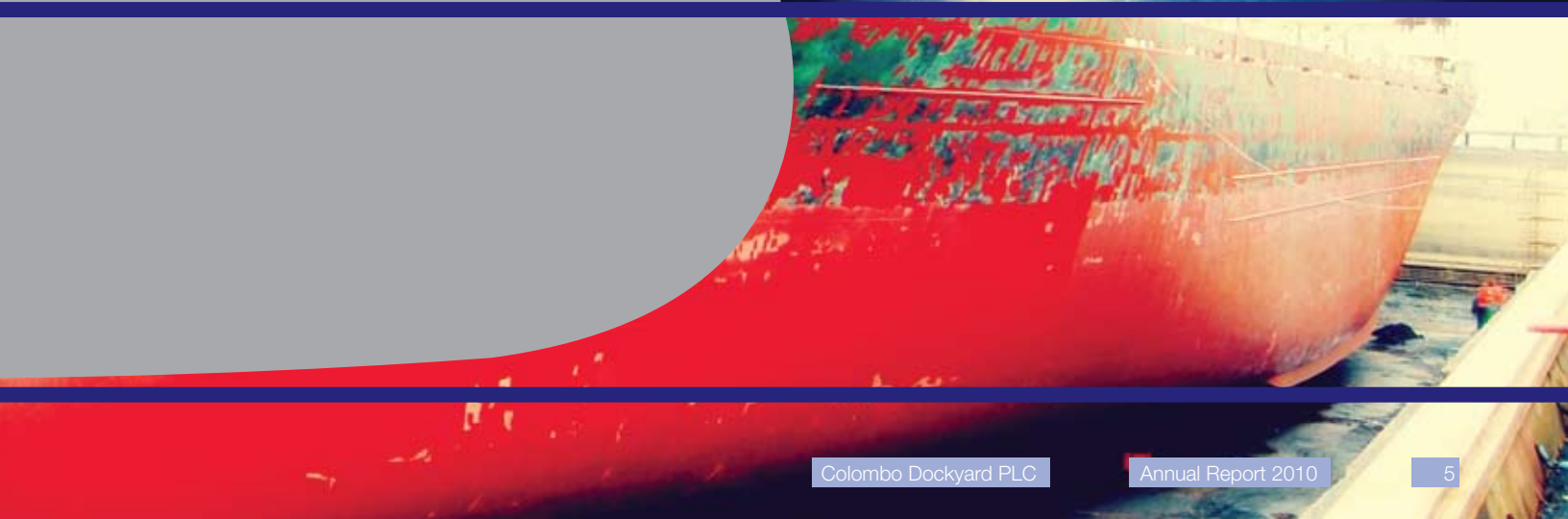
This sector has been the growing force to sustain the Company's overall revenue growth, we have delivered 217 vessels to both local and foreign customers generating over Rs. 43.3 Bn revenue over the 36 years of Dockyard shipbuilding history. Due to the strategic focus on foreign shipbuilding, this sector has contributed 68% of Company's total revenue volume in 2010.

Heavy Engineering

Heavy Engineering is a diversified business sector, where Colombo Dockyard has been successful in capturing several landmark projects in Sri Lanka as well as in the Republic of Maldives. We have completed over 210 such mega and medium scale projects generating total revenue over Rs. 3.0 Bn during last 13 years representing 2% of the Company's total revenue for 2010.

Offshore Engineering

Offshore Engineering business, unfortunately did not add to our bottom line in 2010 as expected as many regional offshore players were reticent and restricted due to the global recession and the lackluster oil industry.





Chairman's Review

Colombo Dockyard is and has always been one step ahead of the foreseen threats and envisaged challenges. It is therefore very apt that I remain very optimistic about the future of your company, given the pragmatic initiatives we have introduced to ensure that the company continues its consistent growth trend.

We look back at a year that has, globally seen little improvement from the catastrophic recession it faced two years ago, while on the converse, Sri Lanka is firmly standing on the threshold of an economic boom. With Colombo Dockyard, while performance over 2010 has been good, the company in itself saw some momentous changes, all attuned to creating a competitive sustainable high performance organisation. We are a company that is primarily reliant on the performances of global economies and the trends of trade. We are also faced with challenges that emerge from very large competitors. However, Colombo Dockyard is and has always been one step ahead of the foreseen threats and envisaged challenges. It is therefore very apt that I remain very optimistic about the future of our company, given the pragmatic initiatives we have introduced to ensure that the company continues its consistent growth trend.

It's with great pleasure therefore that I present the Annual Report and Statement of Account for Colombo Dockyard PLC for the year ended 2010.

The gradual return to normalcy

In most developing countries, economic activity is gradually recovering with most international and domestic financial flows coupled with higher commodity prices buoying world trade. The robust recovery in emerging economies therefore is remarkable given that it reflects an expansion of internal markets, with these countries realistically helming the lead in global economic recovery. This is reflected in their domestic demand representing 46 percent of global growth in 2010.

According to the Review of Maritime Transport, international seaborne trade continues to be encumbered by the fragility seen in global economic conditions, depressed freight rates and an oversupply of vessels. With maritime transport being the single most important mode of transport holding 80% market share in the global movement of goods, the downturn thus has impacted overall trade and the entire industry, although, some developing countries still notch a higher transport percentage due to convoluted cross border procedures and under developed land transport infrastructure.

Sri Lanka continues buoyant economic trends

Having quickly implemented some very far reaching initiatives in order to get the economy back on track, Sri Lanka is now seeing the fruits of her labour, notching an 8% GDP in 2010. It is significant that Sri Lanka reached a GDP of US \$50 billion in 2010 which in 2005, was just US\$24 billion.

The peace dividend is clearly reflected in last year's indicators with all key sectors showing significant growth and etching a high growth trajectory for the next year as well. Inflation, which just over a year ago was spiralling upwards unabated, firmly stood at 5.9% by end of year, while the Sri Lankan Rupee continued in stability mode, cushioning price increases in imported commodities. Fast tracked infrastructure

development especially in tourism and ICT, coupled with a concerted effort to increase agricultural production saw gains in revenue and a growth of 6.3%, increased trade levels and productivity and a decrease in unemployment.

Export earnings, of which Colombo Dockyard is a significant contributor with 1.5% and for which we were awarded the prestigious Sri Lankan Exporter of the Year award by the National Chamber of Exporters, notched a growth of 13.3%.

Sri Lanka as a Maritime Hub

The shipping industry in Asia is expected to flourish in the next few years and with Sri Lanka's geographical placement, will undoubtedly benefit significantly. The expansion seen in infrastructure facilities in port and harbour related areas will undoubtedly welcome the bigger bulk vessels into the country which is envisaged to generate employment and the emergence of ancillary and support services. Sri Lanka is currently working on providing IT enabled end to end solutions for the shipping industry which would eventually give the country its status of maritime hub for South Asia.

A large ship, likely a bulk carrier, is shown in a dry dock. The ship's hull is white with a red lower section. A large circular porthole is visible on the white section. The ship is positioned in a concrete dry dock structure. In the background, other industrial structures and equipment are visible, including a yellow crane and various scaffolding. The scene is brightly lit, suggesting a sunny day.

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Colombo Dockyard in the larger scheme of things

With Sri Lanka positioning herself as a maritime hub for the region which will permeate to more sea traffic coming through Sri Lankan ports, the opportunities envisaged for CDPLC will be manifold. Given the name we have now made for ourselves in both ship building and ship repair, we do believe CDPLC will have numerous opportunities to strengthen our portfolio of customers, resultant to these developments.

For the past 17 years, the challenges have been numerous but at the same time rewarding. We can very proudly proclaim that Colombo Dockyard has over decades, grown to become a formidable force in the shipping industry in the South Asian region, although I hasten to add that size wise, we remain significantly small compared to our neighbour India or in a wider sense China. More competition has been emerging from Korea and Vietnam as well. However, our strength is not in competing with big business but rather, in enhancing our uniqueness, envisaging requirements and working on what we can do perfectly rather than what we must do compulsorily.

While the global recession did affect our performance and revenue targets, it was 2010 that actually reflected the impact of the downturn. We closed 2009 considerably better than expected, but with the ship repair and ship building industries still recovering in 2010, which led to lesser marine traffic and ship building taking a back seat, Colombo Dockyard did see ship repair business decline, although overall figures are commendable.

Our Group profits therefore stood at Rs 2,085 Mn a decrease of 3% compared to that of 2009, although what we did see was that while ship repair showed a decrease in forecasted targets, shipbuilding on the other hand gained considerable momentum during the year, adding Rs 9,566 Mn into our top line.

These paradigms are not the result of impulsive or spontaneous decisions but rather, resultant of Colombo Dockyard's fundamental management style, which could be termed pragmatic and astute but in similar vein, visionary. Having seen the trends the moment the global economic downturn began slowing world trade, we recognised the negative impact this would have on our business and hence began implementing strategies that will see us through the bleaker periods. The mechanisms we established were numerous, from client servicing and marketing, to higher productivity and output to developing added skills among our highly capable team of professionals. Leadership reflected change management and the need for transformation to ensure a sustainable business milieu.



Developing the niche

One of the most significant mindset transformations came with Colombo Dockyard venturing further ashore in marketing its capabilities and being extremely successful. Our niche in building some of the world's unique vessels holds us in good stead in developing this area of our business. Further, our emphasis on absolute quality and infusion of green initiatives some of which are pioneering features in this region, give us a competitive stance as do some of our processes, which are far ahead of those established in this part of the world. This also enhances our capabilities of effecting difficult and sometimes unique processes, building techniques and repairs, carving for ourselves yet another niche in this competitive industry. We have already delivered five vessels in 2010 which exceeded our regular ship building capacity and displayed effectively that Colombo Dockyard is indeed ready for the impending challenges ahead. For the year

ahead, we have seven orders currently in hand with more on the horizon. I see the future in shipbuilding as one in which we can firmly sustain our business on.

Managing Challenges

We also remain mindful of the fierce competition we face in all sectors and are constantly upping our service levels, while implementing cost management strategies that will eventually exceed customer aspirations. Increasing productivity, efficiency, knowledge and competencies remain continually high on our agenda with our team being motivated to raise the bar to levels which will fulfill their career and personal aspirations and exceed customer expectations.

Despite the fact that Colombo Dockyard contributes 1.5% of Sri Lanka's export revenue, the appreciation of the Sri Lankan Rupee, we are faced with considerable challenges that have to be managed prudently. Given that our business is based on 37% average value addition with all raw material, equipment and machinery sourced from

We have already delivered five vessels in 2010 which exceeded our regular shipbuilding capacity and displayed effectively that Colombo Dockyard is indeed ready for the impending challenges ahead.

abroad, as with all exporters, the appreciation of the Sri Lankan Rupee could affect our bottom line significantly.

Appreciations

It has been a year of experiences, of forging new avenues and creating new chapters for the Company. My sincere appreciation to my Board of Directors, with special mention of Mr Y Hamane, a director since 1993 and who can be considered a founder of CDPLC who resigned from the company's directorate this year. His leadership and management philosophy remains inherent and ingrained within the very core of CDPLC and has been the quintessence of taking us to where we are today. My appreciations also to Mr Suwaidi and Mr Inahara who are resigning from the Board for the invaluable advice imparted by them in assisting me.

I would also like to welcome to the Board, the President of Onomichi Dockyard Co, Ltd, Mr. T. Nakabe, extending my best wishes to him with the hope that his time with us will be stimulating. His youth affords him innovative ideas and new ways of looking at our business and we are excited to have him as a part of our team. I also welcome Ms. Janaki Kuruppu to the Board. My appreciation to our shareholders who have been an invaluable strength in our journey, emitting an unwavering confidence to ensure that the targets and vision we map out, are achieved. To Managing Director/CEO, the Board of Directors and management who have chartered and implemented the numerous strategies to ensure that we remain on track, thank you for the continuous support in improving the Company. Our valued business partners, both customers and suppliers have been most committed to strengthening the relationships we have forged with you. We do hope that you will continue being a partner to our success.

Calming waters in the future

As we navigate into a year that's expected to be better than the last, we do believe that the world has seen the worst of the recession and is now on the threshold of growth and development. The industry therefore will see better times in the year ahead. At Colombo Dockyard we have foreseen these trends and are already in readiness for the calming waters ahead. There will undoubtedly be changes, fast development and a need to continually stay ahead, all challenges that Colombo Dockyard perceive as opportunities and have become integral facets in our Odyssey of Excellence.

Our ethos is constructed on a foundation of quality and excellence, which is the vessel which takes us 'from here to the world' and where our horizons are broader and more encompassing of what we can contribute to the industry.



Akihiko Nakauchi
Chairman

24th February 2011
Colombo, Sri Lanka



Managing Director/CEO's Review

While the challenges have been numerous and multi-faceted, CDPLC used those challenges as opportunities to map new paths of business. Hence, when the ship repair business began showing signs of strain, we were ready to prop our bottom line with shipbuilding.

Navigating the oceans has traversed a long way since the days of the simple sail ship, weathering many a storm, to emerge in the 21st century with some of the most technologically advanced vessels ever built in contemporary maritime history. The shipping industry's evolution is one of constant transformation and innovation, quality and expectation, safety and environmental infusion; similarly, it is one in which knowledge, skill and genius form the trusses of advancement and technological development. For Colombo Dockyard, all these dynamics are an everyday occurrence and continues to remain so as we etch our historical journey **from here to the world**.

Charting stormy waters

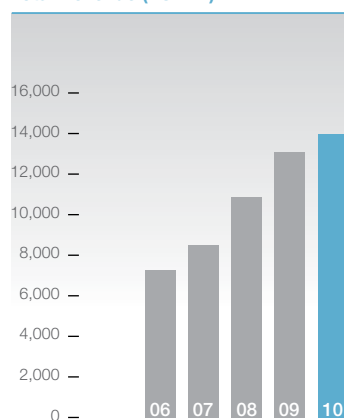
We have weathered many a storm in our over three decades of existence with some of them being very challenging. The last year was no exception with the global economic recession showing no signs of abating and the spillover effect of less trade and sea traffic seeing the shipping industry continuing the dip, a phenomenon which began in the latter part of 2008. While the predictions are for a very slow and long recovery, the impacts have been manifold, leaving lasting impressions on all stakeholders including shipyards.

While 2009 was an exceptional year performance-wise, especially because most of the ship repair contracts negotiated in 2008 coming to fruition, it was in 2010 that we felt the full impact of the global downturn. Turnover in ship repair dipped almost 37%, while also losing heavily to competition from China whose aggression during the period coupled with the offer of large discounts pushed CDPLC into quite a challenged position. Another *raison d'être* was the International Marine Organisation (IMO) regulation which was effected in January 2010 on the tankers. Shipping Corporation of India (SCI) in particular, disposed of most of their single hull tankers and purchased new double-hulled vessels; some of which cannot be accommodated in our facility, as the sizes are larger, and in addition they being brand new will not be requiring much repair in the near future. Our worst affected business sector was in tanker repairs, which traditionally brings in about US \$ 18 to US \$ 22 million caters for almost 50% of our turnover. This year, the decline was phenomenal, down to US \$ 9 million!

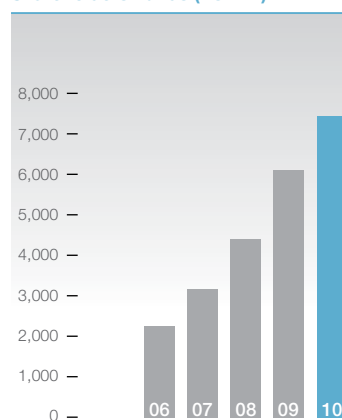
However, as I mentioned above, CDPLC has always been a company with an eye on the horizon, pre-empting trends and preparing for transformation. While the challenges have been numerous and multi-faceted, CDPLC used those challenges as opportunities to map new paths of business. Hence, when the shiprepair business began showing signs of strain, we were ready to prop our bottom line with shipbuilding. With this in mind, 2010 notched a tremendously successful year for shipbuilding, delivering five vessels within the year, two passenger and three multipurpose supply vessels (MPSVs). We have three vessels secured before for delivery in 2011/2012 and were quite successful in securing three more shipbuilding contracts in 2010, which has given us the impetus needed to carry through with confidence in the next year onwards.

There are five core values that is our mantra for success - Flexibility, Innovation, Being Customer Centric, Environmentally Friendly and People Focus.

Total Revenue (Rs. Mn)



Shareholders Funds (Rs. Mn)





14,057 Mn, a slight increase of 6.8 per cent which was Rs 13,160 Mn in 2009.

The Company also recorded a strong growth in shareholders' fund with 24.2 percent, to stand at Rs. 7,515 Mn compared to Rs. 6,048 Mn in 2009.

The Five Values of Success

While CDPLC remains relatively small in size compared to our competitors in the Asian region, our differentiation lies in the way we do business. There are five core values that is our mantra for success - Flexibility, Innovation, Being Customer Centric, Environmentally Friendly and People Focus.



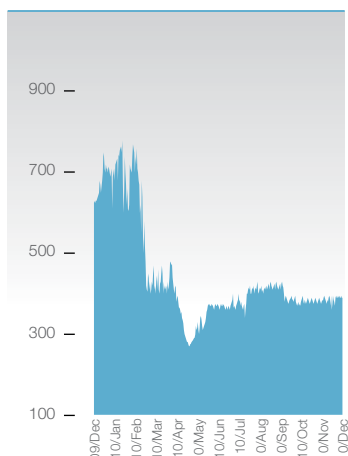
The success in our shipbuilding business also added the necessary fillip to our turnover and more than compensated for the losses we faced in ship repair, resulting in an increase of 69% percent in shipbuilding turnover compared to 2009. The timely action taken to improve the business mix thus helped us to show results through a difficult period which I believe we can continue to do in 2011 as well.

Profitability therefore remains on an even keel in our books. Profit before tax amounted to Rs 1,822 Mn this year, while Profit after Tax was maintained at Rs. 2,015 Mn. Revenue from overall business sectors stood at Rs

Given the challenges we faced in the last year, it would have been extremely easy for CDPLC to sink into an abyss. Competition was high, margins were low, repairs became unnecessary or slow and the industry was showing signs of barely staying afloat. A change in our *modus operandi* was inevitable if we wanted to remain atop the waves and change we did. Flexibility has always been one of our fundamentals and I strongly believe that being a smaller ship yard, we do have an advantage in being able to push the boundaries when it comes to flexibility. In a conventional sense, a yard that's geared for ship repair cannot immediately transform to shipbuilding, as it involves

Managing Director/CEO's Review

Tanker Index



Source: BLOOMBERG Tanker Index Chart - 2010

changes in mindset, approach and processes. Only a flexible and yard can make that transition effectively and efficiently, and change we did, bringing in efficient utilization of resources and ensuring quality control throughout the entire process.

We foresaw the demand for tankers diminishing due to freight rates being low, even though bulk carriers and containers picked up slightly. The Shipping Corporation of India (SCI) was no longer giving us the percentage of business we were used to for many years. It became evident therefore that our strategies must adjust. Innovation thus became the key marketing strategy and saw us at the drawing board, strategising with innovative approaches to compensate for the loss of tanker fleets and the sizeable SCI business. The strategy proved successful when we emerged with sizable business volumes despite a difficult year. Having expected a tough year in 2010, we had forecasted low business volumes at the beginning of 2010. But ultimately, we closed the year, higher than the forecasted amount, proving that we had judiciously re-oriented ourselves and implemented the apt strategies for progress.

Another facet in our innovative strategies includes fostering other markets, as we see a dire need in reducing our dependency on just a singular one. We have been pragmatically seeking new markets and have been successful in creating inroads in the Far East, with our competitive edge being the cost effective quality solutions we are capable of offering in a highly safety oriented environment. This brings me to our third core value – Customer Centricity. Being an extremely customer centric organization, our relationships are built on strong long lasting foundations. This also meant that

our infrastructure and development initiatives were constructed upon future requirements and emerging customer expectations prevalent to the industry.

A prime example is the implementation of the Performance Standards for Protective Coatings (PSPC), a stringent requirement introduced by the IMO that requires the coating on the inside of tanks to be guaranteed for twenty years. While the regulation is mandatory, most smaller shipyards would find it extremely challenging to implement this standard without the apt technology and expertise. It is definitely a feather in our cap that we sourced the required technology, upped the required skill levels and implemented this standard to ensure that our customers already have the option available to them.



Newly built PSPC in operation

While our largest customer in the past has been a stalwart in our business, it also became apparent with the trends foreseen, that CDPLC must begin a foray into growing our customer portfolio. We could not woo these customers earlier due to the security situation in the country being unstable, a feature which naturally permeated the entirety of our industry wherein customers were reluctant to do business with us, despite our key indicators being on par and in some cases exceeding the norm.

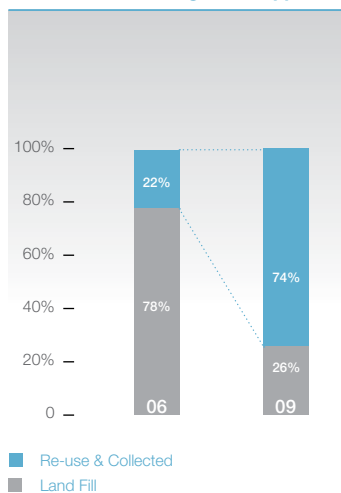
We began pursuing potential customers based on the promise of service excellence and with our past record including a 100 per cent on time delivery history adding credence to this premise, we have been very successful. The fact that the customer is and will always be the axis upon which we revolve remains firmly etched in our business ethos. And given that with the end to the war, Sri Lanka is positioned as the safest country in the South Asian region, coupled with our aggressive marketing and customer-centric tenets, we have seen our

shipbuilding portfolio buoyed by orders from the Far East as well.

Having always been known as a ‘3D Industry’ – Dangerous, Difficult and Dirty, we have been concertedly working on transforming that culture into a Safe, Simple and Clean one. Making our shipyard an efficiently managed, safety oriented, productivity driven green organization thus became a priority. This is where CDPLC scores high against our competitors, incorporating our fourth core value, Environmentally Friendliness. For some years, we concentrated heavily on ensuring that our processes and systems were eco friendly; where waste management solutions were effected to create a larger impact on our internal stakeholders and the environment and where environmentally friendly features were already well established even before they became mandatory.

Our focus is very visionary when it comes to ‘green concepts’, as once the internal initiatives including conclusive waste management solutions and the 3Rs (Reduce, Reuse, Recycle) et al were implemented with about 74% of CDPLC waste being recycled, we began focusing externally. We now have some firm partnerships with industrial organizations whose waste was either dumped or not disposed of properly earlier, to co-process their waste, recycling and managing their waste effectively for more productive use.

CDPLC Waste Management Approach



This green focus has now positioned us on an even higher plane of differentiation from our competitors, whose green practices are not as stringent and far thinking as ours.

Flexibility, innovation, customer centricity and being environmentally friendly all culminate in an apex of CDPLC being people focused. Whether it's the community around us, our valued business partners or our exceptional team, we have always been mindful of nurturing strong relationships with each of these segments. Our team, whose professionalism and skill is comparable to the best in the world, has remained the backbone of the company. Their motivation, dynamism and willingness to change is the foundation on which we reaped in the good results for 2010, which undoubtedly was one of the most challenging in recent times. Similarly, nurturing our team to be the best therefore remains our responsibility.

Therefore, training and development forms a formidable aspect of our plans in creating this unmatched team. Continuous professional development, workshops, seminars, local and foreign training which includes unparalleled exposure to industry trends, technology and innovation are fiercely invested in. This year, we also organised a series of communication workshops, training sessions and discussions with trade unions to ensure that our transformation strategy was implemented smoothly and without flaw. It was creditable that our team embraced the transformation process with enthusiasm and zest which naturally ensured 100 per cent success.

We've also observed an eagerness among youth to be a part of this industry, which is a positive sign not only for the company but for the country, which has been battling the challenge of brain drain for a number of decades now. While our employee retention is historic and remains above industry norms, this also means that we are retaining our intelligent capable young people within the country, using their abilities and competencies, to achieve the country's vision of becoming the maritime hub that we envisage to become in the near future. We have been extremely successful in making this industry a preferred career, communicating it as a career option that hones knowledge and exceeds aspirations.

Sri Lankan Excellence

The National Chamber of Exporters in 2009 honoured CDPLC with the prestigious Most Value Added Exporter Award, in recognition of our contribution to the country's export sphere. We contribute 1.5 per cent of Sri Lanka's export earnings which constitutes complete and holistic value addition, involving knowledge, skill and competence. We are proud that we export a world class product that is created using Sri Lankan excellence and competence. We have no raw materials at all in Sri Lanka and therefore our organization is a true example of harmonising the strength of the Sri Lankan.

It's also pertinent to note that the local value addition we have created overall is 52 per cent of our revenue and if an organisation can add that percentage to its revenue simply by using their team's knowledge, skills, strength and competence and synergising those abilities to develop a world class product, that singularly is a tremendous achievement.

Managing Director/CEO's Review

Our success lies in the ethos that we developed our business holistically, looking at all areas and stakeholders in the larger vista of the landscape rather than as a singular facet. While we focused on productivity, quality, safety and infrastructure development, we also concentrated on marketing development and business development, communication, capacity building, green concepts and service excellence, in addition to strengthening our governance and risk management efforts. It is these tenets when brought together as

a whole that gave us the significant upward inclines in our key performance indicators in a year full of challenges.

Adding to our Portfolio

Our subsidiaries have performed well in the last year, meeting objectives and forecasted targets with a similar passion and dynamism that we infused into CDPLC. Ceylon Shipping Agency, based in Singapore was initially established to sustain delivery of supplies, working on its visibility and image to build strong relationships with our supplier base. Now 51 percent owned by CDPLC, the long



lasting relationships we have nurtured have held us in good stead, as over the years we have been able to gain competitive prices for supplies which enabled us to remain abreast of the competition in the industry. We have also maintained absolute transparency and accountability in our business approach which remains another differentiation point for us.

Dockyard General Engineering meanwhile has gathered momentum in the last year, seeing a new upturn in its business focus and approach. A change in the business strategy saw CDPLC focus on marine engineering, while DGE took on the portfolio of heavy engineering. The strategy has proved to be extremely successful with DGE posting unprecedented growth during the year. It notched a growth of 10 percent, with a revenue of Rs 444 Mn and profit before tax of Rs. 103 Mn, significant increases from the results of 2009.

Some of the heavy engineering projects undertaken by DGE have been hallmark ones. The Steel Liners for the longest tunnel in Sri Lanka, (Length 872 m) under the Upper Kotmale Hydro power and the pipe bridge across the Mahaweli river have all added immensely to the prowess of DGE and proven that it has the expertise and knowledge to undertake a diverse portfolio of projects from hydro power to bridges and infrastructure to large scale plant installations. This also opens out an entire panorama of scope for our business portfolio as we have in the past, subcontracted projects to foreign contractors, but with DGE, we are now able to undertake a slew of tasks, that may even include venturing offshore.

Challenges vs Opportunities

We have always maintained optimism when it comes to our business. Hence, challenges to us always pose an opportunity. The last two years have been a good case in point. We have seen the change in the market and have been abreast of the trends to ensure that a sustainable ongoing business is maintained.

The future will see us collaborating with designers in Singapore, who are currently assisting us with a unique supply boat equipped with an oil recovery system, which is our response to the debacle in the Gulf of Mexico. We also envisage the market bouncing back probably by mid 2012 and are readying ourselves for the opportunities that will emerge then.

An aspect we are concentrating heavily upon is productivity as we are competing with the two giants in the region, India and China, who have infinite human resources and a culture of low wages. Sri Lanka has to thus find a definitive niche that will give us the competitive advantage. We have to nurture a team that's productive, knowledgeable and committed. Values, mindset, beliefs and behavioural features also need to evolve. Having steeped our workplace into the Japanese egalitarian system that espouses a unique approach to work/life balance, our task therefore is to transform a regular Sri Lankan to an internationally competitive achiever. This is a mission we have already embarked upon with our Triple P Chain – People, Process, Product, which will naturally lead to the successful meeting of Productivity and Profit

Appreciations

We've had a year that has certainly opened new horizons for the company and I'm most thankful to the Chairman and Board of Directors who have been extremely supportive in granting me the freedom and confidence to map the company's path into those new territories.

My team has been the wind beneath my wings as I know that without their complete support and embrace of the new initiatives that led to the transformation of our business, we would not have been able to reap in the excellent performance results we notched this year. Thank you to Team CDPLC and to our value business partners who have, over the years kept to the promise of true partnerships.



Mangala P. B. Yapa
Managing Director/CEO

24th February 2011
Colombo, Sri Lanka



1. Akihiko Nakauchi

*Bachelor of Science,
Civil Engineering – Kobe University*

Chairman

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

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

2. S. De Costa

Dip. Foundry Engineering.

Vice Chairman

Former Consul General for Sri Lanka in Osaka, Japan.

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

3. 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 a Director of Ceylon Shipping Agency (Pte) Ltd., Singapore and as the Chairman of Dockyard General Engineering Services (Pvt) Ltd.. Also serves as a 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.

Member of the Board of Governors of Vocational University, Sri Lanka, Governing Council of the propose Ocean University of Sri Lanka, Ports and Aviation Cluster of the National Council for Economic Development, Registration Board for Professional Engineers of The Institution of Engineers of Sri Lanka and the Advisory Board of Colombo International Nautical Engineering College (CINEC), Sri Lanka.

Board of Directors

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4. T. Nakabe

*B.A (British American Literature)
Tamagawa University.*

Director

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

5. 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.

6. 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 Electro Amp (Pvt) Ltd., and D G Plantations (Pvt) Ltd., Registered Australian Migration Agent.

7. H. A. R. K. Wickramathilake

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

Director

Appointed to the CDPLC Board in 1995. Chairman, Mercantile Marine Management Ltd., Mercantile Emerald

Shipping (Pvt) Ltd., Royali Power (Pvt) Ltd, Royali Homes (Pvt) Ltd and Board Member of the Companies of Mercantile Shipping Group.

8. Janaki Kuruppu

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

Director

Appointed to the CDPLC Board in August 2010. Chairman, Regional Development Bank, Advisor to the President on Strategic Planning and Perception Management, and Chairperson of Mother Sri Lanka Trust.

She has over 20 years experience in General Management of Companies, Research, Strategic Planning, Marketing and Consultancy.

She was also awarded with All American Scholar Award, and United States Achievement Academy Award.

Senior Management

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

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

With over 26 years experience in the Ship repair and Shipbuilding industry and holding senior managerial level in Quality Assurance, Project Management and General Management.

Serves as a Director of Sri Lanka Port Management & Consultancy Services (Pvt) Ltd. and Ceylon Shipping Agency (Pte) Ltd., Singapore. And also the Chairman of Dockyard General Engineering Services (Pvt) Ltd., Member of South Asia Advisory Committee of Lloyds Register of Shipping, Technical Committee for Naval Shipbuilding of Germanischer Lloyd (GL), American Bureau of Shipping (ABS) and the South Asian Committee of the Det Norske Veritas (DNV).

Vice President of International Chamber of Commerce (ICC) Sri Lanka, and the National Chamber of Exporters (NCE) Sri Lanka.

Member of the Board of Governors of Vocational University, Sri Lanka, Governing Council of the proposed Ocean University of Sri Lanka, Ports and Aviation Cluster of the National Council for Economic Development, Registration Board for Professional Engineers of The Institution of Engineers of Sri Lanka and the Advisory Board of Colombo International Nautical Engineering College (CINEC), Sri Lanka.

2. M.W. Prasanth Perera General Manager (Production)

MIDiag. E.(U.K.)

With 35 years experienced in Marine field in ship repair and shipbuilding, of which 1 year was at Brown and Company Ltd. 6 Years Sailing experience as a Marine Engineer & 28 years at CDPLC.

Trained in Repairing Small & Medium Ships from University of St-IGNATIUS - Higher Institution of Navigation Antwerp BELGIUM.

Shipbuilding and Management in Overseas Ship Building Corporation In Japan. (JICA)/ Onomichi Ship yard Japan for Ship Repair and Management.



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

MSc Engineering (Odessa-USSR), MIE Aust CP Eng, MCPM (SL)

A naval Architect by profession with over 31 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.

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

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

Over 25 years he has been at CDPLC, experienced in both Ship repair and Shipbuilding sectors and 1 year has been in Japan to undergo training on shipbuilding, ship repair and maintenance.

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

BSc Engineering (Hons) from University of Moratuwa.

He has more than 26 years experience in the related field of which 24 years have been at CDPLC and 2 years overseas.

6. Ranil Wijeygunawardana
General Manager (Finance)

FCA, FSCMA, 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 29 years of experience in the field, of which 16 years have been at CDPLC.





“We strongly believe that shipbuilding can be a vital conduit in developing the economy. To optimise growth potential, the sector needs to establish and achieve higher volumes”





Management Discussion & Analysis

The recession also impacted market forces, seeing a gradual shift from a Seller's Market to a Buyer's Market, which pressurised repair price levels, pushing it down.

Reflecting over the year that was, Colombo Dockyard has, in a very challenging year, reverted to its fundamentals and emerged quite victorious. With the global financial crisis taking its toll on the entire shipping industry which also meant that the ship repair and ship building sectors too had to face quite a quagmire, our premise was to infuse strategies that would primarily keep our business sustainable and on an even keel.

Developing the company into what it is today has not been easy and remaining in that position is doubly challenging in a downturned global economic milieu. But having overcome a slew of challenges which to us are opportunities, the company continued to build on its strengths, explore new markets and develop on our competencies, which are ultimately the crucial features that gave us the noteworthy results at the end of this year. We have undoubtedly very firmly set ourselves on the path of travelling with confidence, integrity, quality, safety, accountability and values from 'here to the world'.

We have certainly etched our position quite indelibly among the corporate annals of Sri Lanka, recognized for the contribution we make towards the economy, to society and community and the environment. We were placed sixth place among Sri Lanka's Top 20 Corporate as adjudged by Business Today, while the Ceylon Chamber of Commerce presented us with the Best Corporate Citizen Award 2010 in the Governance and

Economic Contribution category. Our emphasis to governance, ethics, transparency and accountability was recognized as well with a Silver award in the Services Sector at the Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2010. The most prestigious accolade achieved during the year was our positioning among 'Asia's Best under a Billion US Dollars' companies by Forbes magazine.

SHIP REPAIR

Operating Environment

It has been a difficult year for ship repair with the global shipping industry dipping in an unprecedented manner due to the debilitating recession the world was going through. With less trade being effected via the seas and therefore less marine traffic calling in at ports, ship owners were compelled to lay off some of their vessels in order to minimise losses.

The recession also impacted market forces, seeing a gradual shift from a Seller's Market to a Buyer's Market, which pressurised repair price levels, pushing it down. However, it must be noted that cyclical market conditions in the shipping industry are a usual phenomenon, which normally sees a boom market followed by a recession which is the pattern seen over 2008 to 2010.

One of the key threats that the local shipping industry faced was the uncertainty and instability prevalent during the three decades of war that the country had to grapple with. From May 2009, this threat was successfully annihilated and the country quickly triggered positive signals of being a safe and stable destination conducive to rapid business growth. The government's focused drive in fast tracking key growth sectors including tourism will have a positive cascading impact on our ship repair industry, positioning Sri Lanka as a viable safe location for ship repair. This has also therefore opened out the markets of the Far East, Europe and North America which had hitherto been sensitive to the operating business climate in the country.

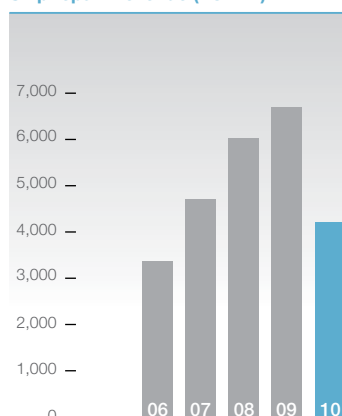
Once the Colombo South Port Development Project is completed, there will be an easing of the congestion currently experienced within the Port of Colombo, adding much needed berth space for ship repairs. This will also increase scope for afloat repair within the Port of Colombo.

Performance Overview

Over the three years spanning 2007 to 2009, ship repair business contributed the majority of the company's revenue, approximately 50% to 60% of the total, a phenomenon which changed in 2010 with revenue decreasing to 30%, mainly due to the intense competition and price pressures.

Colombo Dockyard's ship repair revenue decreased by Rs 2,512 million, which is a decline of 37%, compared to the revenue figures posted in 2009 of Rs 6,729 million. International vessel owners postponed ship repairs and/or conducted repairs only in instances

Ship repair Revenue (Rs. Mn)



of critical or essential repairs. The economic downturn permeated business in this sector throughout the year with no signs of abating.

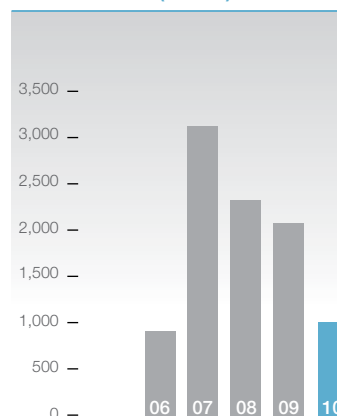
There has been a downturn in the number of tankers handled this year, primarily due to a large segment of the regional tanker fleet frequently coming under our service purview, being phased out. The phasing out is a cascading result of the IMO regulations that came into being, restricting single hull tankers operating in open seas after 2010. This regulation to a great extent impacted the tankers owned by the Shipping Corporation of India, which are ideally suited for our Dock No 4 (125,000 DWT) dry dock. We last had these vessels dry docking with us in 2009 and by 2010, unfortunately they had been phased out of operation impacting our business lines significantly.

However, there was some brightness on the horizon due to the void created by the phasing out of the single hull tankers, which was filled by dredgers, offshore support and container vessels.

At CDPLC, ship repair and shipbuilding sectors share common resources in the ship yard for effective cost management purposes. Prime dry dock slots are released to facilitate the completion of repairs on new-build hulls. We have allocated Docks 1 and 4 to accommodate these vessels in order to enable timely delivery, a premise which we have maintained stringently, making it a considerable competitive edge in our business.

A total of 149 vessels were repaired in 2010, a marginal increase to the 148 vessels repaired in 2009. Dead

Tanker Revenue (Rs. Mn)



Weight handled this year increased to 1,667,325 tons compared to 1,611,541 the year before.

The 125,000 DWT Dry Dock No 4 which usually accommodates tankers was transformed to accommodate multiple vessels. In this milieu, tankers infusing the highest revenue, followed by dredgers, tugs, general cargo, passenger and cement carriers.

The 30,000 DWT dock No 1 handled a total of 21 vessels of 132,762 DWT, with the 125,000 DWT Dock No 4 handling 35 vessels totaling 663,448 DWT and the 9,000 DWT Dock No 3 handling 21 vessels with a total of 14,163 DWT. The latter was out of commission for a fortnight in 2010 for essential maintenance work on the dock gate. Afloat repairs handled 74 vessels totaling 762,743 DWT compared to 66 vessels of 501,555 DWT in 2009.

One of our best performing sectors in previous years, the Offshore Support Vessels business, unfortunately did not add to our bottom line in 2010 as expected as many regional offshore players were reticent and restricted due to the global recession and the lackluster oil industry.

New Markets and Strategies

Given the challenges pursuant to the recession, CDPLC ventured quite aggressively into the untapped markets of the Far East and Europe, using the springboard of strengthening existing relationships while also focusing on building new relationships. This was a strategy that we had already laid the foundation to in 2009 post the end to the war and held us in good stead this year to further augment.

We penetrated the European market with an aggressive marketing campaign in Germany, Greece and France. Two new representatives were appointed for France and Germany, an effort we further buoyed by participating in the international shipping exhibitions of Posidonia in Greece and SMM (Shipbuilding Machinery & Marine Technology)

Management Discussion & Analysis

in Germany during 2010. We echoed the concept of appointing new representatives to handle our business in the Far East/Singapore territory as well, with a hugely successful launch event which effectively stamped the Colombo Dockyard brand as a key player in the region. These efforts undoubtedly created the apt mindset among the shipping community, placing CDPLC as a reliable international shipyard that maintains high quality standards with the advantage of a strategic geographic location on the marine map.

Our marketing development campaigns saw results with Greek owners, Safety Management Overseas SA and Euro Bulk giving us their custom during the year, while new clients from the Far East, Columbia Ship Management and NOS Ship Management also entered our portfolio of clients for 2010.

Dredger repairs continued its upward momentum with Hyundai Engineering bringing in Goryo 4 for routine repairs, while Belgium's Dredging International brought in the Dredger TSHD Nile River for emergency repairs. Indian based Water Injection Dredgers, WID Parakeet, WID Dhamra and one of the largest dredger operators in the world, Holland's Van Ood brought in the TSHD Sagar Hansa to be placed in Colombo for major lay-up repairs.

Set up of New Afloat Repair Unit

Afloat repairs saw considerable development this year with the establishment of the Afloat Repair unit to focus on vessel owners' requirement for voyage repairs and port stay repairs. This unit will initially cater to repairs pertaining to the Colombo Port but will expand its operations eventually to cover both the Galle and Trincomalee ports. Due to the installation of the new unit, Afloat Repair vessel DWT increased significantly from 501,555 tons last year to 762,743 tons this year.

New clientele

The following ship owners and managers utilised our services for the first time in 2010 auguring well for our business development strategies and growth trajectory:

- NOS Ship Management Pte Ltd. Singapore
- Columbia Ship Management, Singapore
- Safety Management Overseas SA. Greece
- Euro Bulk, Greece
- Halani Group, India
- Dredging International, Belgium
- Maersk Line Ltd. USA



SHIPBUILDING

Operating Environment


Even though the shipbuilding industry frequently experiences cyclical ups and downs, there were key drivers that drove the phenomenal growth in the last few years. Increased sea borne trade, replacement of aging fleets and the conversion of single hull vessels to double hulls were some of the factors that saw the industry peak at an all time high, just prior to the global economic crisis. The credit crunch however did see the market slump significantly, with a lack of financing, retarded offshore exploration activities and a deceleration of general international activities seeing lesser demand and an over supply of ships. Nevertheless, we see an optimistic upturn to the general trend, with shipbuilding gradually picking up and signs of evening out over the medium to longer term.

Performance Overview

Working in this operating environment and having infused some revolutionary strategies into our inner workings, CDPLC made an impressive five deliveries during 2010, within budget and on time. Even though the market showed volatility and cancellations abounded within the industry, CDPLC was successful in retaining the contracts devoid of any cancellations.

Working in this operating environment and having infused some revolutionary strategies into our inner workings, CDPLC made an impressive five deliveries during 2010.





“Reflecting over the year that was, Colombo Dockyard has, in a very challenging year, reverted to its fundamentals and emerged quite victorious”



Management Discussion & Analysis

We delivered three medium sized 78 m (3600 DWT) multipurpose platform supply vessels, namely Greatship Rekha, Greatship Ramya and Greatship Rohini. These vessels raised benchmarks within the industry, with CDPLC addressing evolutionary industry needs and incorporating these into fully customised vessels. We now hold the prestigious accolade of producing 'Made in Sri Lanka' vessels revolutionising the Offshore Supply Vessel market.

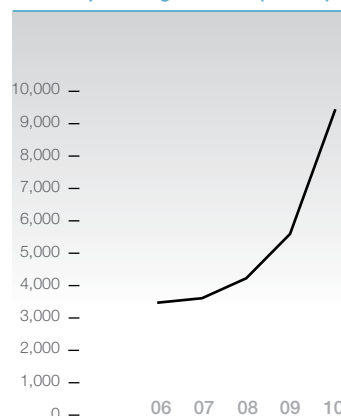
While in the immediate three years prior, ship repair contributed 60% to the company's top line, it is significant that in 2010, it is shipbuilding that contributed 68% of the revenue to CDPLC, taking over as the major contributor in revenue. Given the changing market needs and trends, we anticipate this paradigm to continue at least for the next three years.

Our strategic inputs into skill development, marketing, safety initiatives, quality and on time delivery focus has seen CDPLC become a formidable force in the medium sized ship building sector over the last five years. We do believe that the foundations we thus laid will be strong for us to lay the trusses to grow this business from now on. We have already affirmed three more ship building contracts for a total of US \$77 million which augurs positively in our order books until 2012.

Key Operational Initiatives

With our focus on growing our business aligned to our key values and objectives, where customer centricity and service excellence remained the overarching tenets for our growth, we invested a total of Rs 2.5 billion to

Total Shipbuilding Revenue (Rs. Mn)

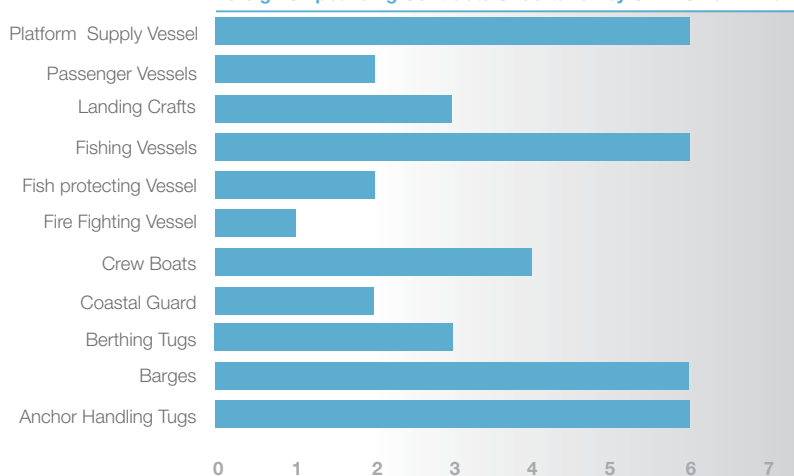


develop the facilities within our ship yard in a bid to continue improving on our productivity levels. We expanded the width of the dock No 2 entrance by 3.5 meters, adding capacity to building medium sized vessels and the installation of covered steel processing workshops. New innovations were also added including a plasma cutting machine that increased efficiencies in steel processing, a shot blasting and automatic priming machine, hydro blasting machine to increase the number of folds and combined the blasting and painting halls to meet PSPC requirements.

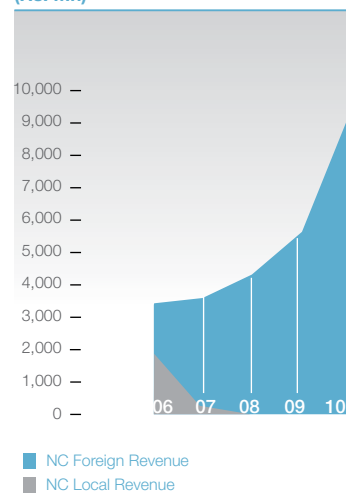
Environmental and market changes

With green growth taking on added momentum around the world, it is imperative the CDPLC becomes more aware of the environmental impact that our industry has on the environment and minimise those impacts by introducing as many progressive environmentally friendly initiatives as possible. It is indeed noteworthy, that CDPLC has been

Foreign Shipbuilding Contracts Undertaken by CDPLC 1974 - 2012



Foreign & Local Shipbuilding Revenue (Rs. Mn)



Shipbuilding Projects completed and delivered in 2010

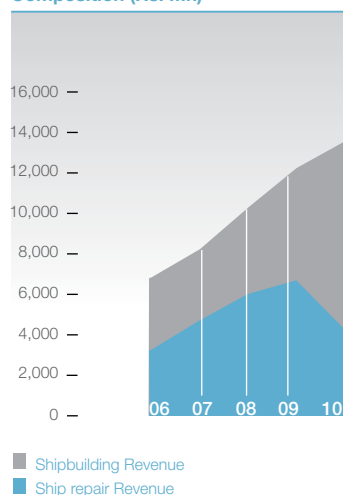
Project Name	Yard No/ Vessel Name	Customer	Delivery	Country
250 Passenger cum 100 T Cargo Vessel	NC/0209 Arabian Sea	Union Territories of Lakshadweep Administration, India	02 January 2010	India
Multi Purpose Platform Supply Vessel	NC/0215 Greatship Rekha	Greatship Global Offshore Services (Pte) Ltd	14 April 2010	Singapore
Multi Purpose Platform Supply Vessel	NC/0216 Greatship Ramya	Greatship Global Offshore Services (Pte) Ltd	26 August 2010	Singapore
250 Passenger cum 100 T Cargo Vessel	NC/0210 Lakshadweep Sea	Union Territories of Lakshadweep Administration, India	15 October 2010	India
Multi Purpose Platform Supply Vessel	NC/0217 Greatship Rohini	Greatship (India) Limited	10 December 2010	India

Ongoing Shipbuilding project scheduled for delivery in 2011-2012

Project Name	Yard No.	Customer	Scheduled Delivery	Country
Multi Purpose Platform Supply Vessel	NC/0218	Greatship (India) Limited	March 2011	India
130 T BP Anchor Handling Tug Supply Vessel	NC/0219	Eagle High Limited, State of Samoa	June 2011	Singapore
130 T BP Anchor Handling Tug Supply Vessel	NC/0220	True Wisdom Limited, State of Samoa	September 2011	Singapore
100 Passenger Launch	NC/0221	Road Development Authority	January 2011	Sri Lanka
Multi Purpose Platform Supply Vessel	NC/0222	Greatship Global Offshore Services (Pte) Ltd	March 2012	Singapore
Multi Purpose Platform Supply Vessel	NC/0223	Greatship Global Offshore Services (Pte) Ltd	June 2012	Singapore
Multi Purpose Platform Supply Vessel	NC/0224	Greatship Global Offshore Services (Pte) Ltd	September 2012	Singapore

Management Discussion & Analysis

Ship repair & Shipbuilding Revenue Composition (Rs. Mn)



instituting and practicing green best practices for a number of years and in fact, has used this feature as a competitive edge in gaining business.

Internationally, environmental regulations are becoming more forceful and all encompassing. For example, single hull tankers will not be allowed to steer the waters from 2010, which permeated a strong demand for new ships and triggered an imbalance in supply and demand. While the shipbuilding sector therefore gained positive aspects from this regulation, the ship repair sector did see a slump, although we see this as being a temporary blip in the larger scheme of things.

There's also been a new IMO regulation instituted for Performance Standard for Protective Coatings (PSPC) on new shipbuilds, which requires the shipyard to take measures of protection against corrosion especially the ballast water tanks and void spaces which are prone to corrosion. In order to cater to these new requirements, our yard facilities were upgraded by installing combined blasting and painting halls.

The new SPS Code (Special Personnel Code) where enhanced stability requirements must be provided for special personnel onboard were positively adopted by CDPLC and the yard has been able to cater to future market requisites, in compliance to evolving safety needs.

We've also been enthusiastic about our relationship building efforts as we do believe that it is these facets that will ultimately create a solid foundation for our business growth. While maintaining customer relationships at their optimum, we have also ensured that our valued business partners such as classification societies are kept abreast of our activities and are constantly communicated with. This has resulted in representatives of these organisations giving positive and unbiased feedback to our customers, which have augured well, as it has instilled a greater sense of confidence and trust in CDPLC.

We foresee extraordinary opportunities in the new emerging environment of the shipping industry. The regulatory milieu is progressive as is the global trend in establishing new ports and related activities. This would surely instigate increased demand for ships. Ongoing offshore oil exploration activities and the envisaged growth in the oil service and drilling industry are expected to create demand for AHTSVs, PSVs and drilling rigs among other needs and having observed the industry, despite the lower market demand phase we are now experiencing, we see opportunities open to exploit.

Given that we were extremely successful in delivering on time and producing the highest quality expected for the two 250 passenger cum 100 ton cargo vessels commissioned by the Government of India, which is currently implementing major infrastructure development plans, we are optimistic that this will positively impact further projects in passenger vessel construction.

We do face intense competition from the larger shipbuilding yards in the world that possess more facilities and resources. Having initially catered to the large vessel market and seeing the shift in paradigms, they are now focusing on medium and small size shipbuilding which would naturally impact our business lines. However, we have already implemented some strategic initiatives especially in new market penetration, more aggressive marketing, better representation, enhanced safety measures, top of the range environmental best practices and focus on delivery promise to ensure that we continue to grow our customer portfolio, leveled to our capacities and competencies.

We also have the added risks of statutory burdens, high financing costs and increasing production expenditure including energy and utilities which are doubly worrisome as even though CDPLC contributes immensely to the local economy by way of foreign exchange and taxation, there are absolutely no incentives or support from the state which can be disadvantageous, given the inducements and benefits that are generally given to our competitors in other countries. This places us on a somewhat uneven playing field especially in a milieu when cost remains the driving factor that grows business.

The future in shipbuilding

We observe a strong demand for energy due to the industrialisation drive in Asia, which will in turn cascade to an added need for offshore



support vessels, which is a dynamic market segment. Asian countries are also beginning to exploit offshore wind energy as a cleaner and more environmentally friendly alternative to oil and gas to supplement those countries' energy needs, which is another area that we see potential and a need to develop our expertise and capabilities.

We strongly believe that shipbuilding can be a vital conduit in developing the economy. To optimise growth potential, the sector needs to establish and achieve higher volumes, while CDPLC will need to infuse more investment into capacity expansion and upgrade existing facilities.

HEAVY ENGINEERING

Dockyard General Engineering Services (DGES), a fully owned subsidiary re-positioned and re-launched its new corporate Logo under the umbrella of CDPLC in 2009, has been successful in etching an indelible signature in heavy engineering capabilities. Having undertaken some

challenging mega projects within Sri Lanka, DGES has proven beyond doubt that it has the ability, skills, competencies and knowledge to penetrate and exploit the opportunities available in the heavy engineering sphere.

Some of our projects during the year included the pre-fabrication of Steel lining, penstock and T port for the Upper Kotmale Hydro Power Project Lot 3 and fabrication and supply of Lower Draft tube Liner and Pit liner for Upper Kotmale Hydro Power Project Lot 4, the Pipeline End Manifold (PLEM) Structure for Muthurajawella New SPBM, PLEM for the second Offshore Pipe line and Terminal Modification Project of the Colombo South Port Development Project. We also undertook the rehabilitation of Penstock at the Ukuwela Hydro Power Station.

With the experience we have garnered and infused into hydro power, we implemented the civil mechanical engineering construction work for the Bogu Power Mini Hydro Power project in Bogawantalawa as well.

Envisaging emerging market demand for identified products and product lines, this year we expanded our product portfolio into constructing small boat and ship components, while also

Management Discussion & Analysis

manufacturing pipe and pipe pools for the ship building industry.

We introduced pioneering engineering features into the petrochemical industry in Sri Lanka by re-qualifying the LPG Sphere B Project and pressure testing the LPG Piping System and testing the repair valve system for Shall Terminals Lanka. Pursuant to our noteworthy work, we were hand picked for two further orders by this client, which involved the re-qualification of the LPG Sphere A Project and the surface preparation and painting of four LPG Spheres.

DGES is now considered specialists Non Destructive Testing (NDT) such as DPI, MPI, UT RT, VT. Also we undertake Load Testing of lifting gears, Blasting & Painting and Machining.

Having been the Platinum Sponsor of Techno 2010, which is the National Engineering and Technology Exhibition organized by the Institute of Engineers Sri Lanka (IESL), we further augmented our presence in the national sphere of engineering, with the added kudos of winning the Bronz Medal for the Best Display at the exhibition.

Given that we are now firmly entrenched as a specialist in heavy engineering with a premise of on time delivery of quality products and services strongly embedded in our working culture, it is also imperative that our resources are matched and continually enhanced to meet our ambitious objectives.

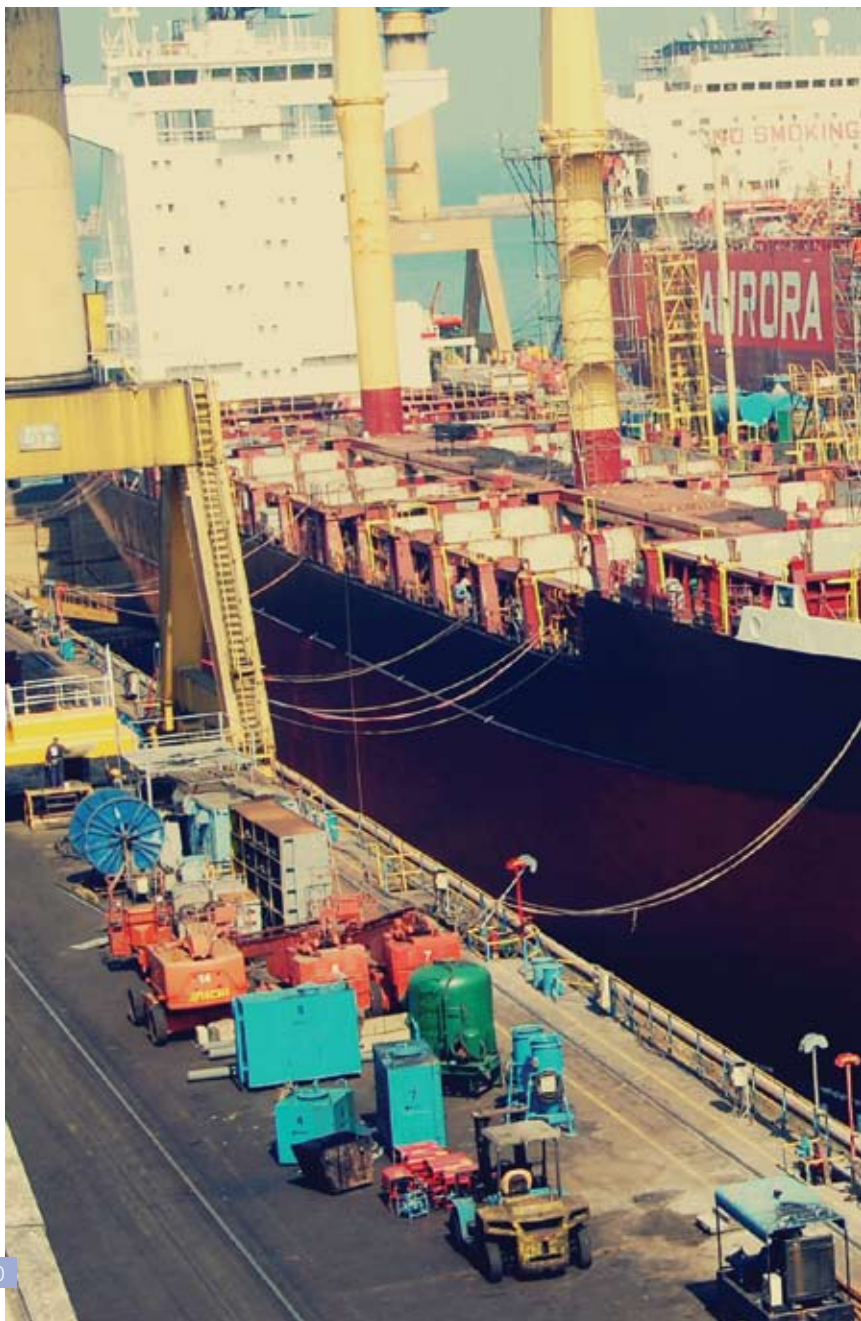
Continued training and development programmers that uplift knowledge and skill levels in addition to keen awareness on safety, health and environment is instilled stringently across all levels of our team, who now excel in value added services within the purview of civil and mechanical engineering, project management, contract management and risk management. This has enhanced our client portfolio to not only the Government of Sri Lanka but also private sector and foreign clientele. In addition to a rising number of customers in Sri Lanka, we have now completed projects for clients in the Maldives, Japan, China, Malaysia and the Netherlands.

Our plethora of products and services encompass designing and commissioning and combining technical services for Petrochemical, Infrastructure Development Power and irrigation sectors.

Marine Hardware and Techno Commercial Sector

We have been the exclusive supplier of Sigma Marine Paints to the Sri Lanka Navy, a very challenging portfolio that also demanded delivery as per the contractual obligation and service tenets that exceeded aspirations. DGES was also tasked with training and maintaining technical services as per international standards. This has triggered the positive advantage of two Naval officers being sponsored for training at the Sigma Coatings facility and four Naval hull engineers participating in specialized training in Malaysia.

We have also received a commendation from the Commander of the Navy and Directorate of Engineering of the Sri Lanka Navy post the



training and development programmes we conducted for ninety Naval Artificers, to instill an emphasis on total quality assurance. Similar strategic technical awareness programmers were also conducted for the Sri Lanka Ports Authority Marine Engineering Staff, Tank Inspection Staff working at the Ceylon Petroleum Storage Terminals and sectoral engineering teams at Ceypetco, CECB, the Mahaweli Authority and other private sector entities requiring specialised training.

Investing in IT for the future

Given the rapidly evolving environment we are compelled to do business in, IT has become a driving force in giving businesses a competitive edge, bringing into play the facets of automation, networking, information sharing, communicating, innovations and quality standards. Efficiency, higher productivity and output therefore are a natural cascading phenomenon with state of the art technology being infused into any organisation. CDPLC is no different and has in fact always recognised the crucial significance IT has on business growth. It is now a business fundamental and new technology being continually introduced at CDPLS therefore forms the essential roadmap in taking the company into an eFuture.

The integration of IT into everyday business operations began in 2000. The company then instituted a number of IT initiatives that spearheaded a highly integrated and comprehensive IT network, collating all core activities into over 350 workstations through a comprehensive Management Information System, which was quite revolutionary in the Sri Lankan IT milieu at that point of time.

In this decade, while CDPLC underwent an organizational and structural change, so did the IT backbone, taking into account added transparency and accountability and the evolutionary features of a changing shipping industry. The culture change imbued through the use of IT which instigated an open door policy and communication culture, knowledge gaining advantages, cross functional features and an elimination of hierarchical boundaries augured well for the overall development of the company. Newer efficiency aspects were introduced as were quality measurement processes. The company became an information driven entity with data available 24/7/365 to ensuring that the business environment changed to an 'anytime anywhere' proactive one.

It is noteworthy that the processes and systems introduced throughout were all developed, piloted and implemented by a very able and competent in-house IT team that never relied on outsourcing but confidently brought in IT initiatives that are above par to industry norms.



Our Leaders



A. Ragunathan
Founder Managing Director
1974 - 1984

The late Mr. Ambalavanar Ragunathan, a mechanical engineer attached to the Colombo Port Commission, and popularly known to many of his colleagues and friends as “Ragu”, was a leader of par-excellence, who served as the Founder Managing Director of Colombo Dockyard Ltd., from its inception in 1974 to 1984.

He was instrumental in formulating the basic concept of an integrated shipyard in the Port of Colombo, encompassing the three drydocks that were built during the British reign, and was able to convince the politicians as well as bureaucrats, that his vision could be materialised with great benefit to the country, national economy and the industry at large.

His unstinted commitment and efforts resulted in establishing the company, in the mid 1970s, where Mr. Ragunathan, played a pivotal and pioneering role in its formation as well as during the formative years. He set the corporate philosophy and values, managed to muster support from all corners, harness the resources that were scattered and develop business portfolios, virtually from nothing. During his 10 years of leadership, the turnover of the company rose from a mere Rs. 5 million in 1974 to Rs. 247 million in 1984, while recording a net profit after tax of Rs. 5.1 million.

Mr. A. Ragunathan was born in 6th September 1931 and received his B.S. degree in mechanical engineering from the University of Ceylon and joined the Public Service. Later he became a Fellow of the Institute of Mechanical Engineers and Fellow of the Institute of Marine Engineers of UK, and having successfully completing the requisite academic courses also became a Fellow of the Institute of Chartered Management Accountants of UK. He was

instrumental in recruiting graduate engineers with mechanical and electrical degrees from local universities as well as foreign institutions and exposing them into marine engineering, constantly being behind their development and training. So much so, several B.Sc. qualified engineers, subsequently chose sea-faring and became fully certified Chief Engineers.

As Managing Director of CDL, Mr. A. Ragunathan's management skills became almost legendary. Managers were given free reign as long as they followed the CDL ethic of constant change and striving to do better. His egalitarian approach combined with strict discipline and respect for corporate values and people centric management strategies, formed the cornerstones of the unique organisation culture of the company, which were respected by all.

CDL saw rapid growth and expansion under Mr. Ragunathan's tireless leadership. Being a Company with majority shares hailed by the State, it wouldn't have been an easy task for him to get consensus amongst the many bureaucrats as well as the politicians, but being a very sincere and honest person working along with own his conscience, and being loyal to the country as well as the Company, he managed to do many things and ventured into many areas that had not been traversed before.

Some of the important initiatives of Mr. Ragunathan are;

- Signing of DKK 36 Mn loan agreement with Government of Denmark and Sri Lanka, under the DANIDA program, for improvement of existing drydock facilities and creating new infrastructure facilities for shipbuilding.
- Setting up of Vocational Training Center, where almost all the craftsmen for the Company were developed and upgraded to emerging requirements.
- Establishment of a branch at Trincomalee harbour.
- Formation of two Subsidiary companies namely Ceylon Bulk Carriers Ltd., and Maritime and Industrial Consultants Ltd.
- Formation of Subsidiary company of Colombo Drydocks Ltd, with Rs. 1,000 Mn authorised capital to construct and operate a 100,000 DWT Drydock. In 1983, this was the single largest private investment project in the country, to be registered with Greater Colombo Economic Commission (GCEC).
- Formation of Galle Slipway & Engineering (Pte) Ltd., as a joint venture between Ceylon Fisheries Harbours Corporation to venture into outside engineering projects.
- Establishment of new Retail Sales outlet at Mahawatttha, Colombo 15.
- Formation of Lanka Ship Breaking & Industries (Pte) Ltd., as foreign joint venture with East Prosper Enterprises (Pte) Ltd., Singapore, to operate a ship-breaking facility in Galle.

Mr. Ragunathan, being a Tamil, later emigrated to England, after the onset of civil unrest in the country, where he continued his work as a Consultant through A&P Appledore, and was instrumental in restructuring and revitalising number of shipyards around the world.

Mr. Ragunathan passed away in 3rd October 2010, but he remains in the hearts of many, at Colombo Dockyard PLC as a legendary leader, who served the company and the motherland above self.



Y. Hamane
Director
1993 - 2010

Onomichi Dockyard Co. Ltd., and brought the Company to be one of the best in the medium scale shipbuilding yards amidst many global changes and stiff international competition.

Mr. Hamane resigned from the board with effective from 24th March 2010, pursuant to his resignation from being the President of Onomichi Dockyard Co., Ltd. However, all the members of the Board of Colombo Dockyard PLC, unanimously proposed Mr. Hamane as an Honorary Advisor to the Company, a position that is only created for Mr. Hamane, in recognition of his yeomen service to the company and also to seek his advice and guidance in our “odyssey of excellence”.

Mr. Hamane is well recognized and respected by all at Colombo Dockyard for his visionary leadership and for the role he played in transforming the Company to what it is today.

Mr. Yoshikazu Hamane, the President of Onomichi Dockyard Co., Ltd., of Japan, was another legendary leader, who took a bold decision to venture into Colombo Dockyard PLC, as way back as early 1993, when the Company was in complete disarray. Being an experienced leader in the industry and a visionary, he was able to foresee the potential of this yard and decided to be a partner in our forward march.

Mr. Hamane was appointed to Colombo Dockyard PLC (CDPLC) board on 21st June 1993, pursuant to the restructuring and along with the execution of the collaboration agreement between Onomichi Dockyard Co., Ltd. of Japan and the Government of Sri Lanka, with controlling interest of 51% of the Company being held by Onomichi Dockyard Co, Ltd. Japan.

Since then he served as a Director of CDPLC over 17 years. He is recognised not for his foresight and business acumen, but for his persistent leadership qualities.

Again, being egalitarian in his approach, he was a role-model, who ‘walked the talk’, never accepting ‘NO’ as an answer and providing guidance, support and advise where needed. Not only he brought in discipline and a cultural transformation to the top management of the Company, and had recognized the role and place of all the employees and trade unions and encouraged the management to bridge the gaps inherent in the Western way of managing and gradually transform to what it is today. He was patient and undeterred and always believed in continual improvement.

Whilst serving in the Board of Colombo Dockyard PLC, Mr. Hamane also functioned as the President of

Financial Review

Colombo Dockyard PLC (CDPLC), delivered sustainable performance in 2010 amid challenging operating environment that prevailed during the year. Group total revenue in 2010 was Rs. 14,506 Mn with 7.5% growth compared to Rs. 13,498 Mn in 2009.

GROUP FINANCIAL HIGHLIGHTS				
For the Year (Rs. Mn)	2010	2009	Change	%
Income Statement				
Revenue	14,505.7	13,498.1	1,007.6	6.95
Gross Operating	3,281.7	3,513.5	(231.8)	(7.06)
Profit after Tax	2,085.0	2,156.6	(87.2)	(4.21)
Balance Sheet				
Total Assets	14,564.3	13,962.2	592.2	4.07
Total Liabilities	6,817.1	7,746.0	923.2	11.92
Shareholders' Funds	7,747.3	6,215.7	1,515.9	19.61
Net Cash & Cash Equivalent	5,540.9	3,857.5	1,683.4	30.38
Interest bearing borrowings	983.6	494.3	(489.3)	(99.0)
Financial Ratios				
Earning Per Share (Rs.)	30.40	31.45	(1.05)	(3.33)
Dividend Authorised Per Share (Rs.)	8.00	8.00	-	-
Net Assets Per Share (Rs.)	113.7	90.9	22.3	24.5
Return on Revenue (%)	14.27	15.98	(1.7)	(11.99)
Return on Total Assets (%)	14.3	15.9	(1.6)	(10.1)
Return on Equity	26.8	34.7	(7.9)	(29.63)

FINANCIAL PERFORMANCE

Group Revenue

The Group achieved a record revenue of Rs. 14,506 Mn for the financial year 2010. The 7.5% increase from Rs. 13,498 Mn in 2009 was due to 65% significant growth of shipbuilding revenue during the year under review compared to 2009.

Segmental Contribution to the Group Revenue

Group revenue includes Company's core activity ship repairs, shipbuilding, heavy engineering, and materials sales from subsidiary companies. The major revenue contributor for group has become shipbuilding with 66% compared to 37% recorded for last year.

Export Revenue

The Group's export revenue includes the revenue generated mainly from and shipbuilding ship repairs operations. Total export revenue increased by 12% (Rs. 1,511 mn) compared to last year.

The Indian market continued to be the major overseas market for the Group, with a contribution of 61% (2009 - 54%) of the total export revenue, followed by the Singapore with a revenue of 25%.

The dominant currency for export continued be the US dollar, accounting for 67% of total exports, balance followed by the Euro with 33%. The strength of the Sri Lanka Rupee against US dollar and Euro continued to impact on the conversion of US dollar and Euro proceeds.

Earnings Before Interest, Tax and Depreciation

The Group's earnings before interest, tax, depreciation and amortisation recorded as Rs. 2,008 Mn during the year with reduction of 19.6% from last year figure of Rs. 2,550 Mn. The reduction was primarily due to the reduction on ship repair revenue during the year compared to 2009.

Other Operating Income

Other operating income including interest income and exchange losses reduced to Rs. 83.4 Mn during the year from Rs. 271.6 Mn recorded for last year. The reduction was mainly due to losses on exchange rates of Rs. 57.2 Mn as against the exchange gain of Rs. 154.0 Mn received for 2009.

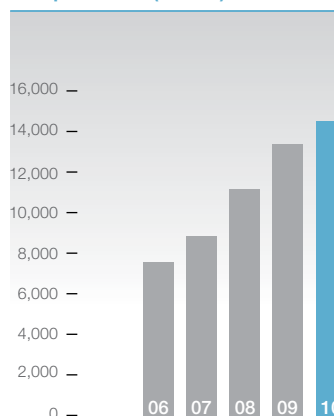
Profit after Tax

The Company recorded a profit after tax of Rs. 2,015 Mn during the year under review representing a 5.2% negative growth relative to the year 2009 figure of Rs. 2,125 Mn. This reduction was mainly attributed to the decline of ship repair business volume during the year compared to last year. The Company has recorded only 14.3% net profit margin during the year compared to 16.1% recorded for year 2009.

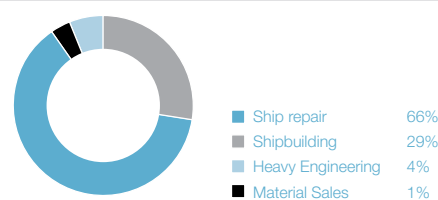
Contribution to Sri Lankan Economy

The direct value addition generated by the Company was Rs. 5,385 Mn, (2009- Rs. 5,407 Mn). This comprised mainly revenue generated from shipbuilding, ship repairs, heavy engineering and other non operating income. The local value addition generated by the Company was Rs. 7,324 Mn (52.1%) compared to Rs. 8,022 Mn (61%) recorded for 2009.

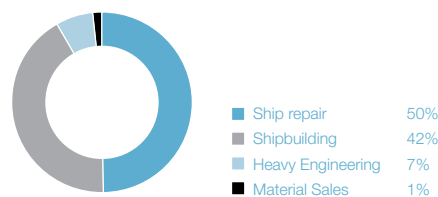
Group Revenue (Rs. Mn)



2010 Group Revenue

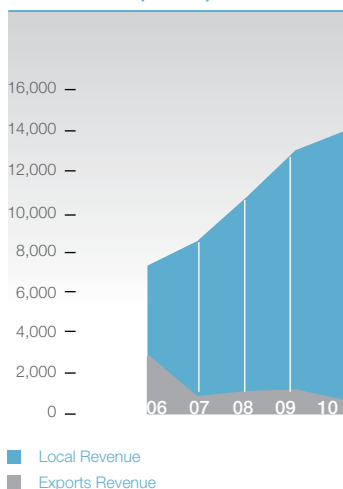


2009 Group Revenue

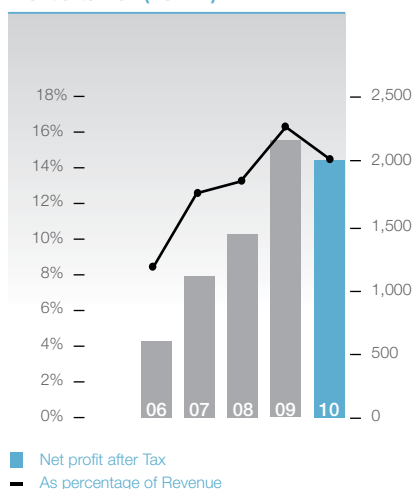


Financial Review

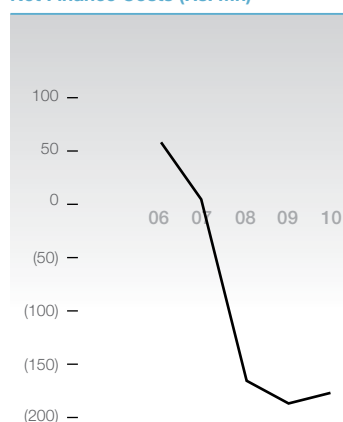
Total Revenue (Rs. Mn)



Profit after Tax (Rs. Mn)



Net Finance Costs (Rs. Mn)



The details of Company direct value distribution is given on page 62.

Finance Costs

Interest cost on operations has reduced by 20% from Rs. 69.9 Mn to 55.7 Mn. The net finance cost reflects the Interest cost on borrowings and interest income for year 2010, which is Rs. 229 Mn compared to Rs. 252 Mn in 2009. Overall the Company has continued to record a surplus on Company's net finance cost to Rs. 174 Mn compared to Rs. 183 Mn recorded for last year.

Exchange Rates

The Sri Lankan Rupee depreciated to higher of Rs. 114.55 and Rs. 163.63 against US dollar and Euro respectively during first month of the period under review. However, the government initiatives to strengthen the country's external reserves positions and enhanced economy after eradication of long felt war against terrorism, the Rupee closed at Rs. 110.60 and Rs. 146.01 against US dollar and Euro respectively on the 31st December 2010, reflecting an appreciation of 4% against US dollar and 12% against Euro over 31st December 2009.

FINANCIAL POSITION

Total Assets

Company's total assets as at 31 December 2010 were Rs. 14,193, as against Rs. 13,690 Mn, the increase of Rs. 503 Mn (3.6%) was mainly due to the increase in non-current assets.

Current Assets

Current assets of the Company increased from Rs. 11,528 Mn in 2009 to Rs. 11,808 Mn in 2010, an increase of Rs. 280 Mn (2.4%) against last year. This increase is mainly attributed to the investments made on short term investments & deposits and the increase on Bank and cash balance.

Working Capital

The net working capital increased significantly as at 31 December 2010 to Rs. 6,141 Mn, a growth of 28.8% over the previous year. The main contributory factor to the increase was the 16% reduction in current liabilities including trade payables and income tax provisions as at 31st December 2010.

Cash flow

Cash generated from Group's operations before working capital changes stood at Rs. 2,346 Mn in 2010 compared with Rs. 3,061 Mn in the previous year. Cash generated from operations increased compared to the previous year, due to positive working capital changes when compared with last year. As a result, net cash generated from operating activities increased to Rs. 2,518 Mn against Rs. 2,098 Mn the previous year.

Net cash used in investment activities was Rs. 857 Mn during 2010, as against Rs. 160 Mn the previous year. The group invested a total of Rs. 608 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December was Rs. 5,541 Mn, which is 43.6% (Rs. 1,683 Mn) growth over last year.

Interest cover

Although, reduction of Company EBIT by 23% to Rs. 1,647 Mn in 2010, reduction in interest expenses by 20% had a positive impact on the interest cover of the Group which improved to 29.80 from 31.19 in the previous year.

Capital Structure

Total assets of the Group increased to Rs. 14,564 Mn as at 31st December 2010, compared with Rs. 13,962 Mn in the previous year. Assets were funded by shareholders funds (53 per cent), long term creditors (7 per cent) and short term creditors (40 per cent).

Debt

Group's total debt was Rs. 984 Mn as at balance sheet date, 99% higher than in 2009. This was due to the increase in short-term bank borrowings from Rs. 581 Mn in 2009 to Rs. 923 Mn in 2010. However, Company long-term debts continued to reduce and as at 31st December 2010, total long-term debt was Rs. 60.7 Mn, 36% lower than in 2009.

The Company gearing level has reduced by 0.8 percent points, from 1.5% in 2009 to 0.8% in 2010.

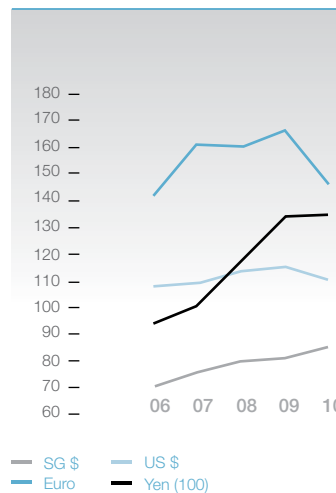
Performance of the Share

The share price of the Company as at 31st December 2010 recorded at Rs. 275.00, an increase of 12% compared to last year's closing price of 244.00. The share price recorded the highest price of Rs. 315.20 on 2nd February 2010 and lowest of price of 247.60 on 2nd September 2010.

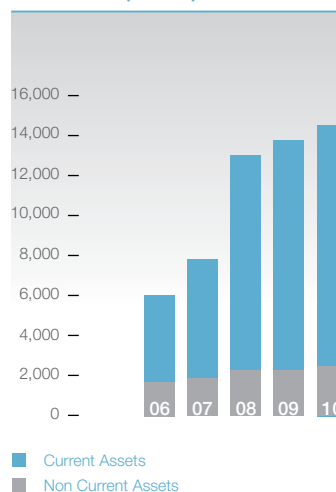
Financial Reporting

Colombo Dockyard PLC is committed to adopting best practices in financial reporting to with providing most updated and developments in the financial reporting and disclosure. The financial reports on pages 99 to 136 have been prepared in compliance with Sri Lanka Accounting Standards.

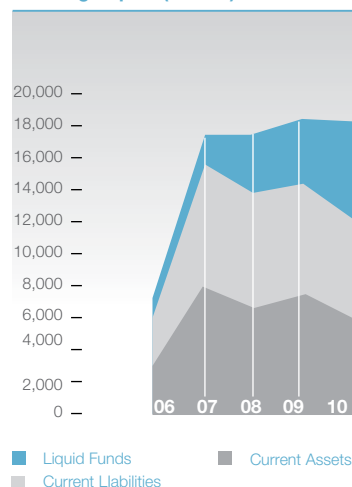
Exchange Rates Fluctuations (Rs.)



Total Assets (Rs. Mn)

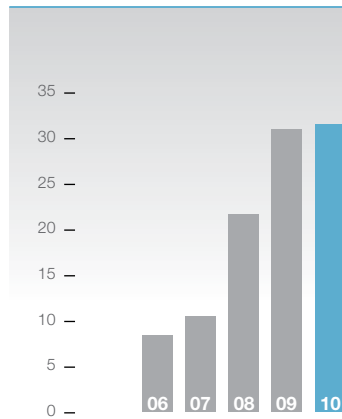


Working Capital (Rs. Mn)



Financial Review

Interest Cover (Time)



Our Achievement

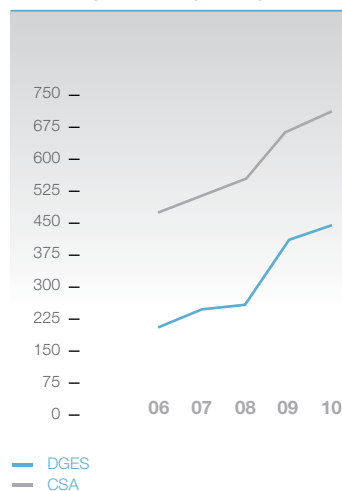
The company gives high priority to timely delivery of both quarterly and annual financial statements. Our comprehensive reporting has enabled shareholders and all other stakeholders to make a fair assessment of the company's performance.

As a result our 2009 Annual Report was adjudged Silver Award in the Service Sector at the 2010 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,166 Mn of which Rs. 444 Mn from wholly owned Dockyard General Engineering Services (Pvt) Ltd and Rs. 722 Mn (SGD 8.9 Mn) from Ceylon Shipping Agency (Pte) Ltd with 51% holding.

Subsidiary Revenue (Rs. Mn)



Corporate Governance

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

Overview

Under the guidance of its Board, Colombo Dockyard PLC (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 2010 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 eight Directors; five of them are Non-Executive Directors. The Board's chairman, Mr. A. Nakauchi and Mr. Kijima are executive Directors. Mr. Mangala P B Yapa who is the Managing Director & CEO, of Colombo Dockyard PLC is also an Executive Director.

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

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

Corporate Governance

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

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

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

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

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	7	90%
Audit Committee	4	75%
Remuneration Committee	1	66%

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

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

Audit Committee

The Audit Committee comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H.A.R.K. Wickramatilleka, Chairman and Mr. Lalith Ganlath who are public Directors, and 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 a 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 External Auditors and the Internal Auditors during the year to discuss various important matters with regard to recommending the adequacy of the internal control systems and how to improve the existing system further. Their recommendations are

carefully studied and appropriate recommendations are made to the Board for necessary action.

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

The Managing Director/CEO and General Manager (Finance) are participating in the meeting on invitation 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 these are presented to the Board of Directors.

Remuneration Committee

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

Report of the Remuneration Committee Policy

The Committee makes recommendations regarding remuneration of the Executive Director 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 stakeholders of the Company.

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

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

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

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

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

Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report , Company is in compliance with the Corporate Governance Rules	Compliant	Please refer page 102.
7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report.	Compliant	Please refer page 46.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Compliant	Please refer page 45.
7.10.3 (c)	A brief resume of each Director should be published in the annual Report including the areas of expertise.	Compliant	Please refer pages 20 - 21.

Rule No	Requirement	Compliance Status	Details
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliant	Please refer pages 20 - 21.
7.10.5	A listed company shall have a Remuneration Committee.	Compliant	Please refer the Remuneration Committee report on pages 46.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or a majority of independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises a majority of independent Non-executive Directors
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/Chief Executive Officer.	Compliant	Please refer the Remuneration Committee report on pages 47.
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliant	Please refer page 47.
	A statement of remuneration policy.	Compliant	Please refer the Remuneration Committee report on page 47.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Committee report on pages 136.
7.10.6	A listed Company shall have an Audit Committee	Compliant	Please refer the pages 46.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or a majority of independent Non-Executive Directors, whichever is higher	Compliant	The Audit Committee comprises a majority of independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as chairman of the Audit Committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	The CEO and General Manager-Finance attended all Committee meetings.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Compliant	The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 46.
7.10.6 (c)	The annual report shall set out:		
	The names of the Directors who comprise the Audit Committee.	Compliant	Please refer Audit Committee report on pages 46.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee report on pages 46.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 46.

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 Managing Director/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.cdl.lk) maintains by the Company offers macro level information of the Company to interested persons.

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

Risk Management

Any factor that affects the smooth operation and sustainability of the business is a risk factor!

Risk Category/ Impact	Strategy	Control and Mitigation Measures
Market Risks		
Competitiveness	The Blue Ocean Strategy BOS as a long term business view	The Company drives to make the competition irrelevant by adding a new value to the customers
Reduction in the market share directly affect the Sustainability of the Business	Market Research	Market the brand, “Made in Sri Lanka”
		Market researches done continuously before quoting and gives maximum focus to be well competitive in the market
Compliance to the Standards	Compliance to the international standards ISO 9001:2008	Provide facilities for external class surveyors within the Company premises
Loss of new orders, lawsuits against the quality of products		External quality audits by approved class surveyors
		Internal quality audits by managers
		Independent third party audits time to time
	Compliance with new standards	Committed to be certified OSHAS and doing relevant a gap analysis within the Company
Customer Perceptions	Being adaptable on regional standards and special customer requests	Make the product compliance with regional standards as well as commit to meet both customer requests and quality standards
Effect to Company’s reputation and for new orders	Analysis of customer feedbacks	Customer feedback in written and verbally are collected and evaluated time to time.
Operational Risk		
Government policies	Compliance to statutory requirements	Change in taxes, levies and related payment procedures, access to land, tight labour regulations etc. from risks to normal business operation
Mandatory		
Socio-cultural change	Creating a unique CDPLC Man	The Company takes proactive measures through educating and empowering employees to prevent entering destructive socio political movements to the Company from the outside.
Smooth flow of production		
Management	Corporate Management	The Director Board of the Company consists of experts in the fields of Engineering, Management, Business Administration, Sociology, Law, Accountancy and Public Administration.
Corporate Sustainability		

Risk Category/ Impact	Strategy	Control and Mitigation Measures
Information Corporate Sustainability	Integrated Information System	The Company maintains an integrated central information system CDLMIS. The system has improved almost up to a complete information system and the annual IT System Auditing process helps to make necessary improvements.
	Communication Channels	A wider range of communication channels from TV and Radio networks to individual mobile communication systems has been implemented to address all communication needs.
Human Resource Corporate Sustainability	Recruitment Policy	Priority is given to those trainees who have successfully completed their training in the Company itself, developing required technological skills, absorbing organizational values and transforming attitudinal modifications, compatible with the CDPLC culture and corporate vision.
Supply Chain Smooth flow of production	Material Procurement	Material procurement is handled by a separate Division of the Company. Subsidiaries of Ceylon Shipping Agency – Singapore and Dockyard General Engineering Services – Colombo work as agents for material procumbent internationally as well as locally.
	Service Procurement	Service procurement is handled by a separate department of the Company. Presently, 108 subcontractors have been registered with the Company to supply the labor requirement for various fields in the production area as well as in the non-production area.
Financial Risk		
Financial Market Changes Possible financial losses	Close monitoring	Changes in interest rates, exchange rates are closely monitored and take initiatives to avoid losses
	Hedging	Payment terms in business contracts are decided based on exchange rate variations.
	Investment	Short term funds / cash channeled for high yielding short-term investment opportunities like treasury bills, short-term fixed deposits etc.
	Liquidity Management	Minimise foreign currency denominated liabilities when exchange rates going upward.
External Risk		
Industry dynamics Los of orders due to less capacity	Structural changes	Adaptation of necessary structural changes especially in the area of ship designing, ship constructions and warranty job handling
		Purchase of new sophisticated ship designing software.
	Research and Development	Participate for industry exhibitions and collect intelligence on international maritime industry development.
	Training and Awareness	International trainings, seminars, local in-house and outdoor trainings, seminars and workshops organized for the employees while hiring intellectual bodies from outside.
Standards and Regulations Product responsibility	Yard Development	Capacity development as per the IMO regulations. Implementation of the new Coating system based on PSPC.

Corporate Milestones

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

Year	Event
1987	First Shipbuilding project to the Republic of Maldives. Yard No. 78/81: Fish Collector Vessels for State Trading Organization (STO).
1988	CDD commences operation of the 125,000 DWT Newly Built Drydock and CDL functions as the Managers for CDD.
1992	Commencement of Aluminium Shipbuilding in Sri Lanka. Yard No. 106: Fast Patrol Boat for Sri Lanka Navy.
1993	Major re-structuring of CDL & CDD and Collaboration with Onomichi Dockyard, Japan.
1997	Diversification of business activities - Commencement of Heavy Engineering Sector. HE/0001: Sapugaskanda Power Plant Extension Project; Client - MAN B&W Diesel AG, Germany/Ceylon Electricity Board.
1998	First Aluminium Vessel to the Republic of Maldives and the first vessel to the National Security Services: Yard Nos. 122/123 - Coastal Surveillance Vessels (CSV)
1999	International Quality Accreditation - Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
2002	Upgrading the Quality Management System to ISO 9001: 2000.
2004	Diversification: Commencement of Offshore Engineering and Maintenance Sector. <ul style="list-style-type: none"> Major Repairs to Mobile Offshore Drilling Unit "Sagar Vijay; First Project to the Indian Navy: OE 0002 - Retrofit of Floating Dock Navy
2005	Internationalisation of Shipbuilding Activities & Breakthrough to Middle Eastern Market. Expansion of Dock No. 2 for enhancing the capacity for Shipbuilding.

Year	Event
2006	<p>The largest Aluminium Hull built in Sri Lanka (NC 200) - 40 M Fisheries Protection Vessel for the Republic of Maldives.</p> <p>Building of first Tug Boat to an International Client (NC202, NC203 & NC204)</p>
2007	<p>Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment.</p> <ul style="list-style-type: none"> • Delivery of 6 New Constructed ships during the year 2007 • In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel • Building of first Anchor Handling Tug/Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India) Ltd.
2008	<p>Structural adjustments: Shifting to a New Head Office Building, Expansion of shipbuilding facilities up to total land area of 2,575 square meters, Building of Deck Barge for enhance of Shipbuilding capacity.</p> <ul style="list-style-type: none"> • New technological adaptation: Use of “line heating” technology, Computer Aided Designs (CAD) and Computer-Numerically Controlled Plate Marking and Cutting technologies for Steel aluminum, MIG, TIG and Submerged Arc welding techniques, Non Destructive Examination Technology. • Largest Shipbuilding project up to 2008: NC 212, 80T AHTSV of 78m and 17m length and width.
2009	<p>The year of success despite the global economic crisis</p> <ul style="list-style-type: none"> • Enhancing carnage capacity by 20 tons and operation capacity of Dry Dock no 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs. • Completion of first ever passenger cum 100 ton cargo vessel “Arabian Sea” built for the government of India. • Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES. • National Recognitions: Awarded as the Best Corporate Citizen for Employee Relations and Top Ten Category winner, Gold Award for excellent Annual Reporting from the Service Sector for the third consecutive year and four Gold Awards for Excellent Exportation while winning the Most Outstanding Exporter of the Year for the second consecutive year from NCE Export Awards

Year	Event
2010	<p>The year of Economic Prosperity</p> <ul style="list-style-type: none"> • Completions of five largest vessels in the history 2010 (209,2010, NC215, 216 and 217) • Commenced operation and built first vessel (NC221) in Kelani River Yard (KRY site). • National Recognitions: Awarded as the Best Corporate Citizen for Governance and Economic Contribution and Top Ten Category winner, Silver Award for excellent Annual Reporting from the Service Sector, Three Gold Awards for Excellent Exportation while winning the most value added Exporter of the Year for the second consecutive years from NCE Export Awards. • Reached to the 6th position out of Top 20 companies in Sri Lanka. • Implementation of the Protective Coating (PSPC) system. • Upgradation of ISO 9001:2008 International Quality Management Standard. • Reached to the top 200 Asian firms with sales under a billion US dollars in the annual Forbes financial magazine list.



Achievements 2010

Business Today Top Twenty 2009 - 2010

- 6th Place among the best in corporates in Sri Lanka
Organised by BT Options Sri Lanka

Best Corporate Citizen Award 2010

- Top Ten Category Winner
- Category Winner - Governance and Economic Contributions, presented by Ceylon Chamber of Commerce

Chartered Accountants Annual Report Awards 2010

- Service Sector: - Silver
Presented by the Institute of Chartered Accountants of Sri Lanka

NCE Export Awards 2009

- 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

Annual Forbes Financial Magazine List 2010

- Became the one of two Sri Lankan companies selected for top 200 Asian firms with sales under a billion US dollars.



The Impact of 365 Days

Rs. 14Bn

Total Revenue

The Company reached its highest level for the first time in its history. We recorded a 20% revenue growth in 2009 in spite of the global economic recession and this trend was further continued with a 6.6% increase in year 2010, although there is severe downturn in shipping industry.

95%

Foreign Revenue

Export earnings generated in 2010 was over 95% of the total revenue. This represents 100% foreign generated Shipbuilding contracts.

10%

Steel Output

The Company achieved 10% increase on Steel output during 2010, with 6,035 tons against 5,475 tons of steel output in 2009.

0.84

Safety Record

The accidents frequency rate (AFR) achieved by CDPLC in 2010 record as an all time low figure and an improvement over 74% compared to 2005.

Rs. 9Bn

New Shipbuilding Orders

Four new ship-building contracts secured in 2010 including 3 Multi Purpose Supply Vessels to Singapore.

74%

Waste Re-use

Total waste generation of 13,100 MT and 74% was re-used & collected.

5Nos

Delivery of New Vessels

Four new ship-building contracts were secured in 2010 including 3 Multi Purpose Supply Vessels to Singapore.

100%

Employee Retention

Despite many economical downturns both locally and globally, we have had no employee resignation during the 2010.



**“Our business
provides the
foundations for
the future, where
we steer through
the oceans,
from here to the
world”**



Sustainability Report

Preamble

Ours is an industry that creates the axis for waters to be navigated, for trade to flourish, for travel to expand and for boundaries to diminish. Sustainability therefore is a core fundamental to us as ship repair and ship building is a cyclical industry, one that depends heavily on global economies and also has to be extremely environmentally conscious while keeping safety paramount. To us, our business provides the foundations for the future, where we steer through the oceans, from here to the world making the process of sustainability an inclusive ownership process. All stakeholders must and have to participate completely and with absolute commitment to ensure that our inclusive brand of sustainability is truly holistic. Long term relationship building and nurturing with each of our stakeholders has been the foundation upon which we have consistently built our future and one that has more than ever, held us in good stead throughout 2010, which was an extremely challenging one.

This is our first fully fledged Sustainability Review, mapped according to the GRI guidelines which while may not be totally complete, is our first attempt at ensuring that we take those first steps in putting the fundamentals of sustainability reporting in place. It is also our attempt at recording our value creation – a report which showcases our best practices, standards, methodologies, ideas and solutions which have been integrated into economic, social and environmental impacts, the three elements of the triple bottom line.

From the Desk of the CEO – Why a Sustainability Review is important to us?

Given the deep seated approach that Colombo Dockyard has towards sustainable development, throughout the years we have imbued sustainable development principles, values and targets that would fuse the triple bottom line approach into the way we do business. This in turn permeates the impact our business has on the economic, social and environmental spheres and our approach to macro issues that impacts our stakeholder segments.

Being a company that contributes extensively to the export growth of the country, we also believe that our systems and processes must be aligned to international quality standards and this we have very proudly achieved through years of stringent measures being instituted into our everyday workings. Occupational Health and Safety also remains paramount in ensuring sustainability

in all our endeavours as does our emphasis on being environmentally friendly and more inclusive in community approaches.

However, we have not taken the initiative before to comprehensively document all our practices, systems and processes and this we believe, in our first effort in aligning ourselves to the stipulated GRI guidelines, we have managed to put together to the best of our ability. We do believe that by documenting our sustainability efforts, we can use it as a valuable tool to identify and analyse the ensuing gaps, creating the necessary bridges to narrow them as we continue to venture into uncharted territory.

We believe in promoting an equitable and sustainable milieu, where the interests of our stakeholders are fulfilling socially, economically and in an environmental context. We want to be a leader in developing the nation, prompting the reduction of poverty, disease, environmental pollution and degradation while helping to manage climate change and uplift communities so they can contribute significantly to the wider economy.

We also want to be known as a Sri Lankan company that far surpasses international quality standards and one that thrives on excellence. These will be our commitments that will take us into the future, where we hope to integrate sustainability as a core value and point of reference in everything we do, creating a milieu of transparency, accountability and sincerity of action.

Our focus is first in our employees, and moving further towards their families and then extends to the society at large.



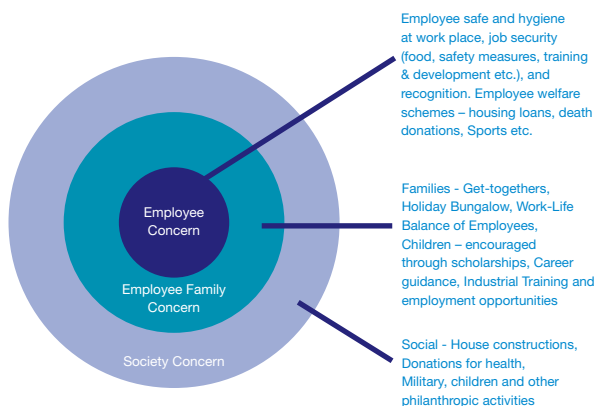
Managing Director/CEO receiving the awards at the Best Corporate Citizen awards 2010

Period of Reporting

This report covers a reporting cycle from January 1st to December 31st 2010.

The Business Values that Drive Sustainability

We have strongly believed that our business principles must be far reaching enough to drive the concept of sustainability. We must deliver value to our stakeholder groups, identify future risks and opportunities and sum up the return, positives and negatives of our social, economic and environmental investments in the longer term.



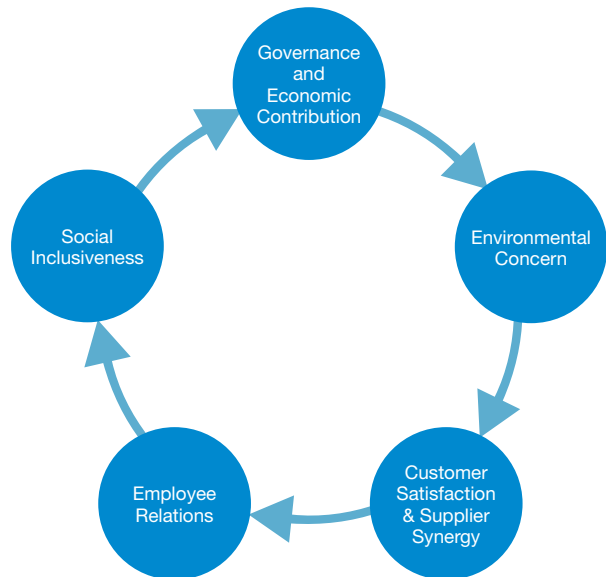
Stakeholder Engagement

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

Our stakeholders

- **Lenders:** Bank of Ceylon, People's Bank, Commercial Bank of Ceylon PLC, State Bank of India, Sampath Bank PLC, National Development Bank PLC, Hatton National Bank PLC, The Hongkong & Shanghai Banking Corporation Limited
- **Customers**
Sri Lankan: Sri Lanka Navy, Sri Lanka Ports Authority, Road Development Authority etc.

International: Few names, Greatship (India) Limited, Union Territory of Lakshadweep, Ministry of Finance and Treasury-Maldives, Greatship Global Offshore Services Pte Limited, the Shipping Corporation of India Ltd., Oil & Natural Gas Corporation Limited – India, Dredging Corporation of India



Limited, International Seaport Dredging Limited - India, MSI Ship Management Pte Ltd – Singapore, NOS Ship Management Pte Ltd – Singapore, Hyundai Engineering & Construction Co. Ltd – Korea, Van Oord Ship Management B.V. – Holland etc.

- **Directors:** as listed in the Board of Directors in the pages 20 - 21.
- **Employees:** As given under the Sustainability Report in page 74.
- **Shareholders:** As given under the Sustainability Report in page 65.
- **Government (and its agencies):** Department of Inland Revenue, Board of Investment, Central Bank of Sri Lanka, Department of Census and Statistics, Sri Lanka Ports Authority, Department of Labour, Sri Lanka Customs, Sri Lanka Navy, Sri Lanka Police, Marine Pollution Prevention Authority MPPA, Directorate General



The NCE Export Awards 2009

Sustainability Report

of Shipping, Department of Commerce, Central Environment Authority, Export Development Board, Ministry of Finance, University of Vocational Training, Tertiary & Vocational Education Commission TVEC etc.

- Suppliers: Ceylon Shipping Agency (Pte) Ltd., Dockyard General Engineering Services (Pvt) Ltd., 106 registered sub-contract companies in Sri Lanka, and 316 local and 168 foreign material suppliers have been registered from all over the world
- The community: Those who have touched our lives and we in turn have continued to help them become sustainable productive citizens of the country – this includes the community around us as well as professional institutions, chambers 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)
- The Environment: Whether sea or land, given that our work involves both these elements, every decision we make and every action we take positively or negatively impacts our environment

Corporate Memberships

The Company has memberships in numerous authorities, regulatory bodies and related bodies which require annual subscriptions. In 2010, we invested Rs. 1,355,196 as direct subscriptions to ensure that we maintain our corporate leadership status and remain abreast of industrial, national and other corporate information dissemination forum decisions:

- Board of Investment of Sri Lanka
- Central Environmental Authority
- Colombo Stock Exchange
- Ecom Technology Lanka (Pvt) Limited
- Emit International (Pvt) Ltd
- Germanischer Lloyd
- Income Tax Payers' Association
- Lloyd's Register - Fairplay Ltd
- Marine Environment Protection Authority
- National Chamber of Exporters of Sri Lanka
- Government Publication Bureau
- The Ceylon Chamber of Commerce

- The Ceylon National Chamber of Industries
- The Employers' Federation of Ceylon
- The Institute of Marine Engineering Science & Tech

The Company also paid subscriptions to maintain membership in professional bodies through professionals employed in the Company which give us added awareness, increased status at global industry level and accreditation procedures whenever necessary, investing Rs 225,963.32 to the following institutions:

- American Society of Civil Engineers
- Institution of Fire Engineers U.K
- International Institute of Risk and Safety Management
- Subs - Committee Engineers Australia
- The Institution of Engineers Sri Lanka
- Institute of Electrical & Electronics Engineers
- The British Institute of Non Destructive Testing
- Institute of Certified Professional Managers

Driving Sustainability

Sustainability at Colombo Dockyard is very stringently a top down approach, where a buy in is gained from the Chairman and Board of Directors through visionary strategies, which are then communicated to the CEO and senior management, who are mandated with driving these policies, while also improving and developing on them to ensure maximum impact. Given below is the organisational framework and roles and responsibilities of those who drive the total sustainability process within the Company

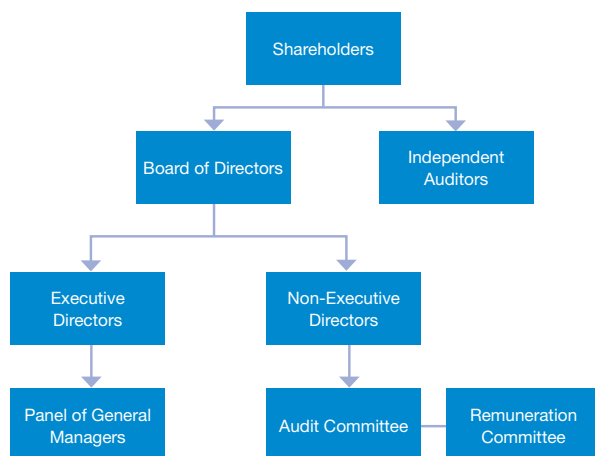
Commitment to Sustainable Management and Governance

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



The Best Corporate Citizens Awards 2010

The Governing Structure of Colombo Dockyard PLC



Colombo Dockyard Compliance Policy

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

Colombo Dockyard Reporting Standards

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

External & Internal Audit Standards

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

standards that may be prevalent.

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

Governance and Risk Management

Ours is a Company that continuously raises the bar and as a result, has seen extraordinary results, both qualitative and quantitative. Governance and risk management goes hand in hand with our improvement initiatives as we are cognizant that Colombo Dockyard is a business that operates in a cyclical environment, where global milieus can have impacts on our business, where standards and environmental compliance is imperative and where we must exploit opportunities but remain prudent to untoward risk.

You will find the governance and risk management initiatives that govern our Company on pages 50 to 51 in this annual report for a more comprehensive detail of the stringent features we introduce constantly into our inner workings to ensure that the business remains sustainable on all fronts.

Economic Sustainability

With the successful reunification and the subsequent integration of peace into a country that was torn apart for almost three decades, it is now indeed very rewarding to see the country fast track its development phase and gain milestone achievements in this sphere.



The Business Today Top 20 Award Ceremony 2009/2010

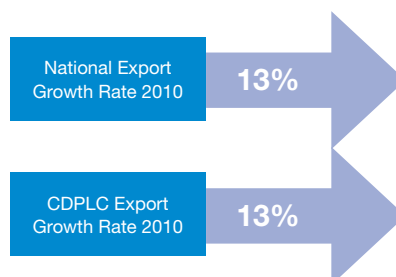
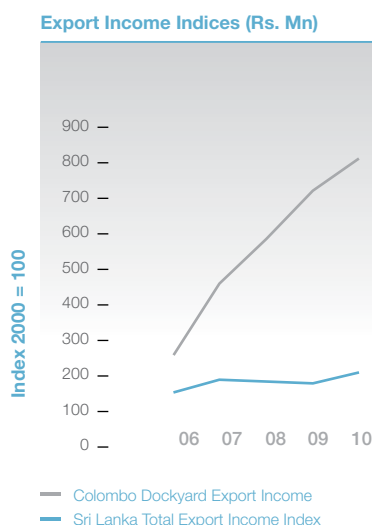
Sustainability Report

For the first time in over four decades, economic growth rate has exceeded the YOY rate of inflation and GDP achieved the targeted 7.8% growth. Emphasizing the need for rapid and sustainable growth in exports, the government of Sri Lanka is adopting strategies to enhance export revenue and has a goal of achieving a US \$ 20 billion in export revenue by year 2020 which is a 2.5 times incline from the current levels of growth.

Being a responsible corporate citizen and one that has firmly ingrained leadership tenets in corporate stewardship, Colombo Dockyard PLC too has taken initiatives to support the national growth trajectory, becoming an active partner in the national export drive through the National Chamber of Exporters as well as with state authorities involved in strategy and policy formulation.

Being adjudged the Most Outstanding Exporter of Sri Lanka continuously for two years (in 2007 and 2008), the Company was adjudged the Most Value Adding Exporter based on the results for year 2009. It is indeed an honour for us that our far reaching business plans and policies have kept us on a consistent rate of export revenue which in fact has always been higher than the national export growth rate of revenue.

Domestic Value Addition (DVA) meanwhile has also continually risen and 2010 stands above 51% of the total revenue, making it one of Sri Lanka's most unique businesses that create value using Sri Lankan expertise, skills and competence, whilst building ships and repairing ships to an international clientele. The DVA can be considerably increased if the support industry too is encouraged and aligned to international levels of quality and competence.



CDPLC's total export revenue of Rs. 13,419 million made a 1.5 % contribution to national export revenue in the year 2010. It is doubly significant that the Company achieved such economic progress under extremely challenging

circumstances, when the shipping industry was probably at its worst in decades due to the cascading impacts of the global economic downturn as well as very stringent competition from regional as well as Chinese Shipyards. Ship repair revenue dropped by Rs. 2,512 million or 37% revenue loss compared to 2009. Being flexible as well as market oriented, the Company managed to divert resources from Ship repair to Shipbuilding activities during the year, thus compensating the loss of the Ship repair business due to low demand for such services and stiff competition, closing the year with a noteworthy surpassing of goals.

Despite challenges and competition, we continued improving our export turnover by 13%, by astutely introducing some strategic initiatives into our business portfolio.

Shipbuilding revenue, which is almost 100% export based, recorded its highest revenue of Rs. 9,566 million, this year. This denotes 69% growth compared to the previous year.

Statement of Value Addition 2009-2010

	2010 Rs. '000	2009 Rs. '000
Total Revenue & Other Income	14,501,822	13,643,513
Less: Cost of Materials & Services purchased from External Sources	9,116,652	8,236,464
VALUE ADDITION	5,385,170	5,407,049
Value Addition as a % on Revenue	37.1%	39.6%
Value Distribution		
To Employees as Remuneration & Benefits	2,716,912	2,320,465
To Shareholders as Dividends	547,497	479,059
To Lenders as Interest	55,328	68,653
To Government as Taxes	371,123	503,697
Retained in the Business	1,694,310	2,035,175
- as Depreciation	247,134	413,285
- as Revenue Reserves	1,447,176	1,621,890
VALUE DISTRIBUTION	5,385,170	5,407,049
Value Distribution %		
To Employees as Remuneration & Benefits	50%	43%
To Shareholders as Dividends	10%	9%
To Lenders as Interest	1%	1%
To Government Taxes	7%	9%
Retained in the Business	31%	38%

Economic Value Creation: The Kelani River Yard

Colombo Dockyard PLC has evolved over a period of 30 plus years. Due to it not being a Green-Field Shipyard, land utilisation within the Shipyard in the Port of Colombo did not comply fully to industry standards. With continuous efforts being made to improve the land utilization, one of the initiatives was the establishment of the Kelani River Yard, a three acre state of the art facility being created along the Kelani River in Mattakkuliya. With expansion within the Colombo Port being impossible due to heavy congestion and a continuing demand for container handling, the Kelani River yard would be dedicated for the less mission critical activities in Ship building and Ship repair including Shot-Blasting and Priming of plates, pipe fabrication, component manufacture and for small boat construction.

The Yard will also provide the much needed fabrication space for Dockyard General Engineering Services (Pte) Limited – DGES.

The KRY Site, a BOI approved extension of Colombo Dockyard PLC, would further enhance CDPLC's overall capacity, as the land released by shifting some of the activities, can now be dedicated for mission critical activities that have to be essentially done adjacent to the Docks.

CDPLC's Yard No. NC0221, the 100 Passenger Launch "Vada Tharakai - II" became the first ship/boat hull built at KRY, marking yet another first: the launching of a vessel into the Kelani River.

With the hospitality and leisure industry earmarked as one of the key growth drivers in the country's accelerated development plan, water-based tourism will certainly see added momentum. We intend KRY to be an added value creator meeting the emerging needs of smaller river and sea-going vessels, where CDPLC's world class shipbuilding competencies and DGES's lower overheads would provide the right combination for growth.



The Hull of Vada Tharakai – II, a 100 Passenger Launch, built for the RDA, at KRY site

Creating shareholder wealth

Our shareholders, both institutional and private, comprise an important stakeholder segment within our Company's triple bottom line perspective, where investment can be fuelled only by continued confidence and commitment imbibed by shareholders. We adopt a proactive, open and fair dissemination of information to all shareholders to ensure that they are kept apprised of the Company's operations, strategies, policies and plans in a timely and well recorded manner.

Quarterly accounts are published through the Colombo Stock Exchange at the earliest, enabling easy and timely access by any interested party.

The Company Secretary as well as the CEO is accessible to any shareholder to address any queries on the Group's business activities.

Press releases, interviews, media reports and the Company website keep the shareholders fully apprised of the developments and a comprehensive Annual Report with sectoral analyses and an overview being provided for their benefit.

The Annual General Meeting is held before the end of March regularly and all shareholders are encouraged to participate in this annual event.

Sustainability Report

Financial Performance

During the year under review, the Company achieved record total revenue of Rs. 14,057 Mn and net profit of Rs. 2,015 Mn, strengthening the shareholders' value with an increase of 24% over the last year.

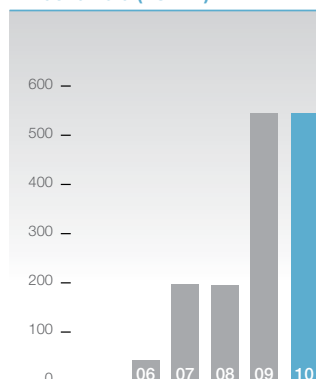
Dividend Authorised

Directors have authorised a first and final dividend of Rs. 8.00 per Share (2009 - Rs. 8.00) based on the profit for the year 2010.

Dividend Payout Ratio

As per Colombo Stock Exchange Rule no: 7.6 (xi), Company Dividend Payout Ratio was 27.2% during 2010 compared to 25.8% recorded for 2009.

Dividend Paid (Rs. Mn)



Financial Reporting

CDPLC is committed for adopting the best practices in financial reporting. Signifying this, our Annual Report for 2009 was presented a Silver Award in the Service Sector at the Annual Report Award Ceremony 2009 organised by the Institute of Chartered Accountants of Sri Lanka ICASL.



The Annual Report 2009 of the Company Won Silver Award in the Service Sector

Shareholders Information

Share Capital

	2010 - 12 - 31	2009 - 12 - 31
Stated Capital Rs.	684,370,710	684,370,710
Number of Shares	68,437,071	68,437,071
Number of Shareholders	5,131	4,828
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Quarterly Financial Statement - 2010

	1st Q Rs. Mn	2nd Q Rs. Mn	3rd Q Rs. Mn	4th Q Rs. Mn	2010 Rs. Mn	2009 Rs. Mn
Revenue	2,532	3,197	4,693	3,634	14,057	13,160
Gross Operating Profits	559	646	1,143	598	2,946	2,142
Profit after Tax	256	266	777	716	2,015	2,126
Shareholders' Fund	5,756	6,021	6,798	7,514	7,514	6,048
Total Assets	14,578	17,432	14,766	14,193	14,193	13,690

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, percentage of shares held by the Public as at 31st December 2010 is 34.39% (2009 - 27.60%)

Shareholding of 20 Largest Shareholders

As per Rule No: 7.6 (iii) of the Colombo Stock Exchange:

	Name	2010-12-31	%	2009-12-31	%
01	Onomichi Dockyard Co., Ltd.	34,902,906	51.000	34,902,906	51.000
02	Employees Provident Fund	9,956,808	14.549	2,068,200	3.022
03	Sri Lanka Insurance Corporation Ltd –General Fund	3,421,903	5.000	-	-
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,421,475	4.999	3,036,475	4.437
05	Sri Lanka Ports Authority	2,082,087	3.042	2,082,087	3.042
06	Paints & General Industries Limited	1,646,400	2.406	-	-
07	Mr. S E Captain	1,437,165	2.100	-	-
08	Employees Trust Fund Board	1,146,610	1.675	-	-
09	Pershing LLC S/A Averbach Crauson & Co.	622,100	0.909	-	-
10	Aviva NDB Insurance PLC A/C No. 7	382,455	0.559	-	-
11	National Savings Bank	380,400	0.556	-	-
12	Mr. M M Udeshi	355,950	0.520	789,743	1.154
13	Bank of Ceylon -No 2 A/C	320,000	0.468	349,200	0.510
14	Pan Asia Banking Corporation PLC/Mr. Morarji Meghj	254,193	0.358	-	-
15	DFCC Bank A/C 1	234,125	0.342	194,125	0.284
16	HSBC Intl Nom Ltd- JPMCB- J P Morgan Clearing Corp	225,444	0.329	-	-
17	Lanka Milk Foods (CWE) Limited	209,475	0.306	209,475	0.306
18	Union Assurance PLC/ No 01 A/C	152,000	0.222	-	-
19	Mr. A P Somasiri	150,050	0.219	-	-
20	David Peiris Motor Company Limited	145,700	0.213	-	-

Distribution of Shareholding as at 31st December 2010

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

From	To	No of Share Holders	No of Shares	%
1	1,000	4,032	788,276	1.15
1,001	10,000	974	2,871,493	4.20
10,001	100,000	101	2,839,268	4.15
100,001	1,000,000	16	3,922,680	5.73
1,000,001 above		8	58,015,354	84.77
		5,131	68,437,071	100.00

Composition of Shareholding

The total number of shareholders of CDPLC is 5,131 as at 31st December 2010, which is a 6.2% increase compared to 4,828 as at 31st December 2009.

	No of Shareholders	No of Shares	%
Local Individuals	4,837	6,599,779	9.64
Local Institutions	190	25,492,115	37.25
Foreign individuals	91	435,292	0.64
Foreign institutions	13	35,909,885	52.47
	5,131	68,437,071	100.00

Market Value per Share

As per Rule No: 7.6 (xi) of the Colombo Stock Exchange, at the end 2010, the share price of Colombo Dockyard PLC recorded an increase of 12.36% compared to the previous year's closing price.

Market price per Share	2010	2009
Highest during the year, Rs.	320.25 (01/03/10)	248.50 (30/12/09)
Lowest during the year, Rs.	241.00 (10/08/10)	50.00 (12/01/09)
As at end of the year, Rs.	275.00 (31/12/10)	244.75(31/12/09)

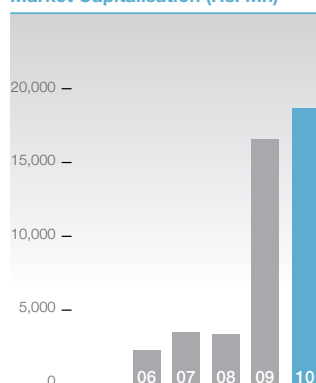
Market Capitalisation

CDPLC has recorded its market capitalisation as at the balance sheet date of December 31st 2010 as Rs. 18,820 Mn. (2009 – Rs. 16,750 Mn.). CDPLC represents approximately 1.0% of the total market capitalisation.

Sustainability Report

Rs. Mn	2006	2007	2008	2009	2010
Shareholders Fund	2,288	3,174	4,401	6,048	7,515
CDPLC Market Capitalization	2,346	3,454	3,422	16,750	18,820
Total Market Capitalization of CSE	834,763	820,652	488,813	1,092,138	2,210,100
As a % of CSE	0.28	0.42	0.70	1.53	0.85%

Market Capitalisation (Rs. Mn)



Shares Trading

	As at 31-12-2010	As at 31-12-2009
No of Transaction	7,640	9,541
No of Shares traded (Rs.)	24,580,556	13,344,600
Value of Share traded (Rs.)	6,825,180,460	1,753,209,350

Earnings per Share

The Earning per share (EPS) of Rs. 29.44 in the year 2010 recorded a negative growth of 5% compared to the last year EPS value of Rs. 31.05. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

However, the level of Stakeholder Satisfaction is the yardstick of our future sustainability and we have seen a marked increase in this and are confident that EPS can be righted in 2011 to reflect an upward incline. Thus Economic Progress, Environmental Concern, Customer and Supplier Relations, and Social Inclusiveness are our main business concerns.

Customers - the drivers of success

Our customer is discerning and demanding and to us, that's an exemplary trait, as it is these traits that drive us towards achieving excellence in everything we do. We cannot afford to compromise, nor can we afford to fall short in quality. We cannot economise but we can be prudent in cost management. We have always striven to give the customer a product that exceeds expectations and given the growth and accolades we have seen and received over the years, our customer has certainly been the backbone in our business, driving us upwards and outwards to achieve success that in most areas may seem impossible.

We give priority to our compliance of international standards, ensuring that we remain on par or exceed regulatory quality compliance regionally and globally, while maintaining an excellent track record in on time delivery, which have all added to our competitive edge in this region.

Initiating dialogue

A comprehensive customer feedback mechanism has been implemented to ensure that customer suggestions, complaints and feedback is collated and analysed regularly. Customer feedback is collected on a progressive basis for each project on reaching identified project milestones. Under this scheme, it is possible to identify customer concerns on an ongoing basis and initiate corrective action, if required.



Chief of Indian Naval Staff Admiral Nirmal Verma warmly welcome by MD/CEO and the Chairman of CDPLC

The Company's customer focus is also displayed by the products and services that we offer which often exceed customer expectations vis a vis quality and timely delivery. Our flexibility in accommodating customer requests and genuine efforts to jointly develop a superior quality product is amply displayed by the number of improvements we continually institute, generally exceeding specifications.

Besides direct communication which is extremely successful, we have also established a wide agency network comprising 11 companies spread across 12 countries which helps us to identify and envisage customer requirements and market trends.

In addition, periodic visits to industry exhibitions and conferences where suppliers showcase innovations in both product and technology provide valuable input to the knowledge base of the Company and this knowledge is permeated through training programs conducted in house, which ultimately allows us the end result of a superior quality product delivered to the customer.

There have also been instances where our customers have allocated resource personnel to conduct various training programs within the Company at zero cost, illustrating the high level of customer relations we maintain among our network of clients.

Best Practices

The quality of fabrication and welding is one of the critical determinants in shipbuilding. The quality control department of the Company is tasked with ensuring that the shipbuilding process meets the stringent international standard.

1. The Company holds more than 90 (Ninety) class approved welding procedures endorsed by the International Association of Classification Societies Ltd. IACS approved classification societies such as Lloyd's Register of Shipping LRS, American Bureau of Shipping ABS, Germanischer Lloyds GL & Det Norske Veritas DNV.
2. In house and third party certification of all welders including sub-contractor welders in compliance with international standards such as ASME , ISO etc
3. A team of certified NDT inspector's accordance with the international standard ISO 9712 and IAEA-TECDOC – 407 & 628 keep abreast welding / quality control.

4. The welding practices of the Company conform to the best shipbuilding standards. Facilities for radiography are also available in house.
5. In house facility/equipment to carry out following NDT techniques to inspect welding and fabrication
 - Ultrasonic testing.
 - Thickness measurement and surveys.
 - Radiography testing.
 - Dye penetrant testing.
 - Magnetic particle testing.
 - Visual Inspection.

Approvals from Relevant Classification Societies for the Process of Shipbuilding



International Surveyors in a Quality Inspection Process

LRS	Thickness Measurement of Hull Structure
DNV	<ul style="list-style-type: none"> • Do measurement on all types and sizes of ships classified by DNV • Manufacture of welded pressure vessels, class II
ABS	• Hull gauging and Enhanced survey procedure (ESP)
BV	• Thickness Measurement of Hull Structure
GLA	<ul style="list-style-type: none"> • Thickness Measurement of Hull Structure • Welding of Hull Structures and welding of pipelines under piping systems class I - III according to GL rules
NKK	• Thickness measurement of NKK vessels
IRS	• Thickness Measurement of Hull Structure

Sustainability Report

Third party certification as approved service provider

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

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

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

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

Our competitive edge:

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

Evaluation of the Quality Management Systems

The Company was selected to be evaluated for the impact of ISO 9001 certification in Developing Asian Economies by the UNIDO Project TE/RAS/09/03 which is collectively organised by the ISO Central Secretariat,

United Nations Industrial Development Organisation UNIDO and International Accreditation Forum Inc in 2010.

Quality improvement schemes

Quality improvement measures are implemented in compliance with the upgraded ISO 9001:2008 International Quality management system.

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

Once the deficiencies are identified, Root Cause Analyses are conducted by the respective teams and presented to concerned parties. Pertinent data is collected and analysed to identify the significance and relevance of the root causes.

The Root Causes impacting the service or product quality are systematically addressed through appropriate Corrective and Preventive Action.

In the case of product development, the Company continues to expand the facilities of our 'Design Department', which generates detailed drawings of 'shipbuilding projects' using in-house resources in both manpower and computer facilities. Using outsourced software for the design of detailed drawings and industry standard 'AutoCAD' software for output, our engineers now have the ability to quickly develop detailed drawings, saving time and incorporating customer requirements including changes and modifications. Since the design engineers have in-house communication contacts with production engineers within the same premises, accuracy of drawings are very high, resulting in the proper use of raw materials as well as reduction in raw material wastage. Further, this process will improve skills, knowledge and experience of local staff with knowledge transfer from vendors with whom we maintain high level of supplier relations.

Expanding our presence

We do realise that our presence must be noted among the global industry, which is an avenue to enhance our customer portfolio. During the year we participated in the following:

Ship Building Machinery and Marine Technology Exhibition of Posidonia in Greece

We also launched the Company in the international sphere with a presentation to potential clients with a launch event in Singapore.

Partnering our valued business partners

The Company maintains committed ISO certified procedures to address registration and administration of manpower/service suppliers and material suppliers.

The Company also maintains a systematic procedure to handle supplier complaints to maintain a high level of supplier relations. In the event of sub contracting companies or suppliers being dissatisfied on various issues including payment delays, facilities being granted etc., we have instituted a number of avenues that can be used to voice these grievances. We also have a ruling that all relevant invoices will be paid within 14 days of receipt and the status of sub contract bill payment are displayed on a notice board twice a week for the suppliers feedback if necessary.

With the intention of supporting the domestic economy, we encourage more material procurement from domestic suppliers, sometimes even at a higher cost.

1. Cables are now purchased from a domestic supplier (Total purchase value is LKR 5,253,358 Mn during the year 2010).
2. Safety shoes and rubber product requirement from Cerndib Rubber Industry and DSI. The Company purchased locally produced safety shoes worth 8 million at a land cost of Rs. 2, 707 during 2010.
3. Total hand glove requirement from Hands International PVT Ltd., an item that was previously being imported. This is one instance that the domestic cost is higher than the imported supplier but given our corporate responsibility initiatives, we strongly believe that we must support our own manufacturers in order to uplift the economy.
4. The dust masks used at CDPLC are manufactured by underprivileged personnel as a cottage industry. An annual approximate expenditure of LKR 6.79 m was spent in 2010.
5. Part of the Soap distributed to the workers is purchased from a sole proprietorship (Nuwan Industries) the entrepreneurship of a visually challenged individual. We purchased 10,500 of pieces of soap at an annual expenditure of around LKR 220,500.

Environmental Sustainability

A ship yard essentially does not work in an environmentally friendly milieu due to the multi faceted issues it generally faces in its day to day work. We have been most conscious of these negativities that arise from time to time and have therefore instituted numerous imperatives that would minimise the impact that our workings would have on the environment.

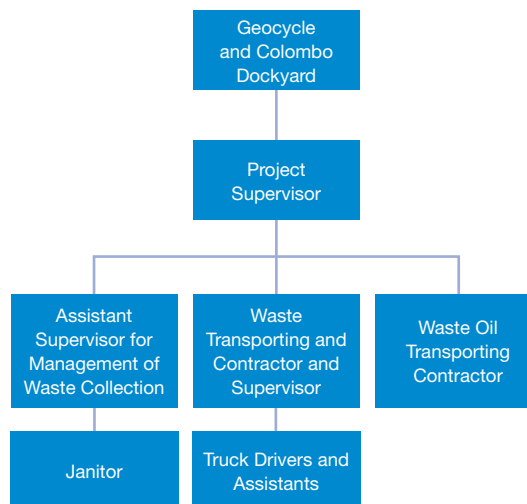
- a) Reduction and management of industrial wastes of all types
- b) Efficient and productive utilisation of raw materials, energy and other natural resources
- c) Adopting environmentally friendly production approaches
- d) Designing and manufacturing ships that are more energy efficient, environmentally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

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

Total Waste Management

The Company undertook an initiative with Geocycle Ltd., a Strategic Business Unit (SBU) of Holcim Lanka for total waste management in 2007. Presently, approximately 14,000 tons of different types of waste generated/collected in the yard is being segregated, co-processed and disposed of in a prudent and completely environment friendly manner.

On Site staff for the Management of Waste Activities at CDPLC



Sustainability Report



Collected Waste being loaded for Re-cycling and Re-use

Cement-Kiln Co-processing is identified as one of the best approaches for management of all types of waste, including waste oils, oily sludge, oil impregnated cotton rags and waste, polythene, un-recoverable plastics, waste wood and saw dust etc. The cement kiln provides the three essential elements for complete destruction of all hazardous components in the waste; i.e. high temperature (around 1,900 OC), turbulence and optimum duration of exposure to high temperatures. The Co-processing at Holcim ensures that in fact, we surpass the internationally accepted norms for emissions and places us, as perhaps the first ship yard in the region to adopt such a comprehensive TWM approach.

Annually, a significant quantity of raw materials, paints and other products are used in the Shipbuilding and Ship repair industry and as a result, a substantial volume of industrial waste is generated. Thus, the efficient collection, co-processing and disposal of such waste becomes a major challenge for a ship yard, both in terms of cost and complexities.

We were generating a total waste quantity of approximately 19,000 metric tons per annum over the last few years but having instituted this pragmatic total waste management process, this has decreased by 13% in 2010, compared to 14% reduction in 2009.

Here are some of the achievements in recycling recorded during the year:

1. Total waste QTY declined by 13% to 2,100 MT, with the main reduction from general garbage and sludge waste

2. Total land filling waste QTY reduced to 26% (3,435 MT) during 2010 compared to 38% (5,800 MT) in 2009.
3. Total recycled and collected waste QTY improved to 74% (9,688 MT) compared to 62% (9,460 MT) in 2009. The collected waste represents 4,986 MT of used grit, subject to exploring alternative usage.

Yard Cleaning Day

We have introduced a monthly Yard Cleaning Day where the entire CDPLC team, from the Chairman downwards physically engages in the clearing of the yard, committing themselves to a cleaner work environment. The team cleans every facet of the yard including the drainage system, improves garbage disposal and eliminates mosquito breeding areas.

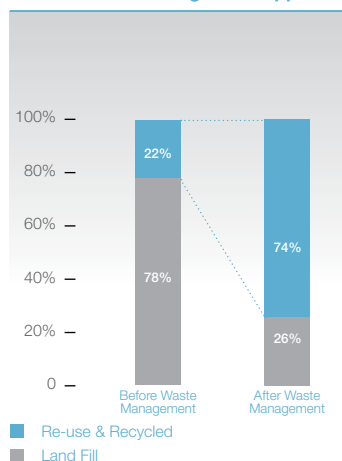
Parallel to the national drive on the prevention of dengue, we implemented a complete dengue awareness and prevention campaign within and outside the yard, keeping the entire surrounds hazard free from dengue mosquitoes.

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

CDPLC Total Waste Management Approach 2010

Type of Waste	Quantity of Waste in Metric tons	Waste Management	%
Waste oil	907	Re-use	6.9%
Pallets	84	Re-use	0.6%
Coconut shells	48	Re-use	0.4%
Cable Drums	6	Re-use	0.0%
Mud with Grit	4,524	Collected	34.5%
Used Grit	462	Collected	3.5%
Scrap Sales	3,203	Re-cycle	24.4%
Food Waste	301	Re-cycle	2.3%
Sludge	91	Re-cycle	0.7%
Polythene	26	Re-cycle	0.2%
Cardboard	19	Re-cycle	0.1%
Grit Bags	8	Re-cycle	0.1%
Cotton waste	6	Re-cycle	0.0%
Saw Dust	4	Re-cycle	0.0%
Paper waste	1	Re-cycle	0.0%
Garbage	3,136	Landfill	23.9%
Mud	236	Landfill	1.8%
Debris	63	Landfill	0.5%
	13,123		100.0%
Landfill	3,435	26%	
Re-use	9,688	74%	
	13,123		

CDPLC Waste Management Approach



Reuse:

Colombo Dockyard PLC makes concerted efforts to re-use whatever by-products and left-over materials are resultant of the production process, although these endeavours can be constrained due to inadequacy of space and constantly escalating energy costs.

Waste oil and oily sludges collected from vessels undergoing repairs and removed from equipment that are being used in the production process (lube oil of diesel generators, compressors and other machinery) are re-used as alternate energy in the cement industry by Holcim Lanka. Sludge is mixed with saw-dust and the mixture adds limited calorific value to the cement manufacturing process, whilst the residue adds to the cement mixture itself.

Coconut shells used in food preparation are channeled directly to the activated carbon industry, thus supporting another export industry.

The abrasive material used for shot-blasting of steel plates and profiles is being effectively re-used and the newly added PSPC facility will further enhance the percentage of reuse of steel shots. Rainwater harvesting is another unique initiative that was adopted in 2008/9.

The wooden pallets and cable drums are re-used either within the Yard or given to other local manufacturers. ACL Cables purchase all cable drums at a nominal price which until then, was simply disposed as waste.

Over the last few years, extensive research was conducted to reuse at least part of the copper grit used for hull blasting. Due to this being contaminated with dust, rust, paints, mud and other foreign particles and

debris during the process of blasting however were major constraints in re-using. However, with continuous R&D being infused into this, we are confident of being able to find a commercially feasible solution, which would signify a major breakthrough, as almost 38% of the waste generated by the Company is used grit and any reduction in that volume, through re-use would move us to the next level in our mission of being a Green Yard, in addition to the ensuing cost benefits and enhanced competitiveness.

Reduce: Adaptation of New Technology

Introduction of new technology is a continuous process at CDPLC and environmental protection and waste reduction is a prime criterion in the selection and adoption of such “new” technology.

The Plasma Cutting Process for steel cutting has resulted in a significant reduction in the consumption of combustible gasses, energy and generation of sound/noise, compared to the traditional gas cutting process. In addition, computer aided cutting (CAM) has improved the accuracy and therefore reduced wastage of steel materials.

Wherever possible, the Manual Metal Arc Welding (MMAW) process has been replaced with state-of-the-art Metal Inert Gas (MIG) and Tungsten Inert Gas (TIG) welding processes, thereby reducing the hazardous gasses produced in the MMAW process. In addition, the latter processes are energy efficient and more productive, substantially reducing energy consumption.

The introduction of fully automated shot blasting machines and introduction of dust extraction facilities to the existing shot blasting machines has resulted in making the working environment dust free, while dust generated during the blasting process is disposed of in an environmentally friendly manner.

CDPLC started using copper slag, which is a byproduct of the iron manufacturing process instead of the traditional sand blasting process. This approach not only supports the steel industry by productively using that generated waste, but also reduces dust emanation.



Environment Friendly Hydro Blasting Process in Place

Sustainability Report

In year 2010, hydro-blasting, a process in which a very small jet of fresh-water under very high pressure (30 liters/min @ 40,000 psi) is used to clean ship's surfaces was introduced to minimise environmental impact on surface cleaning. Hydro-blasting is primarily used for surface preparation in confined areas as well as locations where other machinery repairs are present. The technology is environmentally friendly in terms of dust discharge and residual waste generation.

Use of asbestos in the industry is identified as hazardous to the environment. Thus, as a proactive initiative to eliminate asbestos in the marine industry, CDPLC has taken a voluntary policy decision to refrain from using asbestos or asbestos contained material for our shipbuilding, ship repair and other auxiliary processes. Informatively, asbestos is not banned in Sri Lanka yet, but being environmentally conscious and responsible, CDPLC adopted this initiative and replaced such material with rather expensive, alternate material that is however, non-hazardous.

The Company introduced a unique system called "eSystems", striving to achieve a completely Paperless Secured Electronic Office with easy and ready access to important information both within and outside the Company. Since the introduction of "eSystems", paper printing, document filling and storing has been reduced dramatically.

Protective Coating Systems

The implementation of the Performance Standard for Protective Coating (PSPC) system at Colombo Dockyard PLC is another significant initiative taken towards environment protection through technology advancement. Under the International Maritime

Organisation (IMO) new regulation for Shipbuilding and their Operations, ballast water tanks and void spaces containing sea water are required to be specially prepared and coated, using coating schemes complying with the PSPC.

The PSPC system addresses significant environmental and safety issues inherent in the traditional production process. A cloth filter dust collector extracts dust out of dry air and discharges only clean air. The automatic cleaning of filter bags is executed by a mechanical vibration device which separate dust and carried off via an automatic dust-sealing valve. The dust emission is maintained below 5 mg/Nm³. The silencer attached to the discharge duct reduces the noise level by almost 20% to around 60dB(A).

The dissemination of paint spray and fumes is controlled through a complex multiple filtering system.

The system uses "steel grit" as blast media and this media itself reduces dust generation as the rate of breakage is considerably less than other abrasive media used, including copper slag, garnet, river or sea sand, due to comparatively greater hardness. Further, it is essentially economical due to the very high rate of recovery.

The recovery system includes a screw conveyer and bucket elevator, which returns the cleaned blast media, freed from coarse contaminations, heavy and light dust particles to a storage silo, passed through a shaking sieve and the cascade cleaner. This operation results in less dust generation during blasting, better blasting performance and a longer life for the filter media.

The adoption of PSPC systems ensuring twenty-year performance of the coating systems (by way of ballast tanks) will guarantee that vessels constructed at Colombo Dockyard PLC will have greater sustenance in terms of structural failures and will conform to latest IMO stipulations adopted and monitored by respective Flag States through the Classification Societies. Invariably, the PSPC initiative will lead to reduction in steel repairs, re-coating and increasing operation time of vessels, whilst improving ROI for Vessel operators.

Compressed Air System

The compressed air supply is a vital utility for a shipyard, especially for carrying out effective surface preparations and the use of pneumatic tools, among other purposes. A clean and uninterrupted supply of compressed air service has a strong correlation to productivity which helps to improve the turnaround time of repair ships.

Fully cognizant of the above, the Company invested and improved its compressed air supply capacity by 5,000 cubic feet per minute (cfm) at 8 bar operating pressure with adequate capacity of refrigeration dryers to improve the quality of air.

The new system includes five electrically powered air compressors, of which one is powered through a variable speed drive to economize



The PSPC System in operation



The Compressed Air System near Dry Dock 04

electricity by adjusting the speed, to match on-demand delivery. Further, the system is connected through an intelligent controller, which selects the best combination for even distribution of operating hours among all compressors which are connected to the system. This was another step implemented to reduce environmental impact which resulted in manifold benefits: reducing fossil fuel consumption, emissions, noise, and wear and tear of components as diesel engine driven compressors are replaced with sophisticated air compressors. The increased capacity facilitates operating 16 blasting nozzles, simultaneously during surface preparations which is a 40% increase, leading towards a reduction of repair duration of vessels.

Control of dust dissemination

Two "Wet Screens" with the sizes of 50m x 15m and 15m x 10m have been placed on strategic locations (in line with the dry docks) to reduce dust dissemination during grit blasting operations. The "Wet Screen" is kept wet with continuously running sea-water, supplied through the concurrently running Fire Fighting System, without additional waste of energy. This acts as a barrier for the dust which then is not released into the environment. The waste water emanated is filtered and disposed free of contaminants.

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 below the critical level

CDPLC implements a water treatment process for the wastewater generated from its vehicle garage. All polluted water is directed to separate settlement tanks and discharged, once treated and proved as safe for disposal in the settlement tanks.

Water Saving Initiatives

The Company has undertaken an initiative to introduce a unique water saving system. The high pressure washing system which was used prior for hull cleaning process, wasted a substantial quantity of fresh water. The improvements adapted to the system ensure recycling of cooling water through a bypass arrangement. The traditional high pressure washing arrangement wasted seven units of water whilst using a single unit productively, thus the saving of fresh water with the introduction of improvements is colossal.

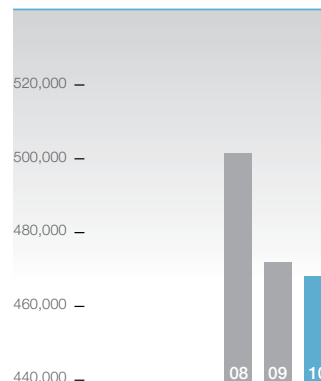
Rain Water Harvesting

CDPLC has adapted more effective means of managing water usage through a comprehensive Rainwater Harvesting Project implemented in 2008. Since the implementation of this project, approximately 60% or 3,000 tonnes of the total industrial water requirement is gained from the rainwater collected in an underground sump. Further, a tube well project is been implemented for harvesting groundwater, to augment the rainwater-harvesting project, especially during rainless seasons.

Use of Sea-water in place of Potable Water

We have also implemented a project to use seawater to control dust dissemination (use of seawater for wet-screens) in the Yard premises and for toilet flushing purposes. These approaches have immensely contributed towards the reduction of consumption of drinking water, supplied by the National Water Supply and Drainage Board through the national water supply system.

Water saving during the period



Sustainability Report

Recycle

The third approach adopted by the Company towards transforming the Company to a Green Yard is in Recycling. In this approach, traditional industrial waste is channeled for recycling and reuse, either by the Company itself or other industries. The largest and most significant achievement is the recycling of all the ferrous scraps (scrap steel, scrap cast iron, cast steel etc.) which we recycle as much as 3,203 Tonnes annually.

Bronze shavings from machining work are collected and recycled by the indigenous bronze casting industry (traditional brassware manufactory). Hitherto, such shavings were usually mixed with general waste and were not suitable for re-cycling. Further, research is being initiated to re-cycle waste Zinc Anodes and other non-ferrous wastes accumulated in the Shipyard, by developing a suitable non-ferrous alloy that can be readily utilised by the cottage industry that manufactures traditional brassware.

Solid bronze waste is reused in our own foundry and smelted for our own castings, which reduces funding expended to import bronze ingots.

Social Sustainability

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

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

Human Resource Development

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

mechanistic predefined structures or frameworks when it comes to managing HR issues.

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

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

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

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

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

Workforce Strength

CDPLC has a total workforce of 1684 as at 31st December 2010 excluding subcontract employees.

Employment by Sex	No of Employees	Men %	Women %
Management	190	182 96%	8 4%
Supervisory	222	222 100%	0 0%
Clerical & Allied	75	43 57%	32 43%
Industrial Workers	1,186	1,186 100%	0 0%
Total	1,673	1,633 98%	40 2%

Currently, women are employed predominantly in management, clerical & allied grades considering the nature and scope of jobs which they have to undertake. Though, the management is endeavouring to engage female employees as well, to the best possible extent in the production activities, the dangerous, difficult and dirty connotation associated with Ship repair/ shipbuilding industry also adds in discouraging female counterparts taking up such jobs within our system of socio-cultural values and beliefs. However, the gender-wise salary distribution among the clerical grade, where the majority of female employees belong, portrays an equitable picture with a basic salary distribution ratio of 1:1 between males and females. Similar gender based comparisons among executive, foremen/ supervisory and industrial categories would not be realistic since the female numbers in those are minimal.

Employment by Age Group

Job Category	No of Employees	Age Group (Years)		
		18 to 30	30+ to 40	40+ & Above
Top Management	6	0%	0%	100%
Exe/Engineers	184	11%	19%	70%
Supervisory	222	4%	12%	84%
Clerical & Allied	75	9%	27%	64%
Industrial	1186	23%	28%	50%
Total	1673	18%	24%	57%

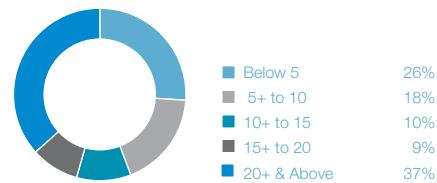
The above analysis demonstrates that there is no discrimination based on age of the employees, though a significant skewness is observed towards senior employees, which is normal in organisations inherent with life-long employment approach. The Company believes in starting young, from the basics at the shop floor level in developing core competencies that are vital in developing and maintaining the organisation's technological prowess. Thus, as a policy, the HR is focused in attracting technical talent which has the CDPLC foundation. Priority is given to those trainees who have successfully completed their training in the Company itself, developing required technological skills, absorbing organisational values and transforming attitudinal modifications, compatible with the CDPLC culture and corporate vision. In additions, preference is also given to employees' children who are armed with required knowledge and fortified with positive attitudes under the recruitment policy. This is strong antecedent of building and sustaining organisational commitment of our employees, taking the company beyond the team concept towards a family concern.

Segmental Analysis of the Workforce

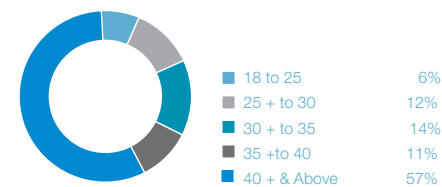
Job Category Analysis



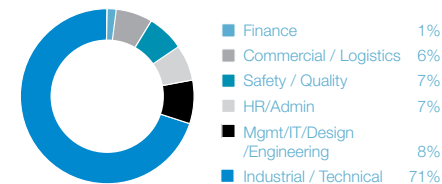
Service / Experience Analysis



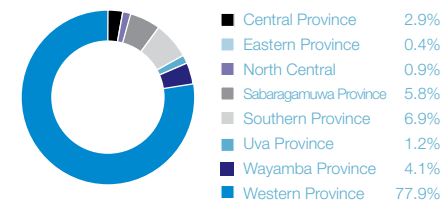
Age Analysis



Professionalism Analysis



Employment by Province



Employment by contract



Sustainability Report

Employee Turnover

Employment	No of Employees	Turnover Ratio	Age Group		
			18 to 30	30 to 40	Above 40
Permanent	1336	Zero			
Contract	337	0.04	6	3	3

The Company's employee turnover ratio in 2010, which is close to zero proves that the job satisfaction and job security are at a very high level. The turnover ratio of the contract-basis employees too is low, which is at 0.04%.

Rewards, Remuneration and Benefits

Employee Recognition

The Company provides high salary and remuneration benefits to its employees that are well above the local industry standards. The Company recognises the right of employees to engage in Collective Bargaining, and uses such initiatives to engage in a dialogue to address issues of mutual interest and relevance, in deciding levels of annual remunerations and benefits granted to employees. The following main benefits are provided to all employees within a rich basket of benefit schemes.

- Bonus for all employees
- Loans for housing & vehicle purchasing
- Welfare Facilities
 - Subsidised meals, snacks and tea free of charge
 - Budget Shop, managed by Welfare Association, to procure essentials at lower prices
 - Laundry facilities for washing overalls
 - Canteens
 - Contributions at funerals and weddings
 - Distress Loans through the Welfare Association
 - Holiday Bungalow at Nuwara Eliya, managed and operated by the Welfare Association

The above practices have supported ensuring a long lasting industrial harmony within the Company.

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



The Hull department is awarded for the Best Division of the Year

The annual Best Employee Award Ceremony was held in June 2010 at the Sri Lanka Foundation Institute for the seventh consecutive year with 23 employees rewarded with certificates and trophies. In addition, six special awards were presented to individual employees for their excellence in performance Auditing, Industrial Safety, Employee Welfare and for the Best New Productive Suggestion. Seven special awards were also presented to the best divisions. The Company invested Rs. 709,030 for the event this year.

We also recognise the dedicated services of all team members who have served the Company over a long period. They too were felicitated. In the last 13 years, 1,330 employees who have served beyond 15, 20 and 25 years were awarded with Gold Sovereigns.



One of Best Employees is Bestowed His Award from his Mother

Number of employees completing 15 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	2010	13
2004	78	TOTAL	1274

Facilities and welfare

In order to optimise productivity and efficiency and to institute our policy of a good work/life balance among our team, we have provided quarters and dormitory facilities for single or married employees in certain categories. The team as well as trainees are provided breakfast, tea and snacks free of charge, while lunch and dinner is provided at a subsidised rate.

The company Welfare Association (CDLWA) with a membership comprising all permanent employees, operates as a voluntary movement taking a lead role in company's CSR projects in addition to providing a range of benefits and other welfare facilities to its members.

Sports days, religious and cultural festivals and family days and annual trips are organised by the Welfare Association, in addition to a host of other benefits instituted for the benefit of the membership.

The Company provides scholarships for undergraduate children of employees and this year, granted a total of 27 scholarships for a total sum of LKR 1,036,000.

The Welfare Association joined the management in contributing Rs 45,000 towards the effort of granting scholarships to thirty students of employees, who passed the Grade V Scholarship examination.



Scholarships to Grade 5 Students

Medical Facilities

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

In-house Medical Center

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

Two members in our team who won national awards and participated at the 16th Asia Masters Athletics Championship 2010 in Malaysia was sponsored by the Company to the value of Rs. 156,800, for their air tickets, visa, passport, medical tests and event fees.

The Company's annual family get together which collates 7,000 people comprising employees and their families was held at Sathutu Uyana in December with an investment of Rs 7 million expended towards this gigantic effort.

A book fair, 'Navthota Poth Wasanthaya' was organized by us aligned to the National Literature Month to inculcate the habit of reading among our employees.

We also arranged a special Open Day for retired employees to help them in chartering their future and in recognition of the valuable service they have extended to the company. In the form of a get together, the event had the participation of the entire dockyard family including employees, families, labour unions and management.



The Staff of the Medical Center

Sustainability Report

Industrial Relations

Industrial relations within the Company stand at very significant level with the Company in past years, having experienced a number of industrial disputes related to political conflicts at national level. Having recognised the negativities that arise due to labour unrest and given that our business is built on trust, confidence, values, ethics and a sense of ownership, we began to build relationship tenets as a firm foundation for development.

This year, we launched a campaign to improve productivity with the participation of all labor unions and associations. The campaign was designed with six interactive open forums on “Civic Leadership for Contemporary Organisational Setup” with the aim of educating and changing attitudes of key personnel who actively participate in trade union activities. Six external resource personnel from economic and political backgrounds and the MD/CEO of the Company conducted the series of open forums.



Final Seminar “Civic Leadership for Contemporary Organisational Setup” at Namel-Malini Punchi Theatre

Training and Development

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

In-house Training Center (Knowledge Center)

We maintain a fully equipped training center for industrial, technical and managerial training, which coordinates a wide range of training programmes, seminars, workshops and other awareness programmes. The Training center is registered at TVEC according to Clause No. 14 of the Tertiary and Vocational Education Act no. 20 of 1990. The Accreditation of the current Training programmes and the establishment of the QMS required by TVEC will enable the Training Center to be upgraded to Grade A+ Training center.

The knowledge center which comes directly under the department of Human Resource Development provides facilities for training and skill development programs for all employees from welders to engineers and managers. We use the expertise of engineers, managers and training coordinators based within the company, as well as external intellectuals, trainers and other professionals sourced locally and overseas as resource persons at the knowledge center.



Managers, Engineers and Executives are in an in-house training session

Outward Bound Training

The Company organises annual outward bound training for selected groups of employees. Seventy new recruits below forty years of age were provided one day's outward bound training in November in Bolgoda, focusing on improving leadership skill, teamwork, attitudinal transformation and self discipline while instilling a basic understanding about corporate objectives and goals.



A scene of the outward bound training at Bolgoda

Training Provided for All Employees during 2010

Course Category	Divisional Head	No. of Participants				Grand Total
		Executive	Supervisory	Clerical	Industrial	
Computer Training		3	2	1	1	7
Electrical Engineering		1			8	9
Electronics And Automation			3		11	14
English		8	51	1	1	61
Financial Management	2	6		1		9
General Management	2	89	4		110	205
Human Resource Development And Administration		4	52	7	68	131
Industrial Safety And Health		5	21	2	91	119
Law	1	13				14
Marine Engineering		1	2			3
Mechanical Engineering		5	43		229	277
Productivity And Quality		10	13	14	144	181
Supply And Material Management		12	8	10	2	32
Yard Operations		1	18	3	45	67
Grand Total	5	158	217	39	710	1129

Managers were offered following trainings, seminars and workshops locally as well as internationally

Training Category	Theme of Training
General management	Developing Managers for Future Advanced Business Writing Corporate Enhancement, Social & Business Etiquette NUS-General Management Program - Singapore Emerging Approaches in Management Accounting Professional Project Management Data Analysis: Basic statistics for Managers Budgeting & Forecasting Techniques
Industrial safety and health	Chemical Safety & the Usage of Personal Protective Equipment National safety & Health Conference
Business Law	Arbitration & Drafting Business Contracts Labor Law and Industrial relations Sri Lanka Health and Safety Law
Productivity and quality	kaizen management
Technical & IT	
	Advanced Welding technology - India Coating Inspector Program - NACE Level 01 - India Electrical Installation, Automation & Protection NDT training - UT ,Liquid Penetration & Magnetic Particle Testing Oracle Database 10g SQL: Fundamentals I & II Hydraulics Training Programme Software Licensing & Compliance Oracle database SQL training
Supply and Material Management	Stock & inventory control techniques for tough times for business E-customs training program CILT international conference 2010 Sri Lanka Incoterms 2010 Supply Chain Management - The Learn Approach

Number of Foreign Industry Visits 2010

Country	Total no of Visits	Purpose of visits				
		On board	Management	Exhibitions	Training	Other
India	58	25	5	11	12	5
Singapore	22	3	11	6	1	1
Japan	18	9	5	3		1
Germany	8		3	5		
Dubai	7	2	2	1		2
China	6		3	1	2	
Indonesia	6	6				
Korea	6	4		2		
Other countries	11	1	6	2	1	1
Total	142	50	35	31	16	10

Sustainability Report

National Vocational Qualification NVQ

This year, we introduced the National Vocational Qualification framework into the Company with the objective of enhancing technical skill development of production workers. This assists in the evaluation and assessment of employee performance based on their technical competency. This framework has been established by the Tertiary and Vocational Education Commission (TVEC) for the Technical and Vocational Education and Training (TVET) sector of Sri Lanka.

The NVQ framework provides an employee the ability to obtain a certificate by undergoing training at an accredited institution, while recognising competencies acquired through informal non-institutional means. The certification provides an opportunity for employees to earn a Degree up to NVQ level 7 as per the framework.

The Company presents the NVQ for its employees through RPL (Recognition of Prior Learning), which assesses previously unrecognised skills and knowledge acquired outside the formal institutional training. It determines the extent to which the trainees have achieved the required competencies as set out in the relevant National Skills Standard leading to a qualification of the NVQ framework.

Therefore the Company has identified industry level employees including welders, fabricators, machinists, fitters, plant operators-fitters and electricians to undergo the RPL assessment, which once compared to the National Skills standard, will be submitted to NAITA for assessment.

Transparency and Open Dialogue

We strongly believe in a culture of open dialogue and have continued to institute effective communication

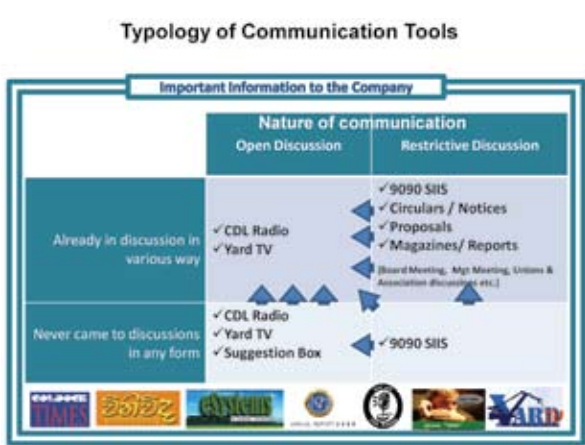
strategies that will propagate this culture. From cross functional teams, to open forums, to numerous communication channels, we have effectively managed a two way conduit that empowers our team to comment, give ideas and discuss company issues that will have an impact on the macro picture of the organisation.

Magazines, Reports, Proposals, Circulars & Notices, Employee Suggestion Scheme, In-house radio channel and in-house television channel as communication tools play a prominent role in the company.

Yard TV: The In-House Television Channel

During the year 2010, the Company introduced a new television system called Yard TV with the main objective of improving internal communication, which was previously identified as a lacuna. 32" LCD TVs have been commissioned in each canteen with a telephone facility that enables any employee to join into live discussions. Yard TV:

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



Yard TV: The In-house TV Channel

“Ape Handa” – In-House Radio Channel

The in-House Radio channel utilises the Public Address System to communicate at macro level. The radio deals with current issues relevant to the Company including live interviews with different stakeholders (management, trade unions, Project Managers etc.), whilst highlighting Safety Messages, Management Communication and other relevant news.

Quarterly In-house Publication “Vinivida”

CDPLC publishes and distributes the internal quarterly magazine titled “Vinivida” (meaning - transparency) for all employees free of charge. It deals with contemporary management themes relevant and pertinent to the Company and often deliberates on critical issues. It is found to be an effective and direct communication medium to deliver messages to the employee base at all levels.

CDPLC MIS and Local Area Network

As many as 330 PCs functioning as Work Stations are integrated to a LAN through which communicates and exchanges raw as well as processed information. Data input related to attendance, job opportunities, material requisitions, issues, purchases, stocks, financials, meeting minutes, CDPLC Quality Management System (CDPLC QMS), etc. are all integrated to the CDPLC Management Information System, accessible by a large pool of employees at different authority levels. It is also possible to share and deliberate on Designs and Drawings through the LAN.

Internal email facilities are provided for 330 of employees including managerial personnel, of which 225 have access to Internet. Trade Unions as well as the Welfare Association are also provided e-mail facilities.

Tele & Radio Communications

Internal telephone facilities have been provided to 600 employees with privileges of external communication through the exchange. Eighty managerial level personnel have been provided with company sponsored mobile phone facilities. In addition, 114 hand-held 5 watt capacity two-way VHF Transceivers plus five Mobile/Fixed 25 watts capacity VHF Transceivers are used to coordinate mission critical repair work and operations at field level. The Public Address System covers the entire 11.1 h territory of CDPLC work place including offices and workshops.

9090 – Sensible Information Investigation Service SIIS

New prudent communication channels are required when dealing with a very large team like ours spread

over a wide geographical area. Having identified issues that may need to be addressed in establishing a communication tool which can cut through boundaries, structures and hierarchy, we established the 9090 – Sensible Information Investigation Service or SIIS, a telephone service that allows any employee to connect with higher management in confidence, to comment, suggest or propose any matter that would be productive to the Company.

Cross Functional Committees (Teams):

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

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

Employee Suggestion Scheme (ESS)

An organisation-wide Employee Suggestion Scheme “Yojana Pettiya” (ESS) has been implemented to obtain suggestions and proposals from employees. The suggestions collated thus far have been productively and positively geared towards energy conservation, improving the production process, employee health, environmental protection and productivity improvement.

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

- Board Meetings - deals with policy matters and sustainable growth of the Company
- Management Committee Meetings - Once every fortnight to deal with Operational Management Decisions, Strategy Development,
- Sales Meetings - Once a month
- Strategic Progress Review Meetings - Once a month
- Health, Environmental and Safety Advisory Committee meeting (HEASAC) - Once in every six months.
- 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 & welfare Association
- Groups Discussions

Health, Safety and Environmental Performances

Extremely concerned and conscious about Occupational Health and Safety within our environment, we have instituted numerous initiatives, some of which were detailed before in the Environment section, to ensure that our employees work in a healthy and safe environment. Ours is a business that's considered worldwide as dangerous and

Sustainability Report

dirty although at CDPLC we are striving to move away from this axiom and make our yards a clean, safe and healthy one which conforms and complies with all health and safety measures. We are mindful of the harm our employees face - noise, dust, and lack of ventilation (air), fire and accidents - and have adopted strenuous procedures to control the impact of such hazards. Hazardous situations are carefully identified and monitored by an independent Safety Department, who are adequately trained to do so.

Employee Safety

Employee safety is a prime concern and our aim is to eliminate or minimise any facet that may endanger our employees. Employee safety issues are chartered, defined and put into practice based on corporate policies, standards and procedures. CDPLC maintains a comprehensive and stringent safety management system to promote and enforce a culture under the theme of "Safety First" among employees and subcontractor partners with the intention of achieving zero incidents.

Safety Policy

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

Colombo Dockyard PLC shall:

- Provide safe plant, machinery, equipment and systems of work;

International Memberships for Employee Safety Management

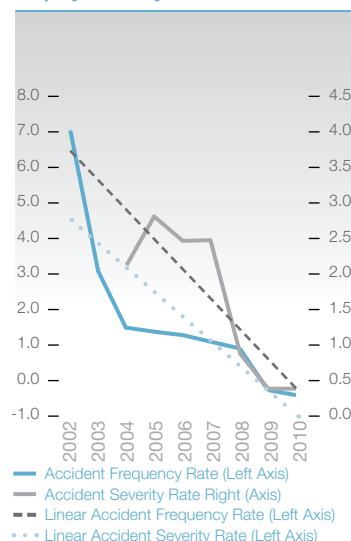
The Company as a member of British Safety Council (BSC) since year 2001, gains an opportunity to exchange and upgrade safety related information prevalent around the world. We have also development our safety management system.

Safety Performance

Year 2010 was the best ever in Safety performance in our history with the two main Performance Indicators, (Accident Severity Rate & Accident Frequency Rates) continuing to decline.

The Health, Environment & Safety Advisory Committee (HESAC) in early 2010 set a target for ASR as 0.85, which we surpassed, reducing ASR to 0.84.

Employee Safety Indices of CDPLC



E-News and Accident Notification as New initiatives for Safety Awareness

We also adopted a new communication strategy called "Safety Alert", an E-Magazine to communicate recent accidents and/or near misses to create awareness among our team on potential hazards. This E-Magazine circulates monthly and is an initiative of the in-house safety department. Hard copies are displayed on notice board as well.

A new module to enter all accident data into our MIS has been introduced. This module speedily activates emails to all engineers, as soon as any accident reported within the CDPLC.

OSHAS Certification

During the year, we requested LRQA to perform a gap analysis to identify weak areas in occupational health and safety. The findings of this gap analysis helped the Company to have a deeper understand of strengths, threats and weaknesses, which spurred us to work on bridging those gaps. We also continue upgrading our safety manual, procedures and work specifications with an objective of obtaining the OSHAS 18001 certificate for the safety management practices in 2011.

Tanker Safety Training (CINEC)

Identifying the trend of obtaining more LPG and Chemical Tankers into our yard for repairs, the Safety Department arranged Tanker Familiarization training for company managers and executives at the Colombo International Nautical & Engineering College (CINEC).

The aim of this training is to enhance the understanding on safety requirements pertaining to chemical/LPG tanker repairs, thereby reducing and preventing accidents. The training of the first batch has been completed and the participants begun cascading awareness programs to their subordinates at CDPLC's training center.



Proactive Safety Measures in Place: Before Sea Trials

When a newly built ship is being readied for sea trials, additional safety precautions must be taken to ensure that the necessary HSE standards are maintained. Such precautionary measures particularly emphasize on:

- Potential overcrowding
- Long working hours
- Possible presence of inexperienced non-seagoing personnel on board

While the shipyard is responsible for the supply of all regulatory life-saving and firefighting equipment for sea trials, any deficiencies are brought to the attention of the ship yard and rectified immediately, before sea trials commence.

All personnel attending the sea trials will be made conversant with the emergency facilities available on board by displaying instructions (Life jackets, Muster station, fire exits, emergency alarms of the vessel, Life boat, life raft and first aid etc.), making public announcements using the public address system in the vessels, while the ship yard will carry out a fire and boat drill shortly after leaving the quay.

A Risk Assessment will also be carried out in line with the guidelines above, according to the sea trial check list available in the Safety department and in the Design department (Safety manual).

Safety Representative in the Shipbuilding Sector

In order to maintain our near perfect record in accident prevention, all employees must commit themselves unconditionally to safety. Employees with day to day experience of a particular work process are a valuable source of information and are called upon for advice on situations which may have potential to cause injury or illness. These employees can also offer ideas on how hazards can be best addressed.

In view of this, HSE inspectors/representatives have been trained in the new construction sector, since work in this field is expanding, especially in areas which are experiencing growth and as a result, require more health and safety inspectors to ensure that living conditions are safe and healthy. HSE inspectors/representatives are responsible for assessing workplaces with the goal of reducing the possibility of harm. Some engage as active inspectors, evaluating workplaces and issuing reports, while others function as advisors, infusing their expertise to workplaces.

The work force of the Company is given responsibility and authority to identify, define and monitor their individual behavioural patterns and instigate their own safety improvement targets. They are able to redefine their own safety related norms as a result. Line management facilitates this process by providing the necessary recourses and support to encourage "employee ownership in safety", instilling a proactive safety culture.

We also find that our employees have also developed effective communication methods to interact with foreign workers. These include daily/weekly toolbox meetings for workgroup leaders conducted by supervisors before the beginning of the work day, to explain processes and relevant safety procedures. Workgroup leaders explain and demonstrate safety instructions, translated into languages familiar to the participants.

Safety Education

We continue to strive to reduce accidents in the workplace with prevention and improvements in safety performance. Numerous safety awareness programs numbering about three hundred were carried out during the year, cascading to every level of employee working in the yard.

New Aspects of Safety: Behavioral Based Safety

Colombo Dockyard recently embarked on a Behavior Based Safety (BBS) Programme in order to build a strong safety culture across the



Workshop on BBS is Conducted by Foreign Professional

Sustainability Report

company's operations and galvanize the workforce by enhancing their safety competencies in order to work towards a zero incident work place. The main purpose of this program is to uplift the safety standards in the yard to meet emerging challenges.

The core philosophies of the BBS approach are complementary to those of many other programs within the CDPLC. For example, BBS supports safety management by giving an avenue for employee involvement and a systematic approach to identify and correct behaviors and conditions that lead to injuries. BBS applies across a broad range of safety areas of production floor or in the office and is applicable off the job as well.

Safety Audits

The Company implemented Safety Audits in workshops and other general areas, to reduce accidents and identify potential risks arising in the working environment. In addition to the Safety Audits conducted by top management, the Safety department also published an audit calendar and began a Safety Patrol in 2010.

The Safety Patrol is a key element in our Hazard Identification & Risk Assessment process. Every audit team comprising all levels of employees, from managers to subcontract employees make yard visits weekly under the direct guidance of a Company director to fulfill the above requirements. Total time allocation per visit is about one and half hours and the total man-hour involvement per year for this process is about 480 man hours.

Safety Rewards

To improve the commitment of company employees towards yard safety, an employee is selected as the "Best Safety Committed Employee" annually, identifying and rewarding the employee who has extended his fullest support to prevent accidents and work with the highest commitment in rescue operations.

The Safety Department also established a Safety Library to enhance the knowledge of the team with facilities provided by sources akin to the British Safety Council.

Safety Attire

All employees are equipped with adequate safety and protection attire and gear relevant to their work scope. Personal Protective Equipment including 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 provided.

A complete safety patrol is carried out every week collating over 600 man hours per six employees, which includes two directors, two senior managers and two industrial employees on Yard Safety Observation.

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

The Fire Unit

CDPLC has established a dedicated Fire Unit with the objective of preventing fires, attending to emergency situations, fire fighting and carrying out rescue operations. The team comprises two executives, seven fire prevention supervisors and 37 firemen. Fire watch is provided for all ships onboard, both under repair and in new construction on a 24 hour basis. The fire watch helps control unsafe hot work through issuing hot work permits, supplying firefighting equipment such as portable fire extinguishers, hose reels and charge fire hoses, carrying out tool box meetings, pocket meetings, gangway meetings, educating programs and fire and rescue drills. A team of six firemen and one fire supervisor is always available in the yard to attend to emergency situations at all times.

There are 89 fire hydrants in the yard covering all docks, piers, workshops and the office, maintained at five-bar pressure 24/7/365. Further, 203 Fire Points are scattered around the yard, with a total of 297 portable fire extinguishers (CO2 – 181, Water – 71, Foam – 35, DCP – 10) for first aid fire applications.

The Fire Unit usually implements joint fire and rescue drills, familiarization visits and training programs with the Fire Brigade of the Sri Lanka Ports Authority which is 800m away from the yard. This joint effort strengthens fire security within and outside the premises.

During 2010, there was no major or moderate fire incidents with a minor 16 negligible incidents reported.



The Fire Unit staff is in a rehearsal

Fire Training

Name of Event	Number of sessions	Employees participation	Man hours
Advance Fire & Rescue course for all firemen and fire supervisors at Port Fire Brigade	Five batches each having 8 members for five days	40	1600
Fire training for industrial grade employees and subcontract employees	At 15 locations all over the yard for 45 minutes	443	332
First-aid training for Fire / Safety / Medical Center employees	One day session at training center.	30	240
Trainees and other	Two or three per batch for six times	15	600

Sustaining our community

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

Our sustainable development platforms in our social definition revolve around better health and education, knowledge development and primary shelter.

Health and Education

Long-term Ward Renovation Campaign of the Kalubowila Teaching Hospital

We renovated and maintained Ward No.2 of the Kalubowila Teaching Hospital, a project that will continue for four years. We have also involved our subcontractors into this project by requesting their expertise in painting, steel work and civil work. We've decided to request our sub contractors to partner us in our community related

activities in a bid to strengthen our relationship with them as well as in an overall nurturing of relationships between the subcontractor, the community and the company.



MD/CEO presenting the agreement for ward renovation to first lady Shiranthi Rajapaksa

Donations to hospitals

We also renovated the children's ward of Rathmalgaha-wewa Hospital, Horowpathana, Anuradhapura at a cost of Rs. 448,505. The renovated ward was handed over to the hospital authorities complete with ten beds with mattresses, mosquito nets, bed sheets, pillows and pillow cases, one refrigerator, one 21' TV, 12 child chairs and 12 large chairs, two water tanks, name boards, one computer chair, one cupboard and toys, while the team also painted the entire ward.



MD/CEO is delivering a speech at Rathmalgaha Wewa Hospital

Sustainability Report

Holistic development for the wellbeing of children

We donated the “Sadasarana Mathru Daraka Madyasthanaya” child care center with meals for the day and provided gifts of school bags, exercise books, stationery, toys, small bicycles, carom boards and mosquito nets to the value of Rs 32,000. A full day's activity was organized for the children as well, with a musical band in attendance.



The children of child care center is enjoying the music

We also donated equipment and stationery valued at Rs 250,000 to the children being educated at the Parana Govipala Viduhala at Lahugala, Ampara where 114 children hailing from very difficult and challenged backgrounds attend school.



Children of “Parana Govipala Viduhala” are in Happy with Gifts

Knowledge Development

National Exhibitions

As an export oriented company, our product is not generally promoted or focused upon propagation in local markets. However, with the purpose of disseminating knowledge to the community, the company participated in numerous national exhibitions including the Boat Show 2010 and the Maritime Exhibition held by the Sri Lanka Navy.

At the sixty year anniversary commemorated by the Sri Lanka Navy, we displayed our very own naval attack craft to the public, while educating people about local shipbuilding technology, innovations and technical aspects of the vessel. Through Yard TV, we also showed visuals of locally built ships at the exhibition which was attended by students both secondary and university, professionals, public and private sector employees and HE the President.

Having developed our competencies to levels on par regionally and internationally, we are most proud to showcase some of our vessels, which are pioneering efforts in this region, complete with a ‘Made in Sri Lanka’ label which gives us great pride in having been instrumental in placing Sri Lanka on the shipbuilding map.



A Navy Attack Craft which is built by the Company is displayed for Public at 60th Anniversary of SLN

Knowledge Dissemination for Forces

We continue with practical and on the job training at our yard for the marine engineering corps of the Sri Lankan forces.



Forces are in field visits

An Open day for the Employee Family Members Including Retired Employees

The Company is located in which is the mid of Sri Lanka Ports Authority a high security area to the public. Therefore access to the port premises as well as to the Company premises is restricted to the public and need special arrangement for business visits too. However the Company understanding the value of allowing family members of the employees to visit the Yard was declared as an open day arranging all facilities to the family members in 2010.



Employees and their Family Members in a Bottom of Dry Dock at the Open Day

Understanding the value of the retired employees, the Company arranged a special event for all the retired employees at the same day to give them a value for their service extended to the Company while giving knowledge of the progress of the Company at present as well as future development planning too. The Open Day gave a real meaning to the “Dockyard Family” where all employees, their family members, labor unions,

managers as well as retired employees could get-together and share values, thoughts, experiences and many more.



Retired Employees in a formal gathering were been appreciated

The Knowledge Center

While training our very own team, the Knowledge Center is a learning ground for university students, trainees from the National Apprenticeship & Industrial Training Authority NAITA, the Colombo International Nautical Engineering College (CINEC), Asian Aviation Centre and Apprentice Training Institute, with most programmes conducted free of charge or charged for nominally for meals and personal protective equipment.



Trainees while in a close monitoring

Sustainability Report

S/N	Description	Objective	No of Persons
01	I.C.B.T – Trainees	03 months period of industrial training under a supervision of a Qualified Engineer to fulfill the academic requirements.	02
02	M.P.T.I.- Trainees	06 months period of industrial training to fulfill the academic requirements in Marine Engineering	20
03	Asian Aviation	06 months period of industrial training to fulfill the academic requirements in mechanical engineering for the degree in aeronautical engineering	10
04	Welding Training	For gain the experience in welding field to qualify as Class approved welder	18
05	C.I.N.E.C – Trainees	Gain the experience in marine field as a marine engineering cadet or electrical engineering cadet to fulfill the academic requirements.	219

The training center provides training facilities for outside parties including meals & personal protective equipments. Only a professional fee is charged from certain organisations.

However all trainings for students of NAITA is provided totally free of charge.

Further, the Company continues an active educational partnership role with almost all related Universities and Professional Institutions for the development of entrepreneurship skills. Listed below are some of the important interactions:

- In-plant training for Engineering, Management, Computer Science Undergraduates from Peradeniya, Moratuwa, Ruhuna, Colombo and Kelaniya universities.
- On the job training for employees of Sri Lanka Ports Authority and other government institutions and on request for private institutions, giving 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.

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

Personality Development

The Company initiated a Personality Development and Professional Guidance programme for children of the employees within the ages of 18 to 25 years. An illustrious panel of resource persons who are experts in career guidance and personality development conducted the programme for 96 participants.



The opening of Personality Development and Professional Guidance Programme at Mahaweli Center

Primary Shelter

Our team initiated the construction of a home for NVNP Kumara, a Senior Fireman who works for the Company. Built at an investment of Rs 140, 280 in Wariyapola which was expended on building material, labour was volunteered by family members, relatives and friends.



Mr. Kumara was Donated a New House at Bamunukotuwa

Another similar project was for the construction of a home for the family of a sub-contract employee who died in an accident with funding granted by the Company, employees and other subcontract companies at a cost of Rs 116,000, also in Wariyapola.



The Family of Mr. Asoka was donated a New House at Wariyapola

Future Direction on Sustainability

Many of the contemporary problems within the current fast paced socio-economic environment faced by people engaged in business are seem to be caused by lack of right focus and spiritual well being. The Company believes that the total process of social inclusiveness process originates from employee concern; the people factor of the company first, and develop towards family and societal concern.

The history has evidenced that the total social inclusiveness process is a matter of employee understanding and focus on social values. Therefore, our future direction, reaching a new level of sustainability, focusing on improving the level spiritual intelligence, will start from the employees. This would result in developing a right mindfulness, first among employees which is expected to resonate towards the family and then to the society, creating a right kind of social inclusiveness in future!

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Sustainability Report

Global Reporting Initiatives (GRI) Index

GRI Index	GRI Definition	Reference in the Report / Description	Page/s of Reference
Profile			
1.	Strategy and Analysis		
1.1	Vision statement	Vision	2
1.1	Chairman, MD/CEO statement,	Chairman's Review and CEO's Review	7 - 19
1.2	Description of key impacts, risks and opportunities	Risk Management	50 - 51
2.	Organizational Profile		
2.1	Name of the reporting organization	Colombo Dockyard PLC	
2.2	Primary brands, products and services	Ship repair, Shipbuilding, Heavy Engineering and Offshore Engineering	
2.3	Operational structure of the organization	The Governing Structure	61
2.4	Location of organizational head quarters	Port of Colombo	
2.5	Number of countries	One	
2.6	Nature of ownership and legal form	A Holding Company, Public Limited Company	
2.7	Markets served	Chairman's Review and CEO's Review	7 - 19
2.8	Scale of the organization	Large Scale	
2.9	Significant changes during reporting period	Corporate Milestones	52 - 93
2.1	Awards received in the reporting period	Achievements 2010	54
3.	Report Parameters		
	Report Profile		
3.1	Reporting period	2010/01/01 – 2010/12/31	59
3.2	Date of most recent previous report	2009/12/31	
3.3	Reporting cycle	Once a year	
3.4	Contact point for questions regarding the report or its contents	Contact Details for Sustainability Report	89
	Report Scope and Boundary		
3.5	Process for defining report content	Content of the Report	
3.6	Boundary of the report	No	
3.7	Limitations on the scope	No	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and /or between organizations	MD/CEO's Review	13 - 19
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Simple statistical calculations with help of MS Excel	
3.1	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	None	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Significant Accounting Policies	110 - 117
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report	Global Reporting Initiatives (GRI) Index	90
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report	None at present	

GRI Index	GRI Definition	Reference in the Report / Description	Page/s of Reference
4.	Governance, Commitments, and Engagement		
	Governance		
4.1	Governance structure of the organisation	The Governing Structure	61
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Yes	
4.3	For organisations that have an unitary board structure, state the number of members of the highest governance body that are independent and/ or non-executive members	Corporate Governance	45 - 49
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Sustainability Report – Social Sustainability	80 - 81
4.5	Linkage between compensation for members of the highest governance body, senior manager, and executives and, the organisation's performance	Not estimated yet	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Sustainability Report – Social Sustainability	80 - 81
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	(Not revealed)	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Sustainability Report	58 - 89
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	MD/CEO's Review and Chairman's Review	7 - 19
4.1	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	None	
	Commitment to External Communities		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Sustainability Report – Sustaining Our Community	85 - 89
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Sustainability Report – Sustaining Our Community	85 - 89
4.13	Memberships in associations and /or national/ international advocacy organizations in which the organization	Sustainability Report – Stakeholder Engagement	59 - 61
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report – Stakeholder Engagement	59 - 61
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report – Stakeholder Engagement	59 - 61
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Sustainability Report – Stakeholder Engagement	59 - 61

Sustainability Report

Management Approach and Performance Indicators

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Economic				
		Disclosure of Management Approach		
Economic Performance Indicators				
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Sustainability Report – Statement of Value Addition	62
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	No	
	EC3	Coverage of the organisation's defined benefit plan obligations	Sustainability Report – Economic Sustainability	62
	EC4	Significant financial assistance received from government	None	
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Comparable with Industry Level	
	EC6	Policy, practices, and proportion of spending on locally- based suppliers at significant locations of operation	Sustainability Report	69
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	No specific procedure for local hiring.	
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Sustainability Report – Environmental Sustainability	69 -74
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report – Economic Sustainability	61- 63
Environmental				
		Disclosure of Management Approach		
Environmental Performance Indicators				
Materials	EN1	Materials used by weight or volume	Sustainability Report – Environmental Sustainability	69 - 74
	EN2	Percentage of materials used that are recycled input materials	Sustainability Report – Environmental Sustainability	69 - 74
Energy	EN3	Direct energy consumption by primary energy source	Sustainability Report – Environmental Sustainability	69 - 74
	EN4	Indirect energy consumption by primary source	None	
	EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report – Environmental Sustainability	69 - 74
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Sustainability Report – Environmental Sustainability	69 - 74
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Sustainability Report – Environmental Sustainability	69 - 74
Water	EN8	Total water withdrawals by source	Water saving initiatives	73
	EN9	Water sources significantly affected by withdrawal of water	None	
	EN10	Percentage and total volume of water recycled and reused	Sustainability Report – Environmental Sustainability	69 - 74

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	None	
	EN13	Habitats protected or restored	None	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable	
Emissions, Effluents, and Wastes	EN16	Total direct and indirect greenhouse gas emissions by weight	None	
	EN17	Other relevant indirect greenhouse gas emissions by weight	None	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report – Environmental Sustainability	69 - 74
	EN19	Emissions of ozone-depleting substances by weight	None	
	EN20	NO, SO, and other significant air emissions by type and weight	None / Not applicable	
	EN21	Total water discharge by quality and destination	Not estimated	
	EN22	Total weight of waste by type and disposal method	Sustainability Report – (Total Waste Management)	70
	EN23	Total number and volume of significant spills	None	
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex i, ii, iii, and viii, and percentage of transported waste shipped internationally	Sustainability Report – Environmental Sustainability	69 - 74
Products and Services	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	None	
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Report – Environmental Sustainability	69 - 74
Compliance	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	No packaging process involved in the Company	
Transport	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No such fines have been imposed against the Company	
Overall	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Not applicable	
	EN30	Total environmental protection expenditures and investments by type	Not estimated	
Social				
		Disclosure of Management Approach		
Social Performance Indicators				
Labour Practices and Decent Work				
Employment	LA1	Total workforce by employment type, employment contract, and region	Sustainability Report	75
	LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainability Report	75
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not revealed	

Sustainability Report

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	100% permanent employees	
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not applicable	
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management- worker health and safety committees that help monitor and advise on occupational health and safety programs	6/1673 = 0.4%	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Sustainability Report – Employee Safety	82 - 85
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report – Social Sustainability	74 - 85
	LA9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report – Employee Safety	82 - 85
Training and Education	LA10	Average hours of training per year per employee by employee category	Sustainability Report – Social Sustainability	78 - 80
	LA11	Programs for skills management and lifelong learning that support the continued employability of employee and assist them in managing career endings	Sustainability Report – Social Sustainability	74 - 85
	LA12	Percentage of employees receiving regular performance and career development reviews	All employees, annually and time to time	
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Sustainability Report – Board of Directors/Senior Management	20 - 23 & 75
	LA14	Ratio of basic salary of men to women by employee category	Sustainability Report	75
Human Rights				
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	None	
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	None	
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Sustainability Report – Social Sustainability	78 - 80
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	No such incidents reported	
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Sustainability Report – Social Sustainability (Industrial Relations)	78
Child Labor	HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of the child labour	No child labor employed in the Company	
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Not applicable	
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	100% of security personnel are educated and trained so	

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Indigenous Rights Society	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No such incident reported	
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Sustainability Report – Sustaining Our Community	85 - 89
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	None	
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	All executives and Engineers signs a code of ethics to prevent from corruption	
	SO4	Actions taken in response to incidents of corruption	No such incidents reported	
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report – Economic Sustainability	69 - 70
	SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None	
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No such fines imposed against the company	
Product Responsibility				
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Life cycle of vessels are defined by the international standards	
	PR2	Total number of incidents of non- compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No such evidence reported	
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Ships built by the Company comply with the international quality standards. Thus, all information is publicized.	
	PR4	Total number of incidents of non- compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No such incident reported	
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report – Customers	66 - 68
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not available	
	PR7	Total number of incidents of non- compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not applicable	
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No such evidence reported	
Compliance	PR9	Monetary value of significant fines for non- compliance with laws and regulations concerning the provision and use of products and services	No such fines imposed against the company	





Financial Calendar 2010/2011

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
Payment of Dividend	April 16	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

2011

Interim Report - 4th Quarter - 2010	February 25	2011
Despatch of Annual Report - 2010	February 28	2011
Dividend Authorised Date	February 24	2011
Ex-Dividend Date	March 08	2011
Payment of Dividend	March 17	2011
28th Annual General Meeting - 2010	March 22	2011
Interim Report - 1st Quarter - 2011	May 15	2011
Interim Report - 2nd Quarter - 2011	August 15	2011
Interim Report - 3rd Quarter - 2011	November 15	2011
Financial Year - end	December 31	2011

Financial Statements

Annual Report of the Board of Directors on the Affairs of the Company **99** Statement of Directors' Responsibilities **103** Chief Executive Officer's and Chief Financial Officer's Responsibility Statement **104** Independent Auditors' Report **105** Income Statement **106** Balance Sheet **107** Cash Flow Statement **108** Statement of Changes in Equity **109** Significant Accounting Policies **110** Notes to the Financial Statements **118**

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 2010, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The Financial Statements were accepted and approved by the Board of Directors on 24th February 2011. The report also includes certain disclosures required to be made under listing rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Colombo Stock Exchange.

PRINCIPLE ACTIVITIES

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

	Principle Business Activities
Company	
Colombo Dockyard PLC	The core business activities of the Company continued to be the ship-repairs, shipbuilding, heavy engineering, and offshore engineering.
Subsidiaries	
Dockyard General Engineering Services (Pvt) Ltd	To cater to the country's needs in infrastructure development in civil, mechanical and electrical engineering areas.
Ceylon Shipping Agency (Pte) Ltd, Singapore	Supply channel for high-tech engineering items to purchasing and shipping to Colombo office with minimum time period.

REVIEW OF BUSINESS

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Review on page 07 to 11 and Managing Director/CEO's Review on page 13 to 19 in this Annual Report. These reports form an integral part of the Report of the Directors'.

FUTURE DEVELOPMENTS

An over view of the future prospects of the Company is covered in Chairman's Review (page 07 to 11), the Managing Director/CEO's Review (page 13 to 19) and Management Discussion Analysis of this report (page 26 to 36).

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group for the year ended 31st December 2010 are duly certified by the General Manager (Finance) and approved by two Directors together with the Company Secretary in complying with the Companies Act No. 07 of 2007 are given on page 106 to 136 of this Annual Report.

AUDITORS' REPORT

Company Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co, performed the audit on the Consolidated Financial Statements for the year end 31st December 2010, and the Auditors' Report issued thereon is given on page 105 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

ACCOUNTING POLICIES AND CHANGES

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on page 110 to 117 of the Annual Report as required by Section 168 (1) (d) of the Companies Act. There were no changes to these accounting policies during the year under review and are consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standard No. 3 (Revised 2005) on "Presentation of Financial Statements".

GOING CONCERN

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

GROSS INCOME

The revenue of the Group during the year was Rs. 14,506 (2009 - Rs. 13,498 Mn), while Company's revenue was Rs. 14,057 Mn (2009 - Rs. 13,160 Mn). Analysis of the income is given in Note 01 to the Financial Statements on pages 118 and 119 of this Annual Report.

PROFIT & APPROPRIATION

	2010 Rs'000	2009 Rs'000
Profit for the year:		
Group pre-tax profit	1,928,817	2,372,575
Reversal/(Provision) for Taxation	156,230	(215,954)
Group post-tax profit	2,085,047	2,156,621
Amount attributable to Minority Interest	(4,303)	(4,436)
Profit attributable to the Shareholders of		
Colombo Dockyard PLC	2,080,744	2,152,186
Retained Profit B/F	5,492,031	3,818,905
Dividends - Paid Rs. 8.00 per share (2009-Rs. 7.00 per Share)	(547,497)	(479,060)
Retained Profit C/F	7,025,279	5,492,031

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

RESERVES

Total Group Retained Earnings and Foreign Exchange Fluctuation Reserves as at 31st December 2010, was amounted to Rs. 7,025 Mn (2009 - Rs. 5,492 Mn) and Rs. 6.3 Mn (2009 - Rs. 9.4 Mn) respectively. The movements of the Reserves during the year are shown in the Statements of Changes in Equity on page 109 of this Annual Report.

TAXATION

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 05 on pages 120 to 122.

DIVIDENDS AUTHORISED

The Directors have authorised the payment of Rs. 8.00 per share as first and final dividend for the year 2010 (Rs.8.00 in 2009). The resident share holders' dividends are subject to dividend tax of 10% other than dividend paid out of dividend received. As provided in the Articles of Association of the Company, the Directors may from time to time approve the payment of dividends, whether interim or final, without the need for approval by an ordinary resolution of the shareholders, provided always however that the same is from and out of the profits of the Company as determined by reference to the statute and as acceptable accounting practices.

The Directors have confirmed that the Company satisfies the solvency test requirement under the section 57 of the companies Act No.7 of 2007 and the certification of the same is sought from the Auditors. At the balance sheet date, the company was solvent and the net current assets was Rs.6,142 Mn (2009 - Rs. 4,765 Mn) and the value of company's assets less liabilities and stated capital was Rs. 6,830 Mn (2009 - 5,363 Mn). The profit of the company attributable to the equity holders of the company was Rs.2,015 Mn (2009 - Rs 2,125 Mn), amount to be set aside for dividend is Rs. 547 Mn (2009 - Rs. 547 Mn).

SHAREHOLDER INFORMATION

Information relating to earnings, dividends, shareholders fund and market value per share is given in the Sustainability Report from page 58 to 95.

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure of the Group on acquisition of Property, plant and equipment during the year was amounted to Rs. 608 Mn. (2009 - Rs. 646 Mn).

The extent of the freehold lands held by the Company as at the balance sheet date is 1,091.01 perch (2009- 1,091.01 perch) are recorded at cost.

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

MARKET VALUE OF FREEHOLD PROPERTIES

The net book value of freehold properties owned by the Company and Group as at 31st December 2010 is included in the accounts at Rs. 2,273 Mn.

An Independent Chartered Valuer/Licensed Surveyors carried out market value assessment of the Company's freehold properties as at 31st December 2010. The details of freehold properties owned by the Company are given in Note 08 of the Financial Statement.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, confirmed that all payments in respect of statutory liabilities to Employees and the Government have been made within the stipulated period during the financial year 2010.

PENDING LITIGATION

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 26 of the Financial Statements and will not have a material impact on the financial position of the Company or its future operations.

CORPORATE DONATIONS

Total donations made by the group during the year was amounted to Rs. 1,327,895/- (2009 - Rs. 1,612,785/-) 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 partial 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.

MAJOR TRANSACTIONS

By going through the past records and the business plan of next one year, the Board is of the view that, the Company may not incur any obligations or liabilities that may amount to a Major Transaction [a transaction which has or is likely to have the effect of the company acquiring rights or interests or incurring obligations or liabilities of a value which is greater than half the value of the assets)] for the purpose as set out in the Report.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consist eight Directors (2009-9) with wide range Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 20 to 21 of this Annual Report.

Executive Directors

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

Non-Executive Directors

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

Alternate Directors

Mr. Y. Imai
Mr. H. Omori

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 20 of the Annual Report. The changes in the directorate from the date of the last report to this report are as follows.

- Mr. Yoshikazu Hamane, President of Onomichi Dockyard Co. Ltd, Japan who was nominated and appointed as a Nominee Director of the said Onomichi Dockyard Co. Ltd, Japan since 21st June 1993 and resigned with effect from 24th March 2010.
- Mr. Takashi Nakabe, President of Onomichi Dockyard Co. Ltd, Japan was nominated and appointed as a Nominee Director of the said Onomichi Dockyard Co. Ltd, Japan in terms of Article 80 (2) of the Articles of Association of the Company, with effect from 24th March 2010.
- Mr. Haruhito Omori who was an Alternate Director to Mr. Y. Hamane resigned with effect from 24th March 2010 and was re- appointed as an Alternate Director to Mr. T. Nakabe with effect from 24th March 2010.
- Mr. Y. Imai who was an Alternate Director to Mr. Y. Hamane resigned with effect from 24th March 2010 and was re- appointed as an Alternate Director to Mr. T. Nakabe with effect from 24th March 2010.
- Mr. Tatsuro Inahara who was nominated and appointed as a Nominee Director of Horizon Representation of Companies LLC, U.A.E. in terms of Article 80 (2) of the Articles of Association of the Company with effect from 13th July 2007, ceased to hold office with effect from 30th June 2010.
- Mr. Rashed Al Suwaidi who was nominated and appointed as a Nominee Director of Horizon Energy LLC, U.A.E. in terms of Article 80 (2) of the Articles of Association of the Company with effect from 10th August 2006, ceased to hold office with effect from 01st October 2010.

- Mr. Robert Goninon, who was an Alternate Director to Messrs T. Inahara and Rashed Al Suwaidi since 13th July 2007, ceased to hold office with effect from 30th June 2010 and 01st October 2010 respectively.
- Mrs. Janaki Kuruppu was nominated and appointed as a Nominee Director of the Employees Provident Fund, in terms of Article 80 (2) of the Articles of Association of the Company, with effect from 25th August 2010.
- Mr. Haruhito Omori who was an Alternate Director to Mr. T. Nakabe since 24th March 2010 resigned with effect from 11th January 2011 and Mr. Issho Takeda was appointed in place of Mr. H. Omori with effect from 11th January 2011.

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Messrs. Akihiko Nakauchi, Sarath de Costa, Mangala P B Yapa, T. Nakabe and Y. Kijima and the Nominee Director of the Employees Provident Fund, Mrs. Janaki Kuruppu continue to hold office.

THE DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group for the year ended 31st December 2010 to reflect the true and fair view of the state of affairs. The Directors are of the view that Financial Statements, Significant Accounting Policies and Note thereto appearing on pages 106 to 136 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

BOARD SUB-COMMITTEES

The Board of Directors have formed two Board sub-committees and their composition and attendances is given in page 46 under Corporate Governance.

DIRECTOR'S SHARE HOLDINGS

The Directors' and their spouses' holding of number of ordinary shares of the Company as at 31st December 2010:

	31/12/2010	31/12/2009
Mangala P B Yapa	2,284	2,284
L. Ganlath	551	551
H A R K Wickramathilake	1,051	25,551

INTEREST REGISTER

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

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

HUMAN RESOURCES

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and building an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company. Specific measures taken in this regard are detailed in the Sustainability Report on pages 58 to 95.

ENVIRONMENTAL PROTECTION

The Company and Group, to the best of its knowledge have not engaged in activity, which is detrimental to the environment. Specific measures taken to protect the environment are given in the Sustainability Report on pages 58 to 95 of this Annual Report.

GROUP EMPLOYMENT

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2010 was as follows:

	2010	2009
Group	1,673	1,646
Colombo Dockyard PLC	1,695	1,621

DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS

Directors' interest in contracts of the Company is disclosed in Note 28 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.

DIRECTORS' MEETINGS

Details of Directors' meetings which comprise Board Meetings, and Board sub-committee meetings of Audit Committee and Remuneration Committee are presented on page 46 of this Annual Report.

CORPORATE GOVERNANCE

The Board of Directors of the Company has acknowledged the adoption of good governance practices has become an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on pages 45 to 49.

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 2010 are given on page 65 of this report.

CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingencies or commitments other than those disclosed in the Note 26 and 27 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 29 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 22nd day of March 2011.

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

AUDITORS

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

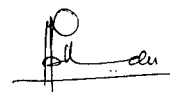
For and on behalf of the Board,
Colombo Dockyard PLC



Akihiko Nakauchi
Chairman



Mangala P. B. Yapa
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

24th February 2011
Colombo, Sri Lanka

Statement of Directors' Responsibilities

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

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

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

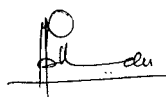
- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Appropriate accounting policies selected and applied consistently
- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of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

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

Company external auditors Messrs KPMG Ford, Rhodes, Thornton & Co, appointed in accordance with the resolution passed at the last Annual General Meeting were provided with free access to undertake required inspection they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, given on page 105, set out their responsibilities in relation to the Financial Statements.

The Directors confirm that to the best of their knowledge, all statutory payments in respect of employees, the Government and its subsidiaries as at the Balance Sheet date have been paid or provided by the Company where applicable.

By order of the Board



Manori P. Mallikarachchi
Company Secretary

24th February 2011
Colombo, Sri Lanka

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company. There are no departures from the prescribed accounting standards in their adoption.

The accounting policies used in the preparation of the Financial Statements are most appropriate and are consistently applied.

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

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

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

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances ; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 26 to the Financial Statements in the Annual Report.



Mangala P. B. Yapa
Managing Director/CEO

24th February 2011
Colombo, Sri Lanka



Ranil Wijeygunawardana
General Manager (Finance)

Independent Auditors' Report



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC Report on the Financial Statements

We have audited the accompanying Financial Statements of Colombo Dockyard PLC (the Company), and the Consolidated Financial Statements of the Company and its subsidiaries as at 31st December 2010, which comprise the Balance Sheet as at 31st December 2010, 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 106 to 136 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 policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2010, and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st December 2010, 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 2010, 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,

24th February 2011
Colombo

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

A.N. Fernando FCA
Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

S. Sirikananathan FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Income Statement

		Group		Company	
For the year ended 31st December,		2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
	Note				
Revenue	1	14,505,673	13,498,106	14,056,516	13,160,127
Cost of Sales		(11,223,924)	(9,984,510)	(10,977,523)	(9,797,767)
Gross Profit		3,281,749	3,513,596	3,078,993	3,362,360
Other Income	2	83,424	271,602	89,848	282,076
Distribution Expenses		(27,401)	(16,407)	(22,150)	(15,071)
Administrative Expenses		(1,591,279)	(1,512,138)	(1,497,904)	(1,419,810)
Other Expenses		(1,355)	(68,040)	(1,355)	(68,040)
Net Finance Income/ (Expense)	3	183,679	183,962	174,124	183,219
Profit before Tax	4	1,928,817	2,372,575	1,821,556	2,324,734
Income Tax Expense	5	156,230	(215,954)	193,235	(199,591)
Profit for the period		2,085,047	2,156,621	2,014,791	2,125,143
Attributable to;					
Equity holders of the parent		2,080,744	2,152,186	2,014,791	2,125,143
Minority Interest		4,303	4,435	-	-
		2,085,047	2,156,621	2,014,791	2,125,143
Earnings Per share (Rs.)	6.1	30.40	31.45	29.44	31.05
Dividends Authorised Per Share (Rs.)	6.2	8.00	8.00	8.00	8.00

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	Note	31.12.2010 (Rs.'000)	31.12.2009 (Rs.'000)	31.12.2010 (Rs.'000)	31.12.2009 (Rs.'000)
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	8	2,273,498	2,060,654	2,251,543	2,048,256
Investment Property	9	-	-	2,865	2,865
Intangible Assets	10	6,008	9,182	6,008	9,182
Investment in Subsidiaries	11	-	-	857	857
Other Investments	12	57,410	57,060	55,410	57,060
Deferred Tax Assets	13	73,168	44,580	68,711	44,580
		2,410,084	2,171,476	2,385,394	2,162,800
Current Assets					
Inventories	14	640,924	778,932	623,924	754,199
Trade and Other Receivables	15	5,319,034	7,072,728	5,207,209	6,892,905
Amounts due from Related Parties	16	-	-	1,125	342
Income Tax Refund	24	9,916	-	42,948	-
Short Term Investment		619,500	-	569,500	-
Cash and Cash Equivalents	17	5,564,909	3,939,083	5,362,967	3,880,102
		12,154,283	11,790,743	11,807,673	11,527,548
Total Assets		14,564,367	13,962,219	14,193,067	13,690,349
EQUITY AND LIABILITIES					
Stated Capital	18	684,370	684,370	684,370	684,370
Foreign Exchange Equalisation Reserve		6,313	9,397	-	-
Retained Earnings		7,025,279	5,492,031	6,830,455	5,363,160
Equity Attributable to Equity holders of the Parent		7,715,962	6,185,799	7,514,825	6,047,530
Minority Interest		31,326	29,987	-	-
Total Equity		7,747,288	6,215,786	7,514,825	6,047,530
Non-Current Liabilities					
Interest Bearing Borrowings	19	61,320	95,991	60,684	94,248
Deferred Tax Liability	20	44	41	-	-
Employee Benefits	21	958,974	791,360	951,433	786,072
		1,020,338	887,392	1,012,117	880,320
Current Liabilities					
Interest Bearing Borrowings	19	898,565	316,955	897,346	316,035
Trade and Other Payables	22	4,859,272	6,128,157	4,639,907	5,949,632
Amounts due to Related Parties	23	-	-	90,488	97,574
Income Tax Payable	24	-	319,338	-	304,680
Dividends Payable	25	14,912	13,037	14,912	13,037
Bank Overdraft	17	23,992	81,555	23,472	81,541
		5,796,741	6,859,041	5,666,125	6,762,499
Total Equity, Liabilities		14,564,367	13,962,219	14,193,067	13,690,349

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


Ranil Wijegunawardena
 General Manager (Finance)

The Significant 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


Manori P. Mallikarachchi
 Company Secretary

24th February 2011
 Colombo, Sri Lanka

Cash Flow Statement

	Group		Company	
For the year ended 31st December	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
Cash Flow from Operating Activities				
Net Profit Before Interest and Tax	1,928,817	2,372,575	1,821,556	2,324,735
Adjustments for,				
Depreciation of Property, Plant and Equipment	262,921	361,011	255,003	354,632
Impairment of Property, Plant and Equipment	-	123,317	-	123,317
Amortization of Intangible assets	3,947	10,168	3,947	10,168
Provision for Retirement Benefit Obligations	212,978	155,697	210,308	152,604
Provision/(reversal) for Bad and Doubtful Debts	146,220	23,920	149,740	22,466
Provision for/(Reversal) of Obsolete Stocks	1,594	69,741	(3,415)	68,044
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,842)	522	(1,888)	532
Foreign Exchange (Gain)/Loss (Unrealised)	(24,774)	127,514	(19,282)	126,158
Interest Income	(239,439)	(253,689)	(229,441)	(252,098)
Dividend Income	(18)	-	(4,698)	-
Interest Expenses	55,760	69,727	55,317	68,879
Operating Profit Before Working Capital Changes	2,346,164	3,060,503	2,237,147	2,999,437
(Increase)/Decrease in Inventory	136,414	144,259	133,691	114,286
(Increase)/Decrease in Trade and Other Receivables	1,607,474	(1,328,481)	1,535,957	(1,279,001)
(Increase)/Decrease Amounts Due from Related Parties	-	-	(783)	6,646
Increase/(Decrease) Trade and Other Payables	(1,268,887)	613,106	(1,309,724)	587,685
Increase/(Decrease) Amounts Due to Related Parties	-	-	(7,086)	24,490
Cash Generated from/(used in) Operating Activities	2,821,165	2,489,387	2,589,202	2,453,543
Interest Paid	(55,760)	(69,727)	(55,317)	(68,879)
Gratuity Paid	(45,363)	(55,933)	(44,948)	(55,933)
Income Tax Paid/Set offs	(201,614)	(266,047)	(178,527)	(248,604)
Net Cash Generated from/(used in) Operating Activities	2,518,428	2,097,680	2,310,410	2,080,127
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(475,617)	(413,003)	(457,853)	(402,982)
Proceeds from Disposal of Property, Plant and Equipment	1,562	-	1,449	-
Interest Received	239,439	253,689	229,441	252,098
Investment in short term investment	(621,500)	-	(569,500)	-
Investment in Debentures	-	(450)	-	(450)
Acquisition of Intangible Assets	(772)	-	(772)	-
Dividend Received	18	-	4,698	-
Net Cash Generated from/(used in) Investing Activities	(856,870)	(159,765)	(792,537)	(151,334)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(52,958)	(62,227)	(52,958)	(62,227)
Repayment of Short Term Loans	(3,677,947)	(5,642,004)	(3,677,947)	(5,642,004)
Loans Obtained during the period	4,301,463	4,594,018	4,301,463	4,594,018
Repayment of Leases	(1,230)	(1,342)	-	-
Dividend Paid	(547,497)	(473,323)	(547,497)	(473,323)
Net Cash Generated from/(used in) Financing Activities	21,831	(1,584,877)	23,061	(1,583,535)
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	1,683,389	353,038	1,540,934	345,264
Cash and Cash Equivalents at the beginning of the period (Note 17.2)	3,857,528	3,504,489	3,798,561	3,453,303
Cash and Cash Equivalents at the end of the period	5,540,917	3,857,528	5,339,495	3,798,561

Statement of Changes in Equity

For the year ended 31st December 2010	Attributable to equity holders of parent				Minority Interest	Total equity
	Stated Capital	Retained Earnings	Foreign Exchange Equalisation Reserve	Total		
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Group						
Balance as at 01st January 2009	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	4,435	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	6,185,799	29,987	6,215,786
Net Profit for the year		2,080,744		2,080,744	4,303	2,085,047
Dividend Paid (Rs. 8.00 per Share)		(547,497)		(547,497)		(547,497)
Exchange Translation Difference			(3,085)	(3,085)	(2,964)	(6,049)
Balance as at 31st December 2010	684,370	7,025,279	6,313	7,715,961	31,326	7,747,288

	Stated Capital	Retained Earnings	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)
Company			
Balance as at 01st January 2009	684,370	3,717,078	4,401,447
Net Profit for the year	-	2,125,143	2,125,143
Dividends Paid (Rs. 7.00 per Share)	-	(479,060)	(479,060)
Balance as at 31st December 2009	684,370	5,363,161	6,047,531
Net Profit for the year	-	2,014,791	2,014,791
Dividends Paid (Rs. 8.00 per Share)		(547,497)	(547,497)
Balance as at 31st December 2010	684,370	6,830,455	7,514,825

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

(Figures in brackets indicate deductions)

Significant Accounting Policies

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as at and for the year ended 31st December 2010 comprise the Company and its subsidiaries (together referred as the "Group").

The 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.

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Company and those consolidated with such comprise the Balance Sheet, Statements of Income, Statement of Changes in equity and Cash Flow statement together with the Accounting Policies and Notes to the Financial Statements. These Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with the requirement of Companies Act No 7 of 2007.

The Financial Statements were authorized for issue by the Board of Directors on 24th February 2011.

2.2. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the valuations of Short Term Investment and Employee benefit which are disclosed in relevant notes to the Financial Statements.

2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees. All Financial information presented in Rupees has been rounded to the nearest thousand.

2.4. Use of estimates and judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLASs) requires management to make judgments, estimates and

assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods affected.

2.5. Changes in Accounting Policies

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities.

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

3.1. BASIS OF CONSOLIDATION

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

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

3.1.1. Subsidiaries

Subsidiaries are all entities over which the 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 convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3.1.2. Acquisitions from entities under common control

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.

3.1.3. Transactions eliminated on consolidation

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

3.1.4. 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 consideration paid and the relevant share acquired of the carrying value of net assets of subsidiary.

3.2. FOREIGN CURRENCY

3.2.1. Functional Currency and Presentation Currency

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

3.2.2. Foreign Currency Transactions

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

Exchange equalisation 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.

3.2.3. Foreign Operations/Subsidiaries

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

- Assets and liabilities of each 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.

3.3. ASSETS AND THE BASES OF THEIR VALUATION

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

3.3.1. Property, Plant & Equipment

3.3.1.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment; if any.

3.3.1.2. Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct 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.

Significant Accounting Policies

3.3.1.3. Leased Assets

Leases in terms of which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized at an amount equal to the lower of its fair value and the present value of minimum lease payments subsequent to initial recognition. The asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

3.3.1.4. Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, using the production of supply of goods or services or for administrative purposes. Investment property is measured at cost.

When the use of property changes from investment property to owner occupied property it is reclassified as Property, Plant & Equipment.

3.3.1.5. Subsequent Costs

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

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

3.3.1.6. Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized in profit and loss and gains are not classified as revenue.

3.3.1.7. Depreciation

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

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follow:

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 (Pvt) 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 (Pte) 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 derecognised.

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.

3.3.2. Intangible Assets

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

3.3.2.1. Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Balance Sheet under the category of intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

3.3.2.2. 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 recognized in profit or loss as incurred.

3.3.2.3. Amortisation

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

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three (3) years.

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

3.3.3. Investments

3.3.3.1. 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.

3.3.3.2. Valuation

Quoted and unquoted investments in shares held on long term basis are measured initially at cost.

In the parent Company's Financial Statements, investments in subsidiaries and Equity Accounted investees are carried at cost less impairment losses.

Provision for impairment is made when in the opinion of the Directors there has been a decline which is other than temporary in the value of the investment.

Short term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in profit and loss.

3.3.3.3. Cost

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

3.3.3.4. 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.

3.3.4. Inventories

Inventories are measured 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;

3.3.4.1. Raw Materials

Valuation method of raw materials has been changed to first in first out method from weighted average costs.

3.3.4.2. Consumables

At Actual purchase cost.

3.3.4.3. Goods in Transit

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Significant Accounting Policies

Provisions for slow moving Inventories are made as follows,

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

3.3.5. 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, and make specific provision for them 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 2.5%
- Trade Receivables age between 90 to 180 Days at 5%
- Trade Receivables age between 180 to 360 Days at 7.5%
- Trade Receivables age between 360 to 720 Days at 10%
- Trade Receivables age more than 720 Days 100%

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

	On Housing Loans	On Vehicle Loans
Colombo Dockyard PLC	6.5%	10.0%
Dockyard General Engineering Services (Private) Limited	7.5%	10.0%
Ceylon Shipping Agency (Private) Limited	3.0%	-

3.3.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits, short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value and Bank over drafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of Cash flows.

3.3.7. 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 on 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 its' recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement. Impairment losses recognized in relation to Goodwill are not reversed for subsequent increases in its recoverable amount.

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.

3.4. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on 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.

3.4.1. Retirement Benefit Obligation

3.4.1.1. Defined Benefit Plans

3.4.1.1.1. 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 once in every three 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.

3.4.1.1.2. Overseas Operations/Subsidiary

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

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

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

3.4.2. Provision for Warranty

Provision for warranty jobs is made for all construction contracts based on the contractual and projects estimates figures. However, warranty provision for Ship repair projects is made based on the revenue values of jobs completed during last quarter of each year.

3.4.3. 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.

3.4.4. 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.

3.4.5. Trade and Other Payables

Trade and other payables are stated at their cost.

3.4.6. Provisions

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

3.5. INCOME STATEMENT

3.5.1. Revenue

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

3.5.1.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and

after eliminating sales within the Group. The following specific criteria are used for the purpose of recognition of revenue.

3.5.1.1.1. Ship Repairs, Shipbuilding, Offshore Engineering and Heavy Engineering

In respect of ship repairs, ship building, off shore engineering and heavy engineering contracts, the revenue is recognized only to the extent of cost incurred that is probable to be recovered 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. 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.

3.5.1.1.2. 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.

3.5.1.1.3. Interest Income

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

3.5.1.1.4. 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.

3.5.2. Expenditure Recognition

3.5.2.1. Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income 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.

3.5.2.2. Warranty Provisions

Provision made by the Company under the terms of warranty entered with the customers are charged to the Income Statement.

3.5.2.3. Finance Costs

Interest expenses are recognized on an accrual basis.

3.5.2.4. 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

Significant Accounting Policies

(Qualifying assets) which are capitalised as a part of the cost of that asset during the period of construction/development.

3.5.3. Taxation

3.5.3.1. Current Taxes

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

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

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

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

3.5.3.2. 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.

3.6. SEGMENTAL INFORMATION

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

3.6.1. Industry Segments

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

3.6.2. Geographical Segment

The activities of the Group have been broadly classified into 14 segments, namely, Sri Lanka, India, Maldives, Greece, Hong Kong, Taiwan, Singapore, Canada, Ethiopia, Korea, Netherlands, Samoa, Japan, England, Germany, USA 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.

3.7. 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.

3.8. CASH FLOW

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

3.9. GENERAL

3.9.1. 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 number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

3.9.2. 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.

4. 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 are mentioned below.

4.1. INCOME TAX

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.

4.2. MEASUREMENT OF THE DEFINED BENEFIT OBLIGATIONS

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in the respective notes to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

5. EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Accounting standards have been issued by The Institute of Chartered Accountants of Sri Lanka and are effective for the accounting period specified below.

5.1. SRI LANKA ACCOUNTING STANDARD 44- 'FINANCIAL INSTRUMENT; PRESENTATION' AND SRI LANKA ACCOUNTING STANDARD 45- 'FINANCIAL INSTRUMENT; RECOGNITION AND MEASUREMENT'.

Sri Lanka Accounting standard 44 and 45 become effective for financial years beginning on or after 1st January 2011. Accordingly, Sri Lanka Accounting standard 44 and 45 will be adopted in preparing and presenting the Group Financial Statements for the financial years commencing 1st January 2011.

These two Standards together provide comprehensive guidance on identification, classification, measurement and presentation of Financial Instruments (including derivatives) into financial assets, financial liabilities and equity instruments.

Accordingly, when a financial asset or financial liability is recognized initially, the Group is required to measure such financial assets or liabilities at its fair value, plus transaction cost that are directly attributable to the acquisition or issue of the financial assets, financial liability and subsequent measure either at fair value or amortized cost depending on the categorization of the financial assets and financial liabilities.

Notes to the Financial Statements

	Group		Company	
For the year ended 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
1 REVENUE				
Shiprepair	4,217,000	6,728,936	4,217,000	6,728,936
Ship Building	9,565,666	5,649,811	9,565,666	5,649,812
Heavy Engineering	509,949	922,747	273,850	781,379
Material Sales	215,591	198,841	-	-
Gross Revenue (Note 1.1, 1.2)	14,508,206	13,500,336	14,056,516	13,160,127
Turnover Tax	(2,533)	(2,230)	-	-
	14,505,673	13,498,106	14,056,516	13,160,127
Less: Cost of Sales	(11,223,924)	(9,984,510)	(10,977,523)	(9,797,767)
Gross Profit/Operating Results (Note 1.3)	3,281,749	3,513,595	3,078,993	3,362,360
1.1 Project Types Segment Revenue (Business Segment)				
Ship Repair				
Tankers	1,303,076	2,246,875	1,303,076	2,246,875
General Cargo	384,625	534,108	384,625	534,108
Container Carriers	328,243	368,283	328,243	368,283
Passenger Vessels	356,083	138,795	356,083	138,795
Tugs	575,720	808,535	575,720	808,535
Dredgers	691,337	1,189,569	691,337	1,189,569
Navel Vessels	84,416	127,215	84,416	127,215
Cement Carriers	57,572	-	57,572	-
Research Vessel	-	197,570	-	197,570
Offshore Support Vessels	63,281	561,637	63,281	561,637
Barge	25,191	250,239	25,191	250,239
Bulk Carriers	243,524	99,409	243,524	99,409
Floating Dock	-	83,950	-	83,950
Others Vessels	103,932	122,751	103,932	122,751
	4,217,000	6,728,936	4,217,000	6,728,936
Shipbuilding				
Tugs	482,935	1,842,012	482,935	1,842,012
Passenger Vessels	1,692,293	1,605,021	1,692,293	1,605,021
Supply Vessels	7,390,438	2,202,779	7,390,438	2,202,779
	9,565,666	5,649,812	9,565,666	5,649,812
Heavy Engineering				
Infrastructure	40,959	123,323	40,959	-
Services	12,894	18,044	12,894	-
Power Generation	456,096	781,380	219,997	781,379
	509,949	922,747	273,850	781,379
Material Sales	215,591	198,841	-	-
	14,508,206	13,500,336	14,056,516	13,160,127

	Group		Company	
For the year ended 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
1.2 Geographical Segment Revenue				
India	8,188,638	6,947,929	8,188,638	6,947,929
Canada	-	48,000	-	48,000
Ethiopia	-	122,872	-	122,872
Egypt	146,406	-	146,406	-
Korea	204,579	437,858	204,579	437,858
Maldives	283,321	100,250	283,321	100,250
Sri Lanka	1,080,532	819,071	636,988	478,864
Netherlands	231,603	93,644	231,603	93,644
Singapore	3,413,461	4,628,518	3,407,942	4,628,518
Samoa	482,935	-	482,935	-
Japan	142,315	17,878	142,315	17,878
Germany	83,000	22,525	83,000	22,525
Greece	81,524	7,549	81,524	7,549
Hong Kong	4,711	12,116	4,711	12,116
USA	8,850	52,735	8,850	52,735
Taiwan	-	18,973	-	18,971
Other Countries	156,331	170,413	153,704	170,418
	14,508,206	13,500,335	14,056,516	13,160,127
1.3 Segmental Operating Results				
Ship Repairs	1,420,714	2,830,597	1,420,714	2,830,598
Shipbuilding	1,580,663	522,199	1,580,663	522,199
Heavy Engineering	248,767	130,788	77,616	9,563
Material Sales	31,605	30,011	-	-
	3,281,749	3,513,595	3,078,993	3,362,360
2 OTHER INCOME				
Exchange Gain/(Loss) (both realized and unrealized)	(57,270)	154,064	(57,270)	154,064
Disposal of Steel Scrap	125,941	108,290	125,941	108,290
Dividend Income	18	-	4,698	6,543
Profit/(Loss) on disposal of Property, Plant and Equipment	1,842	(522)	1,888	(532)
Management Fees	-	-	928	921
Lease Rental	-	-	1,237	1,228
Miscellaneous Income	12,893	9,770	12,426	11,562
	83,424	271,602	89,848	282,076

Notes to the Financial Statements

	Group		Company	
For the year ended 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
3 NET FINANCE INCOME /(EXPENSE)				
Interest Expense				
Interest on Term Loans	(1,517)	(4,834)	(1,517)	(4,834)
Interest on Finance Lease Obligations	(423)	(579)	-	-
Interest on Bank Overdrafts and Short Term Loans	(53,820)	(64,313)	(53,800)	(64,045)
	(55,760)	(69,726)	(55,317)	(68,879)
Interest Income				
Interest Income from Investments	205,657	211,640	195,660	211,640
Other Interest Income	33,782	42,048	33,781	40,458
	239,439	253,688	229,441	252,098
	183,679	183,962	174,124	183,219
4 PROFIT BEFORE TAX				
Is stated after charging all expenses including the following:				
Directors' Emoluments	16,104	14,614	15,960	14,455
Auditors Remuneration - On statutory audit	2,936	2,683	1,100	950
For other services - Audit related	70	450	70	450
Business Promotion Expenses	110,639	97,610	110,639	97,610
Depreciation on Property Plant & Equipment	263,024	361,011	255,003	354,632
Provision for/ (Reversal of)				
- Provision for Impairment	-	123,317	-	123,317
- Bad and Doubtful Debts	146,220	23,920	149,740	22,466
- Obsolete and Slow Moving Stocks	1,549	69,741	(3,415)	68,044
Staff Related Cost				
- Salaries and Wages	2,767,238	2,585,948	2,716,912	2,455,566
- Defined Benefit Plan Cost - Gratuity	214,049	155,698	210,308	152,604
- Defined Contribution Plan Cost - EPF	106,698	93,056	104,491	91,756
- ETF	26,646	23,125	26,125	22,940
Donations	1,328	1,613	1,328	1,613
5 INCOME TAX EXPENSE				
On the Current years Profit (Note 5.4)	86,201	243,345	44,766	223,785
Under/ (over) Provision in previous year	(213,843)	(1,961)	(213,870)	-
Deferred Taxation (Note 5.6)	(28,588)	(25,430)	(24,131)	(24,194)
	(156,230)	215,954	(193,235)	199,591

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%. (2009 - 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 on, the Company, is liable to income tax at the following rates.

Construction (As per section 46 of the above) - 15%.

Others - 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 (2009 - 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

As per the Section 13(dddd) of the Inland Revenue Act No 10 of 2006, profits attributable to "ship repairs" which received in foreign currency are exempted from income tax commencing from the year of assessment 2009/2010.

Profits attributable to "Qualified exports" are chargeable to income tax at the rate of 15% as per the section 52 in conjunction with section 60 of the inland revenue Act No 10 of 2006.

Profits attributable to local turnover which are received in foreign currency are chargeable to income tax at the concessionary rate at 15% under the section 52 of the Inland revenue Act no 10 of 2006.

	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
5.4 Reconciliation between current tax expense and the accounting profit				
Profit before tax	1,931,184	2,372,575	1,821,556	2,324,735
Disallowable Expenses for Taxation	589,341	878,094	569,458	858,361
Allowable Expenses for Taxation	(610,288)	(868,746)	(603,841)	(862,799)
Other sources of Income	69,317	-	69,317	-
Taxable Profit	1,979,554	2,381,923	1,856,490	2,320,296
Profit Exempt from Tax	(1,481,999)	(1,112,350)	(1,479,364)	(1,112,349)
Tax loss claimed during the year	(131,994)		(131,994)	
Taxable Income	365,561	1,269,574	245,132	1,207,948

Notes to the Financial Statements

	Group		Company	
For the year ended 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
5.4 Reconciliation between current tax expense and the accounting profit contd.				
Tax at the Rate of 15% (2009 - 15%)	31,506	151,728	31,269	151,728
Tax at the Rate of 17% (2009 - 17%)	355	707	-	-
Tax at the Rate of 35% (2009 - 35%)	53,072	87,938	12,836	68,750
Social Responsibility Levy (1.5% of Income Tax)	1,268	3,605	661	3,307
Dividend Tax	-	724	-	-
Deemed Dividend Tax	-	(1,357)	-	-
Provision for Taxation on Current Year Profit	86,201	243,345	44,766	223,785

5.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates, the deferred tax asset is arrived at by applying the income tax rates of 35% and 15% applicable for the local income received in local currency and local income received in foreign currency. The effective tax rate (weighted average) applicable is 11%. (2009 - 10%).

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 35% to the temporary differences of Dockyard General Engineering Services (Pvt) Ltd. as at 31st December 2010.

Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of Ceylon Shipping Agency (Pvt) Ltd. as at 31st December 2010.

	2010		2009	
	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)
Company				
Temporary Difference on Property Plant & Equipment	71,071	281	121,584	82,179
Temporary difference on Retirement Benefit Obligations	165,360	26,050	96,672	(45,485)
Temporary Difference on Voluntary Retirement Provision	8,145	1,104	-	(16,000)
Temporary Difference on Stock general Provision	25,795	(1,666)	75,616	4,240
Temporary Difference on Debtors general Provision	23,644	(1,638)	38,677	(740)
	294,015	24,131	332,549	24,194
Group				
Temporary Difference on Property Plant & Equipment	65,875	2,100	121,584	83,242
Temporary difference on Retirement Benefit Obligations	157,818	28,690	96,672	(45,312)
Temporary Difference on Voluntary Retirement Provision	8,145	1,102	-	(16,000)
Temporary Difference on Stock general Provision	25,795	(1,666)	75,616	4,240
Temporary Difference on Debtors general Provision	23,644	(1,638)	38,677	(740)
	281,277	28,588	332,549	25,430

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:

	Group		Company	
	2010	2009	2010	2009
Amount used as the Numerator				
Profit for the period (Rs.'000)	2,085,047	2,156,621	2,014,791	2,125,144
Minority Interest (Rs.'000)	(4,303)	(4,435)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	2,080,744	2,152,186	2,014,791	2,125,144
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.)	30.40	31.45	29.44	31.05

6.2 Dividend Per Share

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

	Group		Company	
	2010	2009	2010	2009
Dividend Authorised (Rs.'000)	547,497	547,497	547,497	547,497
Number of Ordinary Shares (000)	68,437	68,437	68,437	68,437
Dividend Per Share (Rs.)	8.00	8.00	8.00	8.00

In accordance with Sri Lanka Accounting Standards 12 (Revised) - "Events after the Balance Sheet Date", this proposed final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st December 2010.

7 FOREIGN CURRENCY TRANSLATIONS

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

	Average Rate		Closing Rate	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
U. S. Dollar	113.54	115.34	112.40	115.20
Euro	150.69	160.50	150.52	165.90
Danish Kroners	20.27	21.50	20.33	22.44
Singapore Dollars	83.01	79.50	87.87	81.56
Japanese Yen	1.29	1.24	1.39	1.34

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Group

	FREEHOLD													
	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Leasehold Motor vehicles	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
COST														
Balance as at 1st January 2010	1,035,160	28,823	3,784	694,292	2,227,446	206,122	106,625	36,014	230,701	218,333	2,717	4,335	62,907	4,857,258
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	156	-	-	-	-	156
Additions during the year	38,755	-	4,235	13,975	313,375	34,815	9,731	2,550	13,865	48,348	-	-	128,603	608,252
Disposals during the year	-	-	-	-	(17,357)	-	(431)	-	(1,533)	(39,122)	-	-	-	(58,443)
Transfers during the year	-	-	-	-	8,718	-	-	-	-	(8,718)	-	-	(139,804)	(139,804)
Balance as at 31st December 2010	1,073,915	28,823	8,019	708,265	2,532,183	240,937	115,925	38,564	243,189	218,841	2,717	4,335	51,706	5,267,419
ACCUMULATED DEPRECIATION														
Balance as at 1st January 2010	450,956	-	1,602	287,620	1,284,066	145,774	74,076	29,201	176,233	218,333	2,717	2,709	-	2,673,287
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	288	-	-	-	-	288
Charge for the year	20,945	-	364	27,547	127,082	10,690	10,016	1,560	15,286	48,348	-	1,084	-	262,921
Disposals during the year	-	-	-	-	(16,923)	-	(426)	-	(2,251)	(39,122)	-	-	-	(58,722)
Transfers during the year	-	-	-	-	1,548	-	-	-	-	(8,718)	-	-	-	(7,170)
Balance as at 31st December 2010	471,901	-	1,966	315,167	1,395,773	156,464	83,666	30,761	189,556	218,841	2,717	3,793	-	2,870,604
IMPAIRMENT														
Balance as at 1st January 2010	-	-	-	-	123,317	-	-	-	-	-	-	-	-	123,317
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2010	-	-	-	-	123,317	-	-	-	-	-	-	-	-	123,317

8.2 The lands of the Group have been revalued by an independent chartered valuation firm, Sunil Fernando & Associates (Pvt) Ltd, as at 31st December 2010. This valuation had been carried out for the purpose of disclosing the market value of lands owned by the Group. Valuation details of the lands of the Group are as follows,

(a) Land depicted as Lot No.01 in plan No. LS/P/223ar Colombo Dockyard PLC, Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.

Extent of the Land-
5 Acres 1 Root and 12.5 Perches
Cost
Rs. 20,931,444/-
Valuation
Rs. 2,131,250,000/-

(b) Land depicted as allotment of land in Plan No.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.

Extent of the Land-
37.99 perches
Cost
Rs. 1,807,000/-
Valuation
Rs. 30,392,000/-

(c) Land depicted as Lot A in Plan No.1347 dated 6th June 1981 at Colombo 15. Executive quarters of the Company is built on this land.

Extent of the Land-
2 Roots and 9.62 Perches
Cost
Rs. 3,219,000/-
Valuation
Rs. 53,772,000/-

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

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

Extent of the buildings in above freehold lands 25,134 sqm (2009 - 25,134 sqm).

8. PROPERTY, PLANT AND EQUIPMENT

8.3 Company

FREEHOLD													
	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
COST													
Balance as at 1st January 2010	1,035,160	25,958	3,784	676,137	2,219,227	206,122	100,216	36,014	223,670	208,018	2,717	62,907	4,799,930
Additions during the year	38,755	-	4,235	13,974	307,819	34,815	4,202	2,550	11,911	43,624	-	128,603	590,488
Disposals during the year	-	-	-	-	(17,357)	-	(431)	-	(1,239)	(39,071)	-	-	(58,097)
Transfers during the year	-	-	-	-	8,718	-	-	-	-	(8,718)	-	(139,804)	(139,804)
Balance as at 31st December 2010	1,073,915	25,958	8,019	690,111	2,518,408	240,937	103,987	38,564	234,342	203,853	2,717	51,706	5,192,517
ACCUMULATED DEPRECIATION													
Balance as at 1st January 2010	450,956	-	1,602	269,466	1,281,369	145,774	67,989	29,201	171,268	208,018	2,717	-	2,628,360
Charge for the year	20,945	-	364	27,546	126,204	10,689	9,297	1,560	14,772	43,623	-	-	255,003
Disposals	-	-	-	-	(16,923)	-	(426)	-	(2,115)	(39,070)	-	-	(58,536)
Transfer	-	-	-	-	1,548	-	-	-	-	(8,718)	-	-	(7,170)
Balance as at 31st December 2010	471,901	-	1,966	297,012	1,392,198	156,463	76,860	30,761	183,925	203,853	2,717	-	2,817,657
IMPAIRMENT													
Balance as at 1st January 2010	-	-	-	-	123,317	-	-	-	-	-	-	-	123,317
Balance as at 31st December 2010	-	-	-	-	123,317	-	-	-	-	-	-	-	123,317
CARRYING AMOUNT													
As at 31st December 2010	602,014	25,958	6,053	393,099	1,002,894	84,474	27,127	7,803	50,416	-	-	51,706	2,251,543
As at 31st December 2009	584,204	25,958	2,182	406,671	814,544	60,348	32,227	6,813	52,403	-	-	62,907	2,051,121

Notes to the Financial Statements

8.4 Details of Securities

Refer Note No. 19.1.4 for details on assets secured for loans.

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

	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
Freehold Drydocks	5,215	5,215	5,215	5,215
Freehold Buildings	76,392	57,688	76,392	39,533
Road Ways	147	147	147	147
Plant, Machinery and Equipment	1,059,561	781,579	1,059,561	780,034
Electrical Installation	112,498	109,868	112,498	109,868
Motor Vehicles	56,007	57,009	56,007	50,929
Inventory Items	26,700	27,358	26,700	26,331
Office Equipment, Furniture and Fittings	145,595	60,888	145,366	59,867
Loose Tools	208,577	218,333	203,853	208,018
Boats / Launches	2,717	2,717	2,717	2,717
	1,693,409	1,320,801	1,688,456	1,282,660
9. INVESTMENT PROPERTY				
Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	2,865	2,865

9.1 Land depicted as Lot No.01 in Plan No.250 at Mahawatte, Colombo 14, which is leased to Dockyard General Engineering services (Pvt) Limited, has been revalued at Rs. 31,125,000/-, by an independent chartered valuation firm, Sunil Fernando & Associates (Pvt) Ltd, as at 31st December 2010.

10. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	21,456	6,315	21,456	6,315
Additions during the year	772	15,141	772	15,141
Balance at the end of the year	22,228	21,456	22,228	21,456

Amortisation

Balance at the beginning of the year	12,273	2,105	12,273	2,105
Charge during the year	3,947	10,168	3,947	10,168
Balance at the end of the year	16,220	12,273	16,220	12,273

Carrying Amount

	6,008	9,182	6,008	9,182
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	No of Shares	Percentage Holding	Company	
			2010 (Rs.'000)	2009 (Rs.'000)
11. INVESTMENTS IN SUBSIDIARIES				
Dockyard General Engineering Services (Pvt) Ltd				
- Incorporated in Sri Lanka	49,999	100%	500	500
Ceylon Shipping Agency (Pte) Ltd				
- Incorporated in Singapore	25,500	51%	357	357
			857	857

11.1 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.

	2010 (Rs.'000)	2009 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	169,000	107,913
Ceylon Shipping Agency (Pte) Ltd	31,300	27,877
	200,300	135,790

		Group		Company	
	No. of Shares	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
12. OTHER INVESTMENTS					
12.1 Investments in shares					
Sri Lanka Port Management and Consultancy Services Ltd	1,002	10	10	10	10
Associated Newspapers of Ceylon Ltd	10,000	100	100	100	100
		110	110	110	110
12.2 Investments in debentures					
Bank of Ceylon PLC - Debentures (Redeemable)		55,300	56,950	55,300	56,950
Investment in Bond		2,000	-	-	-
		57,300	56,950	55,300	56,950
		57,410	57,060	55,410	57,060

12.2.1 The Debenture redemption date is 10th October 2013 and interest will be paid bi-annually at a rate equivalent to the six months LIBOR + 3% p.a.

	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
13. DEFERRED TAX ASSET				
Balance at the beginning of the year	44,580	19,748	44,580	20,386
Provision for /(Reversal) during the year	28,588	24,832	24,131	24,194
Balance at the end of the year	73,168	44,580	68,711	44,580
Temporary Difference on Property Plant & Equipment	(73,269)	(75,368)	(75,087)	(75,368)
Temporary difference on Retirement Benefit Obligations	107,296	78,607	104,657	78,607
Temporary Difference on Voluntary Retirement Provision	21,104	20,000	21,104	20,000
Temporary Difference on Stock general Provision	10,048	11,714	10,048	11,714
Temporary Difference on Debtors general Provision	7,989	9,627	7,989	9,627
	73,168	44,580	68,711	44,580

Notes to the Financial Statements

	Group		Company	
As at 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
14. INVENTORIES				
Raw Materials	747,278	866,013	716,510	838,482
Consumable	5,742	4,547	5,742	4,548
Goods in Transit	22,019	40,893	29,080	41,993
	775,039	911,453	751,332	885,023
Less: Provision for Inventories (Note:14.1)	(134,115)	(132,521)	(127,408)	(130,824)
	640,924	778,932	623,924	754,199
14.1 Movement in Provision for Inventories				
Balance at the beginning of the year	132,521	62,780	130,824	62,780
Povision/(Reversal) made during the year	1,594	69,741	(3,416)	68,044
Balance at the end of the year	134,115	132,521	127,408	130,824
15. TRADE AND OTHER RECEIVABLES				
Trade Receivables	2,901,173	4,312,472	2,823,557	4,159,125
Less: Provision for Bad and Doubtful Debts	(249,785)	(103,565)	(248,400)	(98,660)
	2,651,388	4,208,907	2,575,157	4,060,465
Loans given to employees (Note:15.1)	392,656	386,048	386,994	382,610
VAT Recoverable	202,768	146,210	191,195	135,483
Deposits and Prepayments	1,910,376	2,234,567	1,908,074	2,233,010
Economic Service Charges	30,853	14,889	30,853	14,889
Other Receivables	130,993	82,108	114,936	66,449
	5,319,034	7,072,728	5,207,209	6,892,905
15.1 Loans given to employees				
Balance at the beginning of the year	386,048	374,661	382,610	371,479
Loans Granted during the year	127,261	129,329	123,845	128,411
Loans Repaid during the year	(120,653)	(117,942)	(119,461)	(117,279)
Balance at the end of the year	392,656	386,048	386,994	382,610

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

	Housing Loans	Vehicle Loans
Colombo Dockyard PLC	6.5%	10.0%
Dockyard General Engineering Services (Pvt) Ltd	7.5%	10.0%
Ceylon Shipping Agency (Pte) Ltd	3.0%	-

		Group		Company	
	Relationship	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
16. AMOUNTS DUE FROM RELATED PARTIES					
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	1,125	343
		-	-	1,125	343

	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
17. CASH AND CASH EQUIVALENTS				
17.1 Favourable Balances				
Fixed Deposits	3,812,128	2,417,019	3,795,419	1,403,378
Repurchase Agreement	464,750	-	464,750	-
Call Deposits	1,041,848	1,419,297	1,041,848	2,408,019
Cash at Bank	239,666	96,419	54,935	62,607
Cash in Hand	6,517	6,348	6,015	6,098
	5,564,909	3,939,083	5,362,967	3,880,102
17.2 Un-favourable Balances				
Bank Overdraft	(23,992)	(81,555)	(23,472)	(81,541)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	5,540,917	3,857,528	5,339,495	3,798,561
18. STATED CAPITAL				
Issued and Fully paid				
At the beginning of the year				
68,437,071 Ordinary Shares (2009-68,437,071)	684,370	684,370	684,370	684,370
At the end of the year				
68,437,071 Ordinary Shares (2009-68,437,071)	684,370	684,370	684,370	684,370

Notes to the Financial Statements

	Group		Company	
As at 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
19. INTEREST BEARING BORROWINGS				
Payable after one year				
Long Term Loans (Note 19.1)	60,684	94,248	60,684	94,248
Finance Lease Obligations (Note 19.3)	636	1,743	-	-
	61,320	95,991	60,684	94,248
Payable within one year				
Long Term Loans (Note 19.1)	24,702	55,856	24,702	55,856
Short Term Loans (Note 19.2)	872,644	260,179	872,644	260,179
Finance Lease Obligations (Note 19.3)	1,219	919	-	-
	898,565	316,955	897,346	316,035
19.1 Long Term Loans				
19.1.1 Analysed by Lending Institution				
National Development Bank PLC	-	28,928	-	28,928
DANIDA Government Loan	85,386	121,176	85,386	121,176
	85,386	150,104	85,386	150,104
Payable within one year	(24,702)	(55,856)	(24,702)	(55,856)
Payable after one year	60,684	94,248	60,684	94,248
19.1.2 Analysed by Repayment Period				
Payable within one year	24,702	55,856	24,702	55,856
Payable between one and two years	60,684	26,928	60,684	26,928
Payable between two and five years	-	67,320	-	67,320
Payable after five years	-	-	-	-
	85,386	150,104	85,386	150,104
19.1.3 Movement in Interest Bearing Borrowings				
Balance at the beginning of the year	150,104	210,719	150,104	210,719
Effect of Exchange Fluctuations	(11,760)	1,612	(11,760)	1,612
	138,344	212,331	138,344	212,331
Loan Re-payments during the year	(52,958)	(62,227)	(52,958)	(62,227)
Balance at the end of the year	85,386	150,104	85,386	150,104
Payable within one year	(24,702)	(55,856)	(24,702)	(55,856)
Payable after one year	60,684	94,248	60,684	94,248

19.1.4 Details of Securities

With regard to the DANIDA Loan, the Government retains the right to movable and immovable assets of the Company to the extent of outstanding payments due to the Government at any time until the amount of loan is fully repaid.

	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
19.2 Short Term Loans				
Balance at the beginning of the year	260,179	1,182,556	260,179	1,182,556
Loans obtained during the year	4,301,463	4,594,018	4,301,463	4,594,018
Loan Re-payments during the year	(3,677,947)	(5,642,004)	(3,677,947)	(5,642,004)
Effect of Exchange Fluctuations	(11,051)	125,609	(11,051)	125,609
Balance at the end of the year	872,644	260,179	872,644	260,179
19.3 Finance Lease Obligations				
Balance at the beginning of the year	3,355	4,697	-	-
Less: Payments made during the year	(1,230)	(1,342)	-	-
Gross Lease Obligation at the end of the year	2,125	3,355	-	-
Less: Interest in Suspense	(270)	(693)	-	-
Net Finance Lease Obligations	1,855	2,662	-	-
Payable within one year	1,219	919	-	-
Payable after one year	636	1,743	-	-
	1,855	2,662	-	-
20. DEFERRED TAX LIABILITY				
Balance at the beginning of the year	41	639	-	-
Provision/(Reversal) during the year	-	(598)	-	-
Effect of Exchange Fluctuation	3	1	-	-
Balance at the end of the year	44	41	-	-
Deferred Tax provision as at the year end is made up as follows.				
Temporary Difference on Property Plant & Equipment	44	41	-	-
Temporary difference on Retirement Benefit Obligations	-	-	-	-
	44	41	-	-
21. EMPLOYEE BENEFITS				
Balance at the beginning of the year	791,360	691,595	786,072	689,401
Provision made during the year	212,978	155,698	210,308	152,604
Payments made during the year	(45,364)	(55,933)	(44,947)	(55,933)
Balance at the end of the year	958,974	791,360	951,433	786,072

Notes to the Financial Statements

Colombo Dockyard PLC

The actuarial valuations have been carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2010 amounts to Rs. 951.43 Mn used the following key assumptions.

	2010	2009
Rate of Interest	9.5%	11%
Rate of Salary Increment	10%	17%
Rate of COLA Increment	8%	16%
Staff Turnover Factor	1%	1%
Retiring Age (Years)	55	55

Dockyard General Engineering Services (Pvt) Ltd

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

	2010	2009
Rate of Interest	11%	11%
Rate of Salary Increment	16%	16%
Staff Turnover Factor	1%	1%
Retiring Age (Years)	55	55

	Group		Company	
As at 31st December,	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
21.1 The amount recognised in the Balance Sheet are as follows				
Present value of unfunded obligations	778,003	1,054,558	770,462	1,049,271
Present value of funded obligations	-	-	-	-
Total present value of obligations	778,003	1,054,558	770,462	1,049,271
Fair value of plan assets	-	-	-	-
Present value of net obligations	778,003	1,054,558	770,462	1,049,271
Unrecognised net actuarial gains/ (losses)	180,971	(263,198)	180,971	(263,198)
Recognised liability for defined benefit obligations	958,974	791,360	951,433	786,072
21.2 Movement in the present value of defined benefit obligations				
Liability for defined benefit obligations at 1st January	791,360	691,595	786,072	689,401
Actuarial (gains)/ losses	14,388	-	14,388	-
Benefit paid by the plan	(45,364)	(55,933)	(44,947)	(55,933)
Current service costs	75,193	45,872	72,523	42,778
Interest Cost	123,397	109,827	123,397	109,827
Liability for defined benefit obligations at 31st December	958,976	791,360	951,433	786,072
21.3 Expense recognised in Profit or Loss				
Current service costs	75,192	45,872	72,523	42,778
Interest on obligation	123,397	109,827	123,397	109,827
Actuarial Loss/(Gain) recognized during the year	14,388	-	14,388	-
	212,978	155,698	210,308	152,604

As at 31st December,	Group		Company	
	2010 (Rs.'000)	2009 (Rs.'000)	2010 (Rs.'000)	2009 (Rs.'000)
22. TRADE AND OTHER PAYABLES				
Trade Payables	775,455	403,703	618,012	279,271
Subcontract Payables	1,102,349	1,254,571	1,102,349	1,254,571
Progress Bills	1,802,270	3,339,331	1,802,270	3,339,331
Provision for Warranty Claims	196,820	198,490	196,820	198,490
Accrued Expenses and Other Provisions	605,919	804,356	567,679	761,357
Other Payables	370,411	119,339	346,778	112,418
VAT Payable	6,048	8,367	5,999	4,194
	4,859,272	6,128,157	4,639,907	5,949,632

22.1 Provision for Warranty Claims

Balance at the beginning of the year	198,490	172,641	198,490	172,641
Provision made during the year	194,379	41,040	194,379	41,040
Claims made during the year	(196,049)	(15,192)	(196,049)	(15,192)
Balance at the end of the year	196,820	198,490	196,820	198,490

Relationship					
23. AMOUNTS DUE TO RELATED PARTIES					
Ceylon Shipping Agency Private Limited	Subsidiary	-	-	90,488	97,574
		-	-	90,488	97,574

24. INCOME TAX PAYABLE / (REFUND)

Balance at the beginning of the year	319,338	345,361	304,682	329,498
Provision for Income Tax on current year's profits	86,229	240,025	44,766	223,785
Under/(Over) provision of Income Tax in respect of prior year	(213,870)	-	(213,870)	-
Tax paid during the year - Income Tax	(91,570)	(38,410)	(71,620)	(23,394)
- Value Added Tax	(94,660)	-	(94,660)	-
- Withholding Tax	(2,965)	(184,784)	(2,332)	(183,641)
- Economic Service Charge	(12,418)	(42,853)	(9,914)	(41,566)
Balance at the end of the year	(9,916)	319,338	(42,948)	304,682

25. DIVIDENDS PAYABLE

Balance at the beginning of the year	13,037	7,300	13,037	7,300
Dividends declared during the year	547,497	479,060	547,497	479,060
Payments during the year	(545,622)	(473,323)	(545,622)	(473,323)
Balance at the end of the year	14,912	13,037	14,912	13,037

Notes to the Financial Statements

26. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 2,970,272,000/- (31 -12 - 09 - Rs. 8,158,539,000/-) as at the Balance Sheet date.

Bank	Letter of Credit (Rs.'000)	Performance & Bid Bonds (Rs.'000)	Advance and Retention Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	260,325	8,470	49,982	109,443	428,220
Commercial Bank of Ceylon PLC	-	-	673,717	-	673,717
National Development Bank PLC	-	269,696	-	5,800	275,496
Hatton National Bank PLC	245,173	139,100	622,827	-	1,007,106
Sampath Bank PLC	-	-	24,955	20,093	45,048
Hong Kong & Shanghai Banking Corporation	540,685	-	-	-	540,685
	1,046,183	417,266	1,371,481	135,336	2,970,272

- (b) Colombo Dockyard PLC has issued Corporate Guarantees on behalf of followings amounting to Rs. 2,994,586,000/- as at the Balance Sheet date.

Name of the Company	Relationship	Performance (Rs.'000)	Refund (Rs.'000)	Miscellaneous (Rs.'000)	Total (Rs.'000)
Dockyard General Engineering Services (Private) Limited	Subsidiary	-	-	150,000	150,000
True Wisdom Limited	Customer	273,970	821,909	-	1,095,879
Eagle High Limited	Customer	273,969	821,908	-	1,095,879
Wartsila Finland OY	Supplier	-	-	652,830	652,830
		547,939	1,643,817	802,830	2,994,586

- (c) (i) 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.

The Supreme Court Appeal is yet to be listed for hearing.

- (ii) Labour Tribunal Inquiries against the Company

Three Labour Tribunal applications are before the Labour Tribunal and relevant case numbers LT2A/2485/2003, LT2A/2721-33-2004, LT2A/3360/2009.

- (iii) A case filed by the Company against bonded employee to recovery of bond in District Court: DC Colombo 39481/MR.

- (iv) High Court appeals filed against the LT orders: HCALT 11/2009, HCALT 35/2010, HCALT 37/2010, HCALT 40/2010.

(d) Company has entered in to the forward contracts with banks to purchase and sell currencies and the summary of the pending contracts are as follows:

The total value of the transactions are Rs. 5,436,814,733.57 (2009 - Nil) as at the Balance Sheet date.

		Rs.'000
Sales Contracts		
USD	30,000,000	3,585,677
EURO	2,500,000	381,036
		3,966,713
Purchase Contracts		
EURO	10,000,000	1,402,302
YEN	50,000,000	67,798
		1,470,100
		5,436,813

27. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2010.

28.

(a) TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Paticulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering Services (Pvt) Ltd	Mangala P.B. Yapa A. Nakauchi Y. Kijima	Subsidiary	Purchase of Material Management Services Lease Rental Received Subcontractor Services Heavy Engineering Dividend Income	1,830 928 1,237 70,149 8,417 4,680
Ceylon Shipping Agency (Pvt) Ltd	A. Nakauchi Mangala P.B. Yapa C.S.W. De Costa	Subsidiary	Purchase of Material Services	807,321 5,607
Onomichi Dockyard Company Ltd	T. Nakabe	Parent	Technical services	68,550

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

(b) TRANSACTIONS WITH KEY MANAGERIAL 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, the Board of Directors (including Executive and Non-Executive Directors), chief executive officer and the General Managers of the Company who are in the very next level to the Board of Directors have been classified as key Management Personnel of the Company/Group.

Notes to the Financial Statements

(i) Loans to the Directors

No loans have been granted to the Directors of the Company

(ii) Compensation paid to Key Management Personnel

	2010 Rs.'000	2009 Rs.'000
Short term employment benefits	61,894	63,755
Long term employment benefits	29,334	25,936

(iii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 28 to these Financial Statements.

29. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

291. The Directors have authorised the payment of Rs. 8.00 per share as first and final dividend for the year ended 31st December 2010. (Rs. 8/- in 2009)

In accordance with Sri Lanka Accounting Standards 12 (Revised) - "Events after the Balance Sheet Date", this proposed final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st December 2010.

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.

30. COMPARATIVE INFORMATION

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

	Reclassified Rs.'000	As per Audited Accounts Rs.'000	Change Rs.'000
Property, Plant & Equipment	2,048,256	2,051,121	(2,865)
Investment Property	2,865	-	2,865

Ten Years Financial Summary (Company)

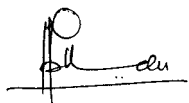
For the year ended 31st December	2010 Rs. Mn	2009 Rs. Mn	2008 Rs. Mn	2007 Rs. Mn	2006 Rs. Mn	2005 Rs. Mn	2004 Rs. Mn	2003 Rs. Mn	2002 Rs. Mn	2001 Rs. Mn
Income Statement										
Revenue	14,057	13,160	10,929	8,621	7,333	5,916	4,749	2,683	4,533	5,092
Cost of Production	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)	(4,075)	(2,129)	(3,735)	(4,005)
Gross Profit	3,078	3,362	2,501	2,125	1,502	666	674	554	798	1,087
Other Expenses	(1,579)	(1,349)	(1,110)	(1,029)	(832)	(669)	(548)	(556)	(511)	(697)
Profit before Other Income	1,500	2,013	1,391	1,096	670	(3)	126	(2)	287	390
Other Operating Income	147	128	123	195	209	91	71	44	54	50
PROFIT FROM OPERATION	1,647	2,141	1,514	1,291	879	88	197	42	341	440
Net Interest Costs	174	183	161	(5)	(57)	(52)	(8)	(24)	(62)	(103)
Profit before Interests	1,821	2,324	1,675	1,286	822	36	189	18	279	337
Taxation	193	(199)	(252)	(203)	(215)	21	(4)	37	(45)	(103)
NET PROFIT FOR THE YEAR	2,014	2,125	1,423	1,083	607	57	185	55	234	234
Retained Profit b/f	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888	747
Profit available for Appropriation	7,377	5,842	3,945	2,718	1,716	1,233	1,269	1,177	1,122	981
Issue of Bonus Shares	-	-	(32)	(31)						
Final Dividends Paid	(547)	(479)	(196)	(196)	(50)	(124)	(93)	(93)	(93)	
	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888
Balance Sheet										
As at 31st December	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
ASSETS										
Property Plant & Equipment	2,254	2,051	2,146	1,826	1,607	1,363	1,109	1,158	1,229	1,286
Investments & Taxes	131	112	77	1	1	1	1	1	1	1
	2,385	2,163	2,223	1,827	1,608	1,364	1,110	1,159	1,230	1,287
Current Assets										
Inventories	624	754	937	887	486	546	285	324	318	788
Trade & Other Receivables	5,251	6,893	5,642	7,175	2,007	1,791	1,549	1,110	2,762	1,633
Cash & Short -term funds	5,933	3,880	3,606	1,683	1,740	1,678	1,395	550	469	390
	11,808	11,527	10,185	9,745	4,233	4,015	3,229	1,984	3,549	2,811
TOTAL ASSETS	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779	4,098
EQUITY & LIABILITIES										
Stated Capital	684	684	684	652	652	621	621	621	621	621
Revenue Reserves	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888
Share Holders Fund (Net Worth)	7,514	6,047	4,401	3,174	2,287	1,730	1,797	1,705	1,743	1,509
Non-Current Liabilities										
Interest bearing Borrowings	61	94	148	227	253	286	217	209	209	276
Deferred Taxation	-	-	-	62	103	119	155	203	-	-
Retirement benefit Obligation	951	786	689	468	393	334	279	220	185	157
	1,012	880	837	757	749	739	651	632	394	433
Current Liabilities										
Trade & Other Payables	4,730	6,048	5,435	5,341	1,147	981	734	453	641	848
Interest bearing Borrowings	897	315	1,246	1,676	1,102	1,472	500	179	1,227	623
Income Tax Payable	-	305	329	319	193	4	(2)	(48)	177	158
Dividends Payable	15	13	7	6	5	4	3	3	3	56
Bank Overdraft	25	82	153	299	358	449	656	219	594	471
	5,667	6,763	7,170	7,641	2,805	2,910	1,891	806	2,642	2,156
	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779	4,098
Key Indicators										
Earnings per Share (basic) Rs.	29.44	31.05	20.80	16.60	9.31	0.94	2.98	0.86	3.77	3.78
Net Assets per Share (Rs.)	109.81	88.37	64.31	48.69	35.10	27.87	28.97	27.45	28.07	24.3
Market Price per Shares (Rs.)	275.00	244.75	50.00	53.00	36.00	22.25	22.50	21.00	30.50	25.75
Return on Capital Employed (%)	21.7%	35.0%	33.3	37.9	34.6	4.4	9.8	2.2	17.4	24.4
Dividend Approved (Rs. per share)	8.00	8.00	7.00	3.00	3.00	0.80	1.50	1.50	1.50	1.50
Current Ratio (Times)	2.08	1.70	1.43	1.28	1.51	1.38	1.31	2.46	1.35	1.31
Interest Cover (Times)	29.8	31.2	21.66	10.65	8.34	1.06	6.37	1.03	3.94	3.60

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth 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 22nd day of March 2011 for the following purposes.

1. To receive the Annual Report of the Board of Directors on the Affairs of the Company, the Audited Accounts for the year ended 31st December 2010 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath as a Director in terms of Article 87 of the Articles of Association of the Company.
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.
4. To re-appoint Messrs. KPMG Ford Rhodes Thornton & Co., the retiring Auditors and authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year 2011 and up to the date of the next Annual General Meeting.

By order of the Board
COLOMBO DOCKYARD PLC



Manori P. Mallikarachchi
Company Secretary

24th February 2011
Colombo, Sri Lanka

Notes

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

Please bring your National Identity Card when attending the meeting.

Form of Proxy

I/We
(NIC No.) of
.....
being 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)
T. Nakabe	of Colombo (or failing him)
Y. Kijima	of Colombo (or failing him)
G.A.D.L.H. Ganlath	of Colombo (or failing him)
H.A.R.K. Wickramathilake	of Colombo (or failing him)
Janaki Kuruppu	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held on 22nd March 2011 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

.....
Signature

Notes: * Instructions as to completion appear overleaf.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

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

Please fill the details:

Share Certificate No. :

Name :

Address :

Jointly with :

Corporate Information

Name of Company

Colombo Dockyard PLC

Legal Form

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

Company Registration Number

PQ 50 Founded 1974

BOI Registration Number

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

Registration No. 91/17/03/1983.

Tax Registration Numbers

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

Directors

A. Nakauchi	- <i>Chairman</i>
Sarath de Costa	- <i>Vice-Chairman</i>
Mangala P. B Yapa	- <i>Managing Director/CEO</i>
Lalith Ganlath	
H.A.R.K Wickramathilake	
Y. Kijima	
T. Nakabe	
Janaki Kuruppu	
Y. Imai	- <i>Alternate Director</i>
I. Takeda	- <i>Alternate Director</i>

Company Secretary

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

General Management

Mangala P. B. Yapa	- <i>Managing Director/CEO</i>
M. F. M. Najab	- <i>General Manager</i> <i>(Administration & Corporate Affairs)</i>
M.W.P. Perera	- <i>General Manager (Production)</i>
D.V. Abeysinghe	- <i>General Manager (Projects & Engineering)</i>
R. Wijegunawardana	- <i>General Manager (Finance)</i>
N.M.K.B. Nayakaratna	- <i>General Manager (Commercial)</i>

Auditors

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha, Colombo 3, Sri Lanka.

Accounting Year End

31st December

Registrars

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

Subsidiary Companies

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

Ceylon Shipping Agency (Pte) Ltd

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

Bankers

Bank of Ceylon

04, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka.

People's Bank

75, Sir Chithampalam A Gardiner Mawatha,
Colombo 2, Sri Lanka

Commercial Bank of Ceylon PLC

Commercial House,
21, Bristol Street, Colombo 1, Sri Lanka

State Bank of India

No 16 Sir Baron Jayathilake Mawatha,
P O Box 93 Colombo1

Sampath Bank PLC

No 110, Sir James Pieris Mawatha, Colombo 2

National Development Bank PLC

103 A, Dharmapala Mawatah,
Colombo 7

The Hongkong & Shanghai Banking Corporation Limited

24 Sir Baron Jayathilake Mawatha,
Colombo1, Sri Lanka

Hatton National Bank PLC

Level 17 – HNB Towers,
479, T. B Jayah Mawatha, Colombo 10, Sri Lanka.

Contact Details

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

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

Colombo Dockyard PLC



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