Creating Quality...
Delivering Greatness

Colombo Dockyard PLC
"... An Odyssey of Excellence..."

Annual Report 2012

Creating Quality…
Delivering Greatness

There is a lot that goes into creating a masterpiece that stands the test of time. Commitment, expertise and team work have been our forte and our internal strength and processes have ensured excellence. Our innovative products have been proven to be technically superior, with us delivering well over 13 ships to Asian shipping giants over the last five years. The cynosure of this is our latest innovative design; a 3,600 DWT MPSV with added capacity and oil recovery capabilities and state of the art unique control system delivered to Greatship, one of the leading ship owners in South Asia. Our connection and long term partnership with such leading fast growing entities means that together, we are creating and delivering upon greatness in the region which travels all over the world.


RESCUE ZONE

Contents

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 in Shipbuilding, Shiprepairs, Heavy Engineering and allied activities.
- To efficiently and effectively manage all our resources.
- To achieve sustainable growth.
- To enhance the interests of our Stakeholders, and thereby contribute to the pursuit of our vision.

Quality Policy

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

Environment Policy

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

To meet our commitment, we shall,

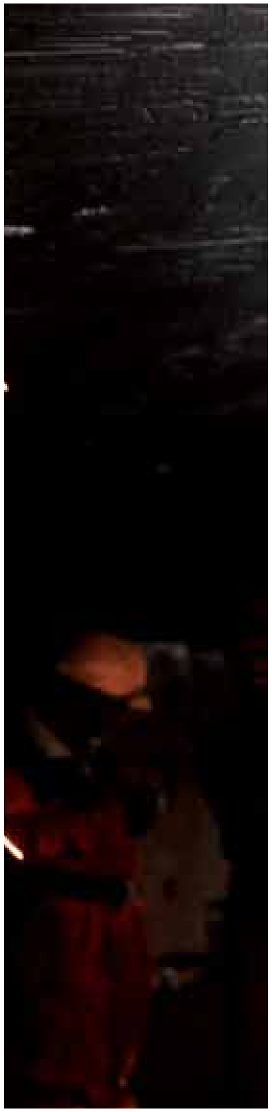
- Meet or exceed applicable legislation and regulations as well as industry standards and practices.
- Periodically review established environmental objectives and targets in order to continually improve our Environmental Management System performance.
- Effectively communicate with employees, customers, neighbors and other stakeholders regarding our Environmental Management System and its performance.

Safety Policy

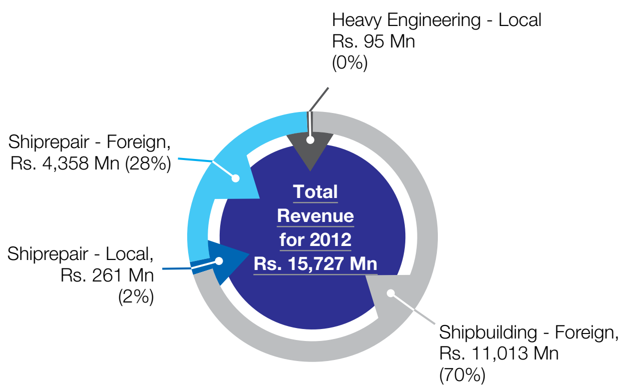
Colombo Dockyard PLC recognizes its corporate responsibility to provide a safe and healthy work environment for all personnel who have legitimate business in such work environment.

Colombo Dockyard PLC shall:

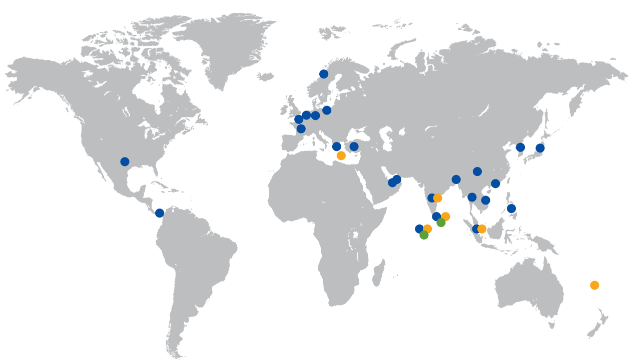
- Provide safe plant, machinery, equipment and systems of work.
- Ensure compliance with relevant statutory regulatory requirements; and
- Provide procedures, information, instructions training and supervision to employees, contractors, customers and visitors to ensure their safety.



Financial Highlights (Company)



Our Global Presence



● Shiprapairs

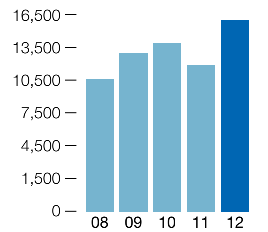
Bangladesh	India	Philipene
Belgium	Japan	Singapore
China	Korea	Sri Lanka
Dubai	Maldives	Thailand
France	Netherlands	Turkey
Germany	Norway	UAE
Greece	Panama	USA
Hong Kong	Poland	Vietnam

● Shipbuildings

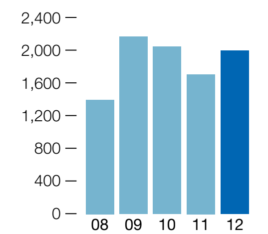
Cyprus
India
Maldives
Samoa
Singapore
Sri Lanka

● Heavy Engineering

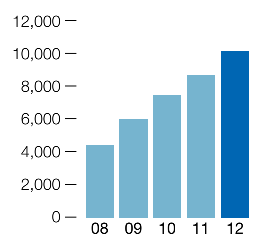
Maldives
Sri Lanka



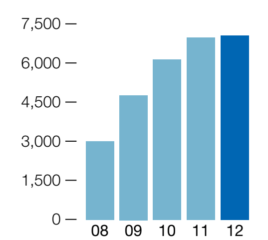
Total Revenue (Rs. Mn)



Profit After Tax (Rs. Mn)



Shareholders Funds (Rs. Mn)



Net Working Capital (Rs. Mn)

	2012 Rs. Mn	2011 Rs. Mn	Change Rs. Mn	%
Results for the Year				
Revenue				
Shiprepairs	4,620	4,406	214	4.86
Shibuildings	11,013	7,682	3,331	43.36
Heavy Engineering	94	107	(13)	(12.15)
	15,727	12,195	5,532	29.00
Export Revenue	15,466	11,464	4,002	34.91
Local Revenue	356	731	(375)	(51.30)
Gross Profit	2,699	2,031	668	32.89
Operating Profit	1,903	1,396	507	36.32
Taxation	(14)	43	57	132.56
Net Profit after Tax	1,889	1,439	450	31.27
Profit Available for Appropriation	9,273	7,829	1,444	18.44
Company Value Addition	5,590	4,824	766	15.87
Company Value Addition %	35	38	(3)	7.90
Local Value Addition	6,510	6,310	200	3.17
Employees Salaries & Benefits	3,189	2,886	(303)	(10.50)
Balance Sheet				
Total Assets	17,547	14,214	3,333	23.00
Total Liabilities	7,550	5,692	1,858	32.64
Share Holders' Fund	9,998	8,522	1,476	17.32
Net Cash & Cash Equivalent	3,863	3,845	18	0.46
Information Per Ordinary Share				
Earnings (Rs.)	27.60	21.03	6.57	31.24
Net Assets (Rs.)	139.96	124.53	15	12.39
Market Value (Rs.)	224.00	238.80	(15)	(6.20)
Dividends Approved (Rs.)	8.00	6.00	2.00	33.33
Market Capitalization (Rs. Mn)	16,096	16,343	(247)	(1.51)
Financial Ratios				
Net Profit after Tax (%)	12.0	11.8	0.2	1.79
Return On Investment (%)	10.8	10.2	0.6	5.90
Return On Assets (%)	10.8	10.2	0.6	5.90
Interest Cover (Times)	22.2	20.1	2.1	10.40
Return On Equity (%)	18.9	16.9	2.0	11.89
Gearing Ratio (%)	0.10	0.40	0.30	75.00

Significant Milestones

20 YEARS of Collaboration with Japan, Onomichi Dockyard Co. Ltd.

It is noteworthy that 20 years of this journey has been in joint collaboration with our Japanese partner Onomichi Dockyard Co., Ltd. This collaboration made in 1993 has triggered a remarkable change and marked a complete transformation, bringing in Japanese values and ethics such as quality consciousness and assured promise on time delivery into the local business culture along with various other means of cost effective waste minimising management and production practices, introduction of cutting edge technology etc…

EXPANDING YARD CAPACITY

During the year 2012, the Company introduced a new Dock-side crane with maximum lifting capacity of 160 tons at Dock Center (26m radius), making a significant milestone in the history of CDPLC. Before the Company introduced this project, CDPLC had only 50 ton maximum crane capacity (restricted to 32 ton at Dock Center).

As the Company has been concentrating more on building new ships to the international market since 2003, at present CDPLC is well reputed in building high quality ships that meet stipulated international standards within a shorter time period. Thereby, the tendency towards building more complex, bigger vessels by the Company demanded higher crane capacity to handle quite larger units of newly constructed vessels. The Company expects a notable productivity and efficiency improvement in Shipbuilding with the increase of crane capacity up to 160 tons and total investment for the project was over Rs. 800 Mn.

Corporate Profile

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

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

Colombo Dockyard, in existence for over three decades, continues to keep its eyes on the horizon, pre-empting trends and preparing for transformation. While the Company remains relatively small in size compared to competitors in the Asian region, its differentiation lies in the way it does business.

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

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

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

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


NO SMOKI
GAS
EMERALD II

Shipyards around the world engaged in both shipbuilding and shiprepairs faced extreme conditions, despite the predictions at the beginning of 2012 that the global economy will turnaround and trade and commerce would see an upturn. Sadly however, smaller shipyards succumbed to the unending pressure, posting losses and facing dire circumstances, while others experienced serious constraints in managing and growing their businesses.

Chairman's Message

Akihiko Nakauchi
Chairman

Remaining true to our axiom that we charter a course in an 'Odyssey Of Excellence', our emphasis in creating value and delivering greatness encompasses operating in a truly difficult environment and specifically this year, which has truly been the most difficult given the external milieu. While ownership lagged behind, so did repairs, with most ship owners adopting a mindset of effecting repairs or purchases only if the need was extremely great. However, CDPLC had already ventured into markets, including those in the Middle East and parts of Asia, that did display some positive changes in trends and this year saw much of those discussions and strategies bear fruition.

Just as we believed that the world couldn't face any more challenges, this year graphically showed that the world had much more to confront than what it had already been through. While there were bright spots like the London Olympics, the Eurozone crisis however continued to exacerbate, with some countries even filing for bankruptcy, the US teetering on the edge of a fiscal cliff having battled the debilitating effects of Hurricane Sandy and holding its Presidential elections in the midst of it, the continuing fallout of the Arab Spring, turbulent oil prices, and the Philippines, Pakistan, Britain and Sri Lanka struggling with debilitating floods to add to the numerous natural disasters the world has faced throughout the year. As was reflective of last year, this continued downward spiral, which at most times seemed unabated, took its toll on the shipbuilding business.

Colombo Dockyard PLC (CDPLC) was not untouched by the global paradigms. In fact, while our reputation and presence in the global shipbuilding industry has continued to grow and be recognised, the overall sentiment within the industry was one of consolidation and in some cases, even the closure of some smaller shipyards in some countries due to not being able to sustain business. We have been forced to rethink our strategies and infuse new ideas to make our business sustainable, in a milieu where the entire industry is operating on a downward trend.

I am most proud to present to you the Annual Report for Colombo Dockyard PLC and the Statement of Account for the year ended 31st December 2012, given that the Group has truly worked with relative success, in a milieu that has showcased instability, volatility, and most of all a slowing down of business in general.

Global economic performance and industry woes

As mentioned above, more setbacks and uncertainty dogged the world's economic recovery, primarily due to policies in major advanced economies not quite rebuilding the vital confidence for medium-term prospects. However, there has been a gradual albeit very slow strengthening of activity from the rather disappointing pace seen in the early part of this year with global growth expected at 3.3% in 2012 and 2013 seeing a light rise to 3.6%. While output in advanced economies remained sluggish, it is emerging markets and developing economies that drove growth, being relatively solid although they too did feel the negative impacts as it cascaded throughout. The Global Financial Stability Report detailed that unemployment and financial conditions would remain fragile. Advanced economies on the other hand were envisaged at growing slower than emerging and developing economies at 1.4% against the world average of 3.5%. The IMF projects India to grow at 6.1%, Pakistan at 2.6% and Bangladesh at 5.9% in 2012, while the average growth forecast for Vietnam, Philippines, Indonesia and Thailand is 5.4%.

According to an analysis conducted by the Bloomberg World Shipbuilding Index, China, having ideated aggressive growth in shipbuilding in earlier years, had unfortunately not focused on the impending paradigms. Resultant to this, China, and hence the global shipbuilding industry, now has too many ships, causing a depression for the entire industry. The glut pushed new vessel prices to eight-year lows, with smaller yards being forced into bankruptcy and very low earnings. There was a definite plummet of orders for commodity, oil and container ships due to this excess.

With maritime transport being the backbone of international trade, given that about 80% of global trade by volume and over 70% by value is carried by sea and handled by ports worldwide, shipbuilding and ship repair industries do play a significant role in ensuring the sustainability of global trade and commerce. According to the Review of Maritime Transport, despite several downside risks continuing to stand in the way of a robust and sustainable recovery in shipping, and therefore ancillary industries like ours, world seaborne trade is due to grow by 4.3% in 2012.

Sri Lanka's economic progress

The world's sluggish performance had little impact on Sri Lanka's development goals, as the country continued its accelerated development path at full strength. Having performed admirably well the previous year as seen in the GDP growth percentages being considerably higher than even her regional counterparts, Sri Lanka's growth pattern continued. A slight blip was that GDP was lower than 2011, but certainly much higher than regional and global averages. This lower GDP was due to a realistic downgrade introduced by the Central Bank of Sri Lanka mid year, reflective of regional and global standing. Thus, Sri Lanka's GDP was detailed at 6.75% by end 2012. Yet another positive was that despite the forecast being downgraded, Sri Lanka closed her GDP

for the year well ahead of regional peer economies and the world's advanced nations. As a comparison, the growth envisaged for emerging and developing economies for 2012 is 5.6% and Sri Lanka is tipped to achieve the highest rate of growth against South Asian Economies for 2012.

Sri Lanka's progress was also emphatically seen in the rankings given by both rating agencies and the global indices in various areas. With poverty alleviation and inclusive growth being given high priority, there was a definite positive note in Sri Lanka's Prosperity Index with all provinces showing considerable improvements and unemployment sitting at an all-time low, declining to 3.9% in the first half of 2012.

As detailed last year on the five-pronged hub strategy encompassing the vision for the country, which would as a direct result of investment into mega infra-structure project transform the country into achieving its goal of per capital income of US $4,000 by 2016, power, roads, port and airport development projects are all well within the timeline targets. The South Colombo Harbour Project will see Phase 1 completed in 2013 and the Oluvil Port Development Project will also be completed in 2013, while the Hambantota Port Development Project has already seen the completion of phase 1 and envisages completion of phase 2 in 2015. The Kankesanthurai Port Development Project is currently in progress. The prospects of the Maritime Hub as embedded in Sri Lanka's vision to become South Asia's Economic Hub titles the Colombo Port as the container mega hub, the Hambantota Port as industrial and multi-purpose, Galle to be designated as a cruise shipping center, Oluvil for commercial and fisheries operations and Kankesanthurai and Point Pedro as regional ports.

Operating in Stormy Waters

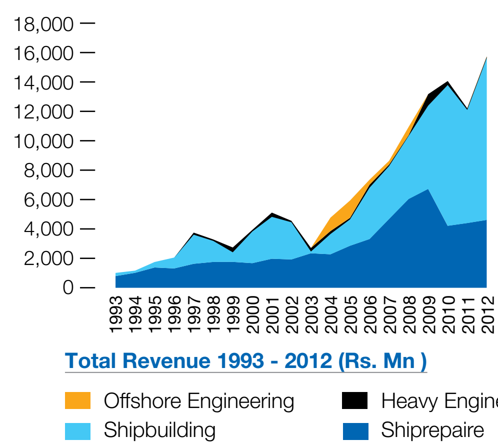
Remaining true to our axiom that we charter a course in an 'Odyssey of Excellence', our emphasis in creating value and delivering greatness encompasses operating in a truly difficult environment and specifically this year, which has truly been the most difficult given the external milieu. While ownership lagged behind, so did repairs, with most ship owners adopting a mindset of effecting repairs or purchases only if the need was extremely great. However, CDPLC had already ventured into markets, including those in the Middle East and parts of Asia that did display some positive changes in trends and this year saw much of those discussions and strategies bear fruition.

Our emphasis on quality and timely delivery remains unmatched among the reputed shipbuilders in the world and this has certainly augured well in ensuring that CDPLC stays afloat despite the industry seeing downward trends. We have observed ship owners who are emphatic on quality use CDPLC as their preferred ship builder of choice, despite competition in the market being intense and very competitive, especially with regard to price competitiveness. We strongly believe that quality cannot be compromised and hence, maintain our competitive edge in quality and timely delivery in giving our customers the best. Another key advantage Sri Lanka now has overall the safety and stability, which naturally cascades to shipowners having immense confidence in building their ships in a safe, secure and quality conscious shipyard.

Our focus on shipbuilding for the Offshore Supporting Vessels (OSV) market segment has also held us in good stead in that the strategic diversification decisions taken many years ago have seen us charter into niche areas, which has augured well in building our business, despite the challenges. The ship repair area of our business, meanwhile, did have to contend with survival strategy, where ship owners minimised spending and delayed repairs until statutory regulations dictate that repairs be completed. Owners focused on mandatorily classified repairs, which means that most analysts felt that the ship repair business could bottom out, given the increasingly intense market conditions and new yards set up a few years ago, forcing prices down to ensure continuance of their business.

Performance for long term sustainability

Given the challenges, the volatility and the general survival mind-set, both ship repair and ship building business did considerably well this year, primarily due to CDPLC already having infused numerous strategies in earlier years, having anticipated intensely competitive times ahead. As mentioned above, with ship owners going into survival mode, smaller ship yards filing for bankruptcy and the general global economic downturn cascades impacting the overall industry, CDPLC went through its toughest year yet. However, with consolidating strategies being adopted and augmented on the platforms of quality, safety, innovation, stability and a progressive outlook, we did have respite. The aggressive marketing strategies we had worked on in the last few years also brought in the desired results, while our need to constantly build and nurture stakeholder relationships, maintaining continuous dialogue and communication channels gave us a competitive advantage.



Total Revenue 1993 - 2012 (Rs. Mn)

Group net profit after tax at end 2012 was posted at Rs. 1,990.7 Mn, which is a marginal increase of 29% and reflective of the macro negativities experienced in 2012. Shipbuilding revenue increased quite exponentially to add Rs. 11,013 Mn to the top line, which is a 43.4% over last year's figure of Rs. 7,682Mn. This was due to the timely delivery of three vessels this year to a Singapore based owner; the 140 ton Bollard Pull Anchor Handling Tug Supply Vessel and three 78 m Multipurpose Platform Supply Vessels. The Order Book remains quite heavy until mid 2014 with Singapore and India being our main buyers. We will be delivering four more Multipurpose Platform Supply Vessels, in addition two 400 passenger cum 250 ton cargo vessels in this timeline. Design and construction stages are already well into targeted timeliness on the earmarked vessels.

The ship repair business, while notching an increase in revenue of Rs. 4,620 Mn compared to last year's Rs. 4,406, which is a slight incline of 4.9%, did however not perform to forecast, once again due to ship repair not being a priority in the ship owners' mind-set. This was further exacerbated with competing ship yards, especially those in the Asian region drastically slashing rates to gain more volume business than value. Hence there was a decline in the total number of vessels repaired from last year's 165 to 149 this year. Dry dock repairs were effected on 78 vessels compared to 91 last year and afloat repairs on 71 as opposed to 74 last year. Heavy Engineering did not post a good year either. Revenue in this segment of our business stands at Rs. 94 Mn, which is a decrease of 12.15% over last year's Rs. 107 Mn.

The investment we infused into our operational capabilities in prior years is now almost in full use, with our yard promoting best practices and increasing productivity. Into these investments, we also introduced features that would improve efficiency and this year, the

current shot blasting operation and steel storage yard relocated to the Kelani River Yard added very necessary fabrication area, while new equipment including a plasma cutting machine and a component fabrication workshop was also added. The very first 250 ton Bollard Pull Test facility in Sri Lanka was commissioned in China Bay Trincomalee, giving CDPLC the ability to confirm ship pulling capacity. Plans are underway to ensure that the substantial period of occupancy of Dock 1 will be added for shipbuilding, giving us to enhance the total of shipbuilding DWT capacity at the end of 2013.

Focusing on the future

The immediate future is bleak for the industry. The global economy will see some respite but it will be a slow process and this lack of speed, will naturally have a permeating negative impact on our business. However, CDPLC has all the appropriate strategies in place for enduring the most immediate difficulties in the most challenging circumstances. These are strategies we had implemented very much aligned to the paradigms we saw within the global milieu and even though ship building and ship repair will take a back seat in the next two to three years, CDPLC is able to capitalise on some of the strategies already in place. India, a very strong buyer for our market, continues to purchase numerous vessels in the commercial and merchant market, as does Singapore, one of our best customers yet.

However, the competition we face is intense. Having already gained inroads in the past into the Maldives, Saudi Arabia and Oman, we see those buyers venturing into other cheaper yards. While some of these yards are wholly government owned, others gain much impetus from their own governments via concessions which give them a competitive advantage when vying for business. We are also somewhat hampered by the limited size of our shipyard and therefore, cannot afford to take on a surfeit of orders. We have to consciously maintain a balance with the jobs at hand and hence, cannot look for more business than the yard can handle too far in advance.

Sri Lanka's macro performance indicators for the future are promising and we do believe we have a role to play in that formula. Whether in the burgeoning tourism industry, the need for better transport, energy alternatives and in overall infrastructure development, CDPLC has the capacity, competencies and the skill to contribute. We see our heavy engineering business segment, which currently employs nearly 4,000, gaining massive impetus if CDPLC gains more foothold in infrastructure projects.

These are all facets that can be collated in strengthening Sri Lanka's status on the world stage, where FDIs can be encouraged and long term strategies can be planned, integrating a holistic panorama of products and services that the country can offer, with complete value addition. Sri Lanka's expatriate knowledge can also be encouraged to return or contribute towards this development agenda and further employment generation can be prompted within the country as well, which means Sri Lanka will also see a mitigation of the brain drain being experienced.

Given Sri Lanka's accelerated development phases and the world's somewhat slower journey, I see the heavy industry sector holding promise. It seems pragmatic for CDPLC therefore to diversify, gain more emphasis in heavy industry especially in locomotive, power plants, oil refineries, automobile and infrastructure construction like roads, bridges et al wherein our focus, while remaining in ship building and ship repair which are our core competencies, will be more progressive and aligned to the country's vision. The intense and very comprehensive training we impart to our team makes them extremely competent to work on such mega infrastructure and heavy industrial projects, which I do believe will formulate a win-win situation for the Group and the country.

Appreciations

As we continue to create value and deliver greatness on the oceans, I am most appreciative of all those who have traversed the stormy waters with us. It has certainly been an extremely difficult year, but CDPLC has achieved some milestones, gained achievements and etched plans that would enable us to ride the storm and take us into the future.

My Board of Directors has been immensely helpful in adding the imperatives for leading this company in difficult times. It has certainly been challenging to maintain an even keel at times, but the confidence and trust the directorate has bestowed on me, in tandem with the guidance and much-needed advice, has surely been the panacea we needed to get us through this year.

Our shareholders have continued to retain confidence in our vision and strategies and have certainly been an invaluable facet in our progress ahead. The management and team who are completely aligned to our vision, assuredly possess the dynamics to charter this odyssey of excellence we have embarked on and are highly motivated in working towards that vision. I'm most grateful for your untiring commitment.

Our valued business partners, both customers and suppliers, are true partners, stakeholders who believe in strengthening relationships to maintain sustainable partnerships. Thank you for being supportive, committed and confident that this company delivers true greatness.

Akihiko Nakauchi
Chairman

22nd February 2013
Colombo

Managing Director/CEO's Review

Mangala P. B. Yapa
Managing Director/CEO

The Company recorded an overall revenue growth of 29%; where shipbuilding posted a phenomenal growth of 43%, and the ship repair sector recorded a marginal growth of 5%. This certainly proves the prudence of the management decision that fuelled us to augment the shipbuilding business, especially in the niche vessel segment of Offshore Support Vessels (OSVs), which is now established as being the only vessel segment that has potential to grow in these challenged times.

For us shipbuilders and shiprepairers, it's been a year of very tough challenges. The waters have surely been stormy. But even in troubled waters, Colombo Dockyard PLC (CDPLC), our Company, which is built on strong foundations, has used its strengths with a long-term outlook to remain on an even keel, keeping to our core strategy on delivering greatness. Creating quality to international standards consistently, therefore, is an indispensable part of our operations, which we believe becomes a competitive edge in lean times: thus, when we deliver greatness, seen tangibly sailing the seas, we know that our masterpieces espouse that quality which can stand the test of time. The teamwork, commitment, expertise, and service, which form the other primary parts of our DNA, add to this focus on quality, where on a continually improving curve, we strive for excellence on all fronts.

So, as I look back on 2012, what I observe is a Company that has been challenged on numerous fronts, but one that has taken those challenges into learning experiences and emerging opportunities for shaping ourselves for the better times ahead.

Financially well grounded

Shipyards around the world engaged in both shipbuilding and shiprepairs faced extreme conditions, despite the predictions at the beginning of 2012 that the global economy will turnaround and trade and commerce would see an upturn. Sadly however, smaller shipyards succumbed to the unending pressure, posting losses and facing dire circumstances, while others experienced serious constraints in managing and growing their businesses. Simply staying afloat was certainly a challenge. It is in this backdrop therefore that CDPLC functioned; certainly not an easy landscape but one that we managed prudently, recording an overall growth in our business sectors, shipbuilding and shiprepair.

The Company recorded an overall revenue growth of 29%; where shipbuilding posted a phenomenal growth of 43%, and the ship repair sector recorded a marginal growth of 5%. This certainly proves the prudence of the management decision that fuelled us to augment the shipbuilding business, especially in the niche vessel segment of Offshore Support Vessels (OSVs), which is now established as being the only vessel segment that has potential to grow in these challenged times.

Consequently, export earnings grew by 35% at CDPLC, proving yet-another point; the need to pay more attention to non-traditional exports and markets. When traditional exports experienced a decline in export volumes due to contracting markets in the US and EU, ours was one industry that fared considerably well in countries in the Far East and India, which were not impacted as severely by the global downturn.

The Domestic and Company Value Addition improved to Rs. 5.5 billion, further enhancing local value creation, making the Company one of the best domestic value adding businesses in the country, which now stands at 40%. Such achievement is considered commendable, given the current state of our industry, which displays a downward trend since 2008. We do believe that we can infuse further strategies in the coming year to enhance our performance, given that those already implemented are getting well rooted.

Achievement of good performance in difficult times and markets require much balancing of scales. The escalation of costs of local inputs, including labour, utilities, and interest costs and managing severely vulnerable foreign exchange fluctuations imposed greater challenges. In spite of such challenges, we managed a 31% growth in our profit after tax, which once again deserves commendation due to both the macro and internal difficulties we continued to encounter throughout the year. However, as is characteristic of CDPLC, challenges are viewed as lessons to be learned. As such, productivity enhancement must be continually infused, leading to managing costs better, sustaining our business for the medium to long term.

Learning from challenges and threats

From a macro perspective, the shipping industry was under severe pressure augmented with depressed charter rates, which led to owners being cash strapped and unable to effect repairs. This was a paradigm we have been seeing over the last three years and which exacerbated by 2012, as the reserves these owners possessed had already depleted. In this background, banks and financial institutions were lending cautiously, which meant that we too, being cognisant of the unfolding environment, had to manage our business prudently and with forethought.

An example of the poor performance posted by many owners is well evidenced in India's State owned giant ship owner The Shipping Corporation of India, which used to contribute over 50% of our ship repair turnover, posting losses for the very first time in its history. It must also be noted, that the Indian tanker fleet has changed its composition, discarding many Afromax tankers and replacing them with newly built VLCCs and larger vessels. The Dredging Corporation of India too endured some administrative difficulties, which is now slowly returning to its earlier position. Most private sector Indian owners also portrayed cash flow constraints, impacting our ship repair business quite severely.

To sustain our business, therefore, it became imperative to seek alternative business avenues, compelling us to move away from our conventional Indian customers, and seek newer customers in different markets.

Another phenomenon that cascaded from this depressed market state was the increased aggressiveness of the Chinese shipyards. Suffering considerably by the lack of growth, consequent to an unprecedented expansion, these shipyards hit back by offering extremely low rates, bottoming out the market and forcing market prices to some of the lowest levels in the history of the industry, naturally forcing us to echo these patterns to keep our overheads utilized.

In my view, the most crucial challenge in the ship repair sector was not only pursuing new business opportunities in a severely competitive market, but also managing cash flow and effecting cost controls that would eventually bring in profits.

The challenges in the shipbuilding sector were otherwise, as our Order Book was well secured and capacities fully utilized until end 2013: managing costs, fast eroding supply chain relationships, adopting and adapting to emerging technological and regulatory requirements, infusing continuous improvements in design and quality, avoiding slowing-down, re-scheduling or cancellations, building long-lasting customer relationships and enhancing corporate branding and image to ensure continuity of the business were critical. This was certainly not an easy equilibrium to maintain, and it is noteworthy to place on record that we did not experience any cancellations or re-structuring of payments, which enabled us to maintain the soundness of planned cash flow and deliveries.

We were engaged in sizeable capacity improvement projects and the simultaneous management of such projects remained crucial to ensuring continuous improvement in productivity and cost management.

Highlighting Achievements, New Developments

An exciting challenge and a remarkable achievement is the project we undertook in building the 3,500 dwt Multi-Purpose Supply Vessel (MPSV), an improved version of the original SeaTech Design, STS 909. Our goal was to deliver a far superior vessel with marked differentiation and added features, creating a greater value to owners and creating an impact in the market. In-built with oil recovery facilities, enhanced capacity and above all, a very sophisticated and comprehensive fully automated control system, whilst incorporating all the possible green initiatives, was an unprecedented challenge for our young and relatively raw engineering team. However, supported by the Greatship team and our suppliers, the team conquered the challenge with true dedication and enthusiasm.

The hull of the vessel was modified to achieve greater speed and fuel efficiency. The robust Japanese OEMs of propulsion equipment, YANMAR, Kamome and Kawasaki were fully integrated into a uniquely designed vessel management and control system that was jointly developed with Kongsberg Maritime A/S of Norway, in compliance with all the classification and regulatory requirements. This innovative and differentiated design was a more versatile and capable vessel, meeting emerging needs of the industry, giving an edge to our customers, the ship-owners, in competitive market conditions.

The successful on time delivery of the first two of this fully differentiated series of vessels, 'Greatship Roopa' and 'Greatship Rachna', gained well-earned laurels in the market, and indeed is a tangible example to showcase in our portfolio, when exploring new business.

Another significant development is the design of the 400 passenger cum 250 ton Cargo Vessel, in conformity to unique operational and statutory requirements specified by the Union Territory of the Lakshadweep Administration. This unique design was developed in joint collaboration with GL Noble Denton, a world renowned ship designer from Norway, the Indian Register of Shipping and Lloyd's Register of Shipping. The construction of the two vessels is currently in progress and when delivered, will change the dynamics of passenger transportation in this region, creating another landmark of a ship "Made in Sri Lanka"!

Expansion, New Developments, innovations

With our focus on enhancing our shipbuilding capacity aligned to the strategic imperatives, we introduced a separation gate in Dock No. 1, dividing the century old 213 m long Drydock No. 1 (built in 1906), into two drydocks, namely, Dock 1A and Dock 1B. This enhanced the number of drydocks to five, increasing the versatility of the Yard. The separated drydocks can now be independently used, both for shipbuilding and ship repairs, or can be used as a single dock, as in the past.

The Kelani River Yard (KRY), which was initially established as a storage yard for steel plates and profiles, has been transformed into a fully-fledged steel processing facility, incorporating shot-blasting and priming, plasma cutting, pipe and component fabrication and painting work. KRY continues to be managed by Dockyard General Engineering Services (DGES), our wholly-owned subsidiary and adds significant capacity to the Company's shipbuilding strength.

While there were several projects initiated to enhance lifting capacity, the decision to install a 160T Shipside Crane ear-marked to lift heavier hull blocks ensuring significant productivity improvement, became a notable development in enhancing our capacity. Incidentally, once installed, this crane, uniquely designed to meet our requirements by Krov Ardelt of Germany, with its extended reach, becomes the highest capacity crane operating within the Port of Colombo.

Another imperative in being competitive, we continued updating technology capability, acquiring new modelling software, adding capacity to develop modelling of hull units integrated with all the other systems and components. Such modelling will enable us to foresee restrictions, obstructions and constraints in laying of pipes, conduits and cabling, whilst enabling the designers to route such utilities in the most feasible manner, ensuring a better lay-out and efficient operational conditions on board the vessel. Such modelling will also support productivity improvement and cost reduction and eliminating rework. With comprehensive training, our design engineers and draughtsmen have become very conversant with the system, addressing critical issues and concerns in-house, thus adding value whilst improving productivity and design.

To overcome the challenges in tough market conditions of ship repair sector, a unique, fully customized and Integrated Commercial and Production Monitoring System was developed in-house, using Oracle back-end and C# front-end. This unique ICPMS integrates and seamlessly interconnects all activities from marketing, estimating and tendering, negotiations, production and invoicing, with ample opportunities to capture budgets, budget enhancements, variations et al, making the system a comprehensive and state of the art tool for seamless integration of all segments involved. This development was an effort in blending expertise with proven international exposure in modern shipyards, into our internal expertise, making it one of the most unique management tools in the industry.

Departments show their mettle

In tough times, it is imperative that collective strategies are undertaken and planned to journey towards shared goals that would ultimately bring in the desired results. This prompted a strategic planning process, wherein the industry's trends, threats and emerging opportunities were carefully analyzed and each department within the company was tasked with the implementation of a meticulously planned process that would aid the sustainability and growth of our business.

With the ship repair sector being the most challenged, the Commercial Division was designated to play a pivotal role in seeking business amid intense competition. This also meant establishing relationships with new ship owners, identifying issues concerning creditworthiness, submitting competitive tenders, securing business and managing projects prudently. A continuous strengthening of relationships, which included enhanced dialogue, feedback and follow up was crucial, while collections had to be a top priority to ensure good financial management. Amidst such constraints, the Commercial Division fared well.

The Production Division had the dual challenge of meeting tight and complex production targets emanating from the shipbuilding sector, while meeting the varying demands of the ship repair sector as well. The initiatives introduced in the multiple docking capability in Dock No. 4 to assuage the absence of tankers that used to fill the dock previously, provided ample work fronts predominantly encompassing the work portfolio on steel work, blasting, painting and electrical work in our production process.

Managing the very complex design improvements of the improved MPSV design was tasked with the Projects & Engineering Division. However, the work had to be balanced, paying full attention to the design of the 400 passenger vessel, the largest ship ever to be constructed in Sri Lanka. Manned by a very young, but highly enthusiastic and energetic team of engineers who performed admirably under immense pressure, the projects gained accomplished results.

The Material Procurement Division worked in extremely trying circumstances in outsourcing material, equipment and consumables vital for enhanced business capacity, while managing operations at the newly expanded Kelani River Yard as well. The operations become even more complex as the storage space within the Yard is shrinking and the critical space is fully taken over by production activities. This is augmented with the heightened demand for reducing stock levels, in view of cash-flow constraints. The Division extended optimum support to production, maintenance and the yard development teams in meeting tight delivery schedules and budgetary constraints, notwithstanding the dire external market conditions.

Diligent prudent fiscal management forms the bedrock of the company's stability and sustainability and the Finance Division proved its mettle in keeping the company well within the lines. Serious challenges were encountered in treasury management, where the company receives funds in US Dollars, but expends in multiple currencies; Singapore Dollars, Euros, Japanese Yen, NOK and Sri Lankan Rupees. Proactive reporting and alerting the management on possible implications and opportunities, while maintaining sound accounting practices did bring in the desired results.

Last year, CDPLC was the first company to hold its Annual General Meeting from among the listed companies in Sri Lanka, complying with all the requirements of the Sri Lanka Accounting Standards, Colombo Stock Exchange and Securities and Exchange Commission. This year, there is yet another achievement; the financial statements you receive will most likely be one of the first, if not the first Statement of Account, fully compliant with the latest Sri Lanka Financial Reporting Standard (SLFRS) requirements. This complete and complex transformation had been done without the involvement of any external consultants or support.

Trade unions, a stakeholder in our progress, have supported our strategies and worked alongside the management team, instituting progressive transformations aligned to our vision. The harmonious industrial relations that continue to be maintained within CDPLC is a result of the consistent positive efforts infused by the Human Resources and Administration Division (HR&A) to engage in continuous dialogue and discussion, adopting an inclusive approach.

Given that we have always emphasized on the importance of building our team to face challenges of the future, the dynamism, motivation, team spirit and pride in being a part of a committed team has always been a hallmark our people. The Human Resources Development & Administration Division continued its efforts to ensure that our team remains in similar vein, equipping our people with progressive competencies, enhancing their inherent talent and skill and giving them inclusive knowledge that will give them the vision to succeed.

This year we introduced the National Vocational Qualification (NVQ) Scheme, developed by the Tertiary and Vocational Education Commission (TVEC), a competency standard that provides a sound platform in building a highly competent workforce. This will be cascaded throughout CDPLC and will include the subcontracted teams as well. The result of this organization-wide exercise would be a complete transformation of our people to be prudently competent in their performance, continually improving and realizing their true potential, while making our biggest asset increasingly valuable.

Marketing, a key driver

As envisaged, the external markets were dull and contracted and hence, seeking new business was a considerably difficult task. New business especially for shipbuilding was challenging, although, the marketing initiatives implemented for our ship repair business proved to be fruitful. New customers from Europe, the Far East and Indian private sector owners were enticed to bridge the gaps created by the loss of the tanker business, which mooted the fairly reasonable results posted this year.

We capitalized on our strengths, which as mentioned earlier form our fundamentals: quality, commitment to service, value for money and on-time delivery. This four pronged approach has augured well for us, as is proven with our customers continuing to work with us even in the most difficult circumstances.

Sustainability being inclusive

We have always espoused CSR to be inclusive, progressive and equitable, as reflected in our actions and the impacts of our actions. We are also keen that this CSR philosophy permeates across our entire team, where we encourage our employees to partner our stakeholders, whether it be customers, valued business partners, communities or in our green ethos, rather than simply engage in philanthropy.

It is the involvement of the people that matter and not the investment on a project. It is the inclusivity of the project that makes it truly sustainable, rather than a dictatorial approach to getting things done. We believe in creating sustainable value among our stakeholders.

And into this we add our penetrative focus on being green, in the way we do things. We work extensively on having a positive impact on the environment, where our carbon footprint will consistently become tangibly smaller as we go about our business and that we will promote best practices in good environmental management.

Subsidiaries

Our subsidiaries, Dokcyard General engineering Services (Pvt) Limited (DGES) and Ceylon Shipping Agency (Pte) Limited (CSA), continued to do well and support the overall growth and performance of the CDPLC. DGES, while continuing yje growth trends ended up the year with their best achievements; turnover of over Rs. 815 Mn and a profit of Rs. 96 Mn. DGES supports the company in undertaking some of the expansion projects of CDPLC and managing the KRY most prudently. CSA too has shown good results and been able to source and procure the much neede spares parts and consumables to CDPLC, at competitive prices.

Exploring the Future

While the Chairman and Board of Directors have always given me invaluable guidance to steer the company through these troubled times, I am most appreciative of their support in our strategies to make CDPLC a force to be reckoned with. We have truly managed to become a reputed shipbuilder and ship repairer in the Asian region, which is undoubtedly due to the reputation earned by having an exemplary team, to who I add my warm appreciation.

We wouldn't have been able to deliver greatness, without the support and unstinted commitment of our valued suppliers and technology partners, who are increasingly becoming an integrated partner in our journey to success. We are proud to be working together and are certain that you would continue to be a strength to us in the future as well.

I am also of the view that our business remains sustainable due to the extraordinary partnerships we have forged with our customers, some of who have remained with us for decades, and others, who based their decision-making on our reputation for quality work, service excellence and on-time delivery. You have not been disappointed; and I thank you for remaining with us despite being faced with numerous options in this intensely competitive environment. We assure you that we remain your partner, both in good times and bad.

We don't see the difficult milieu abating in the short term, as global GDP growth is not yet envisaged to get back on track. This will naturally see similar circumstances to 2012 impacting shipyards around the world. Given that reserves are now at its lowest and no demand emerging in an overall content, the situation might be in danger of bottoming out.

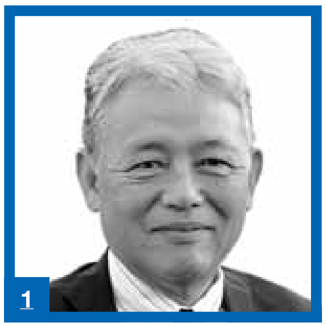
However, CDPLC is in confident mode; we know we are on the right course for sustaining our business, successfully and with continued growth. We have the strategies required to work within the parameters of a globally challenged industry and this is amply seen in how we manage our operational efficiencies and keeping our human resources motivated.

We are also an entity that has never been complacent; the continued initiatives we have infused in improving productivity, astute cost management and creating a lean organisation, where delivery, quality and service remain the trusses for our future growth, is clearly and comprehensively embedded into the journey ahead. Aligned to these kinetics, we are also in the process of transforming infrastructure, equipping our team, seeking emerging opportunities and business models to exploit. It is these that will eventually form the foundation for us to work well within the limiting boundaries we encounter, emerge stronger to reap the fruition of our initiatives substantially when the market turns around.

Mangala P. B. Yapa
Managing Director/CEO

22nd February 2013
Colombo

Board of Directors



1

Akihiko Nakauchi
Chairman

2

Mangala P. B. Yapa
Managing Director/CEO

3

Y. Kijima
Director

4

Sarath De Costa
Vice Chairman

5

T. Nakabe
Director

6

Lalith Ganlath
Director

7

H. A. R. K. Wickramathilake
Director

8

Janaki Kuruppu
Director

9

P. Kudabalage
Director

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

Managing Director/CEO
Appointed to Colombo Dockyard PLC (CDPLC) Board as Managing Director/CEO in 2004.

With over 28 years experience in the Shiprepair and Shipbuilding industry, holding senior managerial level positions in Engineering, Quality Assurance, Project Management and General Management.

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

Serves in many National and International industry related committees and Chambers of Commerce. In addition, serves in Boards of Universities dedicated for vocational training.

[3] Y. Kijima
Bachelor of Naval Architect, Hull Engineering.

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

He is an expert in hull repair in Japan International Corporation Agency.

[4] Sarath De Costa
Dip. Foundry Engineering

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

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

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

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

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

Director
Appointed to CDPLC Board in June 1993. and is the Proprietor of GANLATHS and Chairman of Ganlath's Secretarial Services (Pvt) Ltd., ,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 Shipping Norwegian Shipping Academy, Oslo.

Director
Appointed to the CDPLC Board in 1995. Chairman, Mercantile Marine Management Ltd., Mercantile Emerald Shipping (Pvt) Ltd., Royali Power (Pvt) Ltd., 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, Sri Lanka Tea Board, Advisor to the President on Food Security at the President's Office of Sri Lanka and Chairperson Mother Sri Lanka Trust. She has over 21 years experience in General Management of Companies, Research, Strategic Planning, Marketing and Consultancy and held several positions in the private sector as well as public sector boards with the last being the first Chairperson of Regional Development Bank. She is also a member of the Global Steering Committee AgriFin which is a agriculture finance fund set by the World Bank and the Bill & Melinda Gates Foundation to support the activities of financing for agriculture, particularly for small holder farmers.

She also awarded with All American Scholar Award, and United States Achievement Academy Award and the Most Outstanding Sri Lankan Award 2010 and the Global Commerce Excellence Award 2011.

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

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

Mr. Kudabalage is the Managing Director/ Chief Executive Officer of Litro Gas Lanka Ltd., Litro Gas Terminal Lanka (Pvt) Ltd., Canwill Holdings (Pvt) Ltd., Sinolanka Hotels & Spa (Pvt) Ltd., Taprobane Hotels & Spa (Pvt) Ltd., Helanco Hotels & Spa (Pvt) Ltd., and Sri Lanka Insurance Resorts and Spas (Pvt) Ltd. He is the Executive Director of Sri Lanka Insurance Corporation Ltd., and Management Services Rakshana (Pvt) Ltd. He also serves the Boards of Seylan Bank PLC, Sri Lanka Insurance Corporation (Pvt) Ltd., Maldives as a director and a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants.

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

Group Management Profile

1

Mangala P.B. Yapa
Managing Director/CEO

2

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

3

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

4

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

5

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

6

Shantha Perera
General Manager (Production)

7

T. G. Weerasinghe
General Manager (DGES)

[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 28 years experience in the Shiprepair and Shipbuilding industry, holding senior managerial level positions in Engineering, Quality Assurance, Project Management and General Management.

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

Serves in many national and international industry related committees and Chambers of Commerce. In addition, serves in Boards of Universities dedicated for vocational training.

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

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

Over 27 years have been at CDPLC, experienced in Shiprepair, Heavy Engineering and Shipbuilding sectors and one year training on shipbuilding, repairing and maintenance in Japan.

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

BSc Engineering (Hon) from University of Moratuwa.

He has more than 28 years experienced in the related field of which 25 years have been at CDPLC and two years overseas.

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

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

Over 28 years of experience in the field of Finance, of which 18 years were at CDPLC. Overlooks finance affairs of two subsidiaries, Dockyard General Engineering Services (Pvt) Ltd. and Ceylon Shipping Agency (Pte) Ltd.

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

[5] Mangala De Silva
General Manager (Human Resource Development & Administration)

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

Has over 23 years of experience at CDPLC in the field of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association and member of the Association of Business Executives (UK). Qualified as a Lead Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan.

[6] Shantha Perera
General Manager (Production)

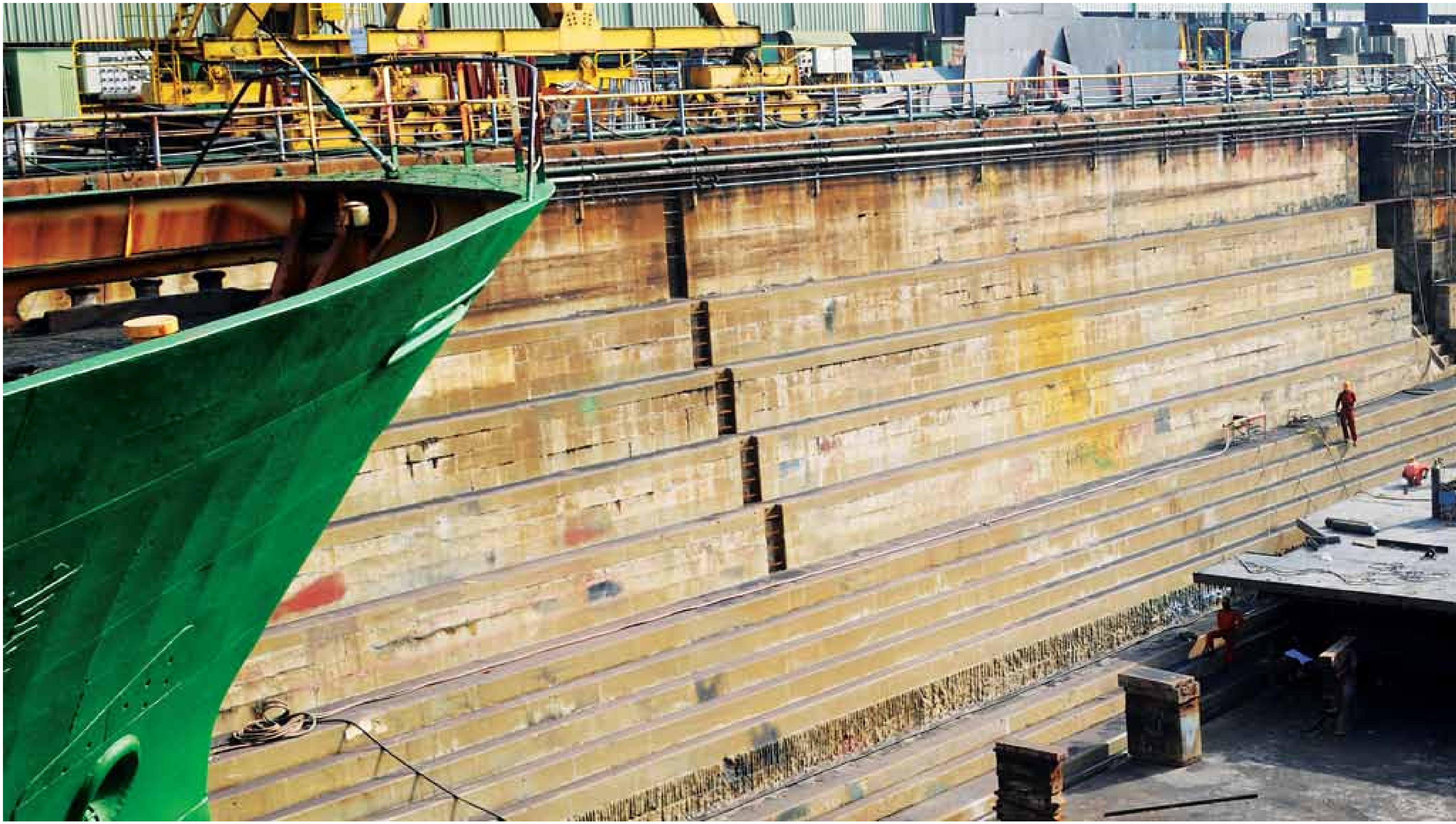
B.Sc. Eng. (Hons)
University of Moratuwa

Over 27 years of experience in the field of Heavy engineering, Shiprepair and Shipbuilding, of which 23 years were at CDPLC and four years overseas holding managerial level positions in Quality Control, Training Development, Project Management and Production Management.

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

BSc Eng. University of Peradeniya.

Over 19 years have been at CDPLC and four years at Dockyard General Engineering Services (Pvt) Ltd. (DGES) experienced in Shiprepair, Shipbuilding and Heavy Engineering sectors. Training in Japan for three months in Ship Building Management. Member of the Ceylon National Chamber of Industries.



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A Snapshot on the Global Economy and Shipping Environment

The Global Economy in Perspective

Turbulent and stormy could be the adjectives that can best explain the global economy in 2012, as the outlook certainly spiraled downwards from the optimistic forecasts at the beginning of the year. There was not a single rating and ranking agency that did not re-analyse their forecasts and downgrade growth rates and outlook, including the International Monetary Fund, World Bank and OECD (Organisation for Economic Co-operation and Development).

However, the World Bank, in its Global Economic Prospects report, did give a nod of approval to the developing world's prospects, calling it solid, although a bumpy road remained ahead. It cited that the worst was over but given that the global economy remained fragile, developing countries will need to accelerate its productivity as high-income countries will continue to remain weak through 2013.

It is estimated that global GDP will see growth closer to 3% in 2012 and will remain broadly unchanged in 2013 as well. There will be a marginal strengthening to 3.1% and 3.3% in 2014 and 2015 respectively. However, the rationale for the slow but steady turnaround emanated from accelerated activity in emerging market economies, which also saw capital flows to those countries remaining strong. The surprising upside seen in the US growth is also a factor. There was a silver lining on the horizon as financial conditions stabilized, bond spreads in the euro area periphery declined and prices for many risky assets, notably equities, rose globally.

However, the bigger picture remained very skeptical and weighted down by these sentiments, developing countries recorded their slowest economic growth rates of the past decade, although they did do better than global GDP to showcase growth at 5.1% as envisaged this year. Growth will move upwards from 2013, but remain in the five percent range for the next three years; 5.5% in 2013, 5.7% in 2014 and 5.8% in 2015.

And reflective of the slow recovery, growth in high-income countries remains weak with GDP expanding only 1.3% in 2012. This growth will be mirrored in 2013 as well although, from 2014, growth is expected to firm towards 2% and 2.3% in 2015. The Eurozone is projected positively from 2014, although GDP will contract by 0.1% in 2013, edging upwards to 0.9% in 2014 and 1.4% in 2015.

Meanwhile, global trade of goods and services, which inclined only 3.5% in 2012, is expected to accelerate, expanding by 6% in 2013 and 7% by 2015. There is also a sharp slowing of investment in China as well as a disruption of oil supplies, exacerbating the Eurozone crisis, which remains a serious threat to the world economy and fiscal challenges being faced by the US. Although adjustments of deep-rooted imbalances across the Eurozone has begun, the process is not a long term panacea and requires structural reform in both deficit and surplus countries to ensure long term sustainability.

Hence, in this backdrop which paints a weak external environment, the prudent advice for developing countries would be to grow from within, strengthening governance and investing in infrastructure, education and healthcare.

OECD (Organisation for Economic Co-operation and Development) member countries' growth rates in 2013 are expected to match that of 2012 at 1.4%, gathering momentum however to 2.3% in 2014. Having averted the fiscal cliff at the eleventh hour, the US growth is projected at 2% in 2013 and 2.8% the following year, while Japan will expand 0.7% and 0.8% in 2013 and 2014 respectively.

Growth in emerging market economies which thrived considerably due to supportive monetary and fiscal policies, saw China setting the pace for 2013, expecting to post 8.5% growth in 2013 and 8.9% in 2014, while GDP in Brazil, India, Indonesia, Russia and South Africa were also reflective of this momentum.

There seems to be little respite in unemployment figures which may rise even further unless structural measures are infused urgently to boost employment growth in the near term.

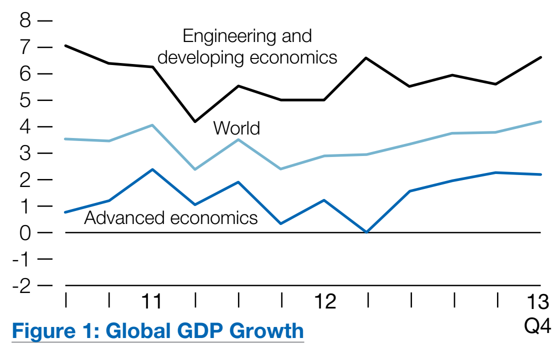


Figure 1: Global GDP Growth
(Percent; Quarter over Quarter, annualized)
Source: IMF Staff estimates

Steering Stormy Waters

It is estimated that approximately 90% of world trade is carried by the international shipping industry and as is well understood that import and export of goods on the vast scales required by the world is not possible without the integrated presence of the shipping industry. Being an industry that is inextricably intertwined with global trade, any transformations to the milieu is quickly reflected in the performance of the industry. Hence, as the adverse global economic environment continued to exacerbate with no respite in sight, the global shipping fraternity felt its unrelenting lesions, which also reflects the cyclical nature of the industry.

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

Impacts of the Global Milieu

Created by the London based Baltic Exchange that measures changes in the cost of transporting raw materials including metals and grain by sea, the Baltic Dry Index is a shipping and trade index that communicates directly with shipping brokers to assess price levels pertaining to routes, products and time of delivery. Shipping trade for sea-borne transportation in 2012 was nearly 78% (2,507 points) lower than in the similar period of 2010, with the final Baltic Dry Index (BDI) standing at 698 compared with 3,205 at the beginning of 2011.

Source: Bloomberg

Shipbuilding - Current Observations and Outlook

Having worked through nearly four years of continuous downturns with no respite in sight and the pervasive effects felt more in the commercial shipbuilding industry due to demand tending to drive fixed asset investment and global trade growth, it is now deduced in a Deutsche Bank report that 45% of shipyards the world over have empty order books post 2012. This is certainly unhealthy for the sustainability of the industry and will surely see some drastic impacts in the next few years. All lead sector indicators including freight rates, ship prices, used ship transactions and used ship prices suggest that commercial shipbuilding demand especially will not recover. This sector continues to suffer from oversupply, a weak financing market and low freight rates. However, a remedy is observed in selective segments, namely LNG and offshore, which is envisaged to support order flow.

With consolidation looming for the shipbuilding industry, it is envisaged that smaller shipyards will face further painful restructuring, a process that began in 2010. Due to the lack of orders, smaller shipyards will have challenges in gaining refund guarantees, which will prompt a negative feedback cycle. The London based ship broker Clarksons, estimates the number of active yards having reduced by 44% since 2008, with ship prices falling approximately 35% from its peak. Weakness in freight rates, lacklustre financial markets and expectations of fuel-efficiency advancements are cited as factors keeping customers on the sidelines. However, is is believed that there will be continued healthy demand for liquefied natural gas carriers and other offshore orders related to energy. It is also opined that within the next three years, 120 container vessels with more than 10,000 TEU capacity will be delivered, seeing an overall new capacity of 1.62 Mn TEU.

The Danish Ship Finance Institute however is pessimistic on the outlook for the global shipbuilding industry. It reviews that in the first eight months of 2012, global order cover dropped by 20% to 19 months of workload. A total of 13 Mn compensated gross tonnes (cgt), or 30%t of yard capacity was contracted. A total of 9% of the global shipbuilding capacity will probably be removed from use in 2013, followed by a potential 11% closure in 2014, prompted by lower contracting activity. It estimates a 20% decline in global yard capacity in the next three years, primarily due to small and medium sized shipyards becoming inactive. This reduction in capacity will revert the order cover to its 2008 level by the end of 2014. New building prices which reflect the ship yards' order book has seen an average decrease of over 40% from its peak levels of 2002, although prices remain 35% higher than the low point reached in 2002.

Ship Repair - Current Observations & Outlook

Ship repair activity is seeing signs of a turnaround, which will assuredly benefit both emerging and established facilities worldwide. However, competition remains strong given the penetrative influence by low cost centres, while pressure to improve profitability remain, particularly among established yards, prompting mergers, re-organization and significant investment.

The weakening world economy and depressed freight rates will surely test the resolve of the ship repair industry in the near time, which will permeate intensifying competition, leading to further rationalization. There is also intensified demand for better maintenance standards and vessel safety with the IMO regulations coming into being. The phasing out of single hull tankers will profoundly impact fleet development and repair demand at least until 2015.

Looking ahead for the next fifteen years, there will be significant changes in ship repair activity, with ongoing improvements in skills and quality of work offered by emerging nations, particularly China, the Baltic and East Mediterranean. Established repair centres are expected to intensify their efforts to secure market share, concentrating on low deviation and specialist markets, while intense competition will encourage greater co-operation between yards.

The Asian Market

The grim outlook for Asia's shipping markets will, given the paradigms, continue over most of 2013 as lower freight rates, narrowing cash flow and limited access to liquidity plague the sector. In fact, experts at the Marine Money Conference held in Singapore inferred in September 2012 that a potential upturn may be experienced only in the second half of 2013.

The afflictions plaguing the shipping market has extended its tentacles even to First Ship Lease Trust, which leases container ships, tankers, and dry bulk carriers to marine firms, forcing the Singapore listed Trust to redeploy its vessels and restructure financing arrangements due to ensuing defaults and contract terminations. It has been articulated that the most pervasive danger to the Trust is counter party risk due to the large number of counter parties and companies that are financially challenged within the industry. It is imperative therefore that the industry gets prepared for further threats and eventualities as a preventive caution, as more loan restructuring and consolidation seem to be looming.

Reports from India however seem upbeat for mid 2013 and beyond. India's largest shipping company by fleet size, the Shipping Corporation of India Limited states that it delivered record levels of vessels in 2010 but due to supply exceeding demand amid a trade slump, the occurrence of a slowdown in the next two years was inevitable. The Company strongly believes that the demand-supply equilibrium will be restored by mid 2013 with tanker and container freight recovering faster. However, with the domestic financial environment in India not being conducive to the funding of ship purchases, it can be observed that Indian shipping companies have a preference to own ships registered overseas due to the cost of funds and taxes prevalent in India.

Similar reports emerging from Korea state that the major yards struggled to meet its 2012 targets, with HHI 23% down on its 2011 results and only DSME meeting its 2012 target of USD 11 Bn. It is envisaged therefore that the three largest Korean yards will likely veer towards offshore in the coming year, with increasing management and physical capacity being committed to this sector. However, with the low volume of large asset class, conventional ordering in 2012 and a heavily weighted reliance on the offshore markets to deliver new orders and fill capacity will instigate both pressure and opportunity for conventional markets. This will have to be managed astutely amid a challenging economic and trading environment.

Meanwhile, China which ignored the push for diversification from conventional sectors into the potentially more profitable offshore and gas markets, retains its unrelenting focus on dry. Values in this sector have remained flat. There are no immediate signs that the Chinese yards are gearing for another decrease in price to leverage new business. With dry order books now diminishing and new eco-efficient designs available at competitive pricing, it is yet to be seen if values plateau long enough to bolster confidence and prompt further activity in this sector.

Management Discussion and Analysis

Quality, commitment, teamwork and on-time delivery; we have been known to deliver on our promises. For Colombo Dockyard PLC, creating quality is an imperative; delivering greatness is an art. Located as we are on an ancient trading route that continues to be hub sea port, we take these advantages into the very fabric of our operations, have built our reputation around it and today, are proud to see some extraordinary vessels that we have created sailing the seas. The awards and accolades conferred on us throughout the years, proved undoubtedly that we are on an 'Odyssey of Excellence'. However, commerce and trade remain inextricably intertwined with the performance of global economies and the past few years, have been challenging for companies like ours. Sustaining a business in this milieu means we have to chart stormy waters, but given the strong emphasis on quality, excellent service tenets, infusion of knowledge and technology as well as a team that surely believes in what they do, we will steer ourselves to bigger better things.

Strengthening Branding

Continued penetrations into new markets and strengthening relationships with existing markets continued to be the strategy we employed, given the challenging milieu we worked in. We also realise the importance of top of the mind brand recall, spurring us to be present at strategic events and locations, where our potential and existing market stakeholders would be present. These initiatives were added to with the presence of senior management and related officials from CDPLC prompting discussion, dialogue and information sharing with these stakeholders.

Promotional campaigns in Europe, the Far East and the Indian subcontinent has infused the desired results, enabling us to emphasize the 'Colombo Dockyard' branding presence, our brand image and brand promise as a reputed shipbuilder and ship repairer in the region.

The Shipping Marine and Ports (SMP) World Expo 2012 in Mumbai also saw Colombo Dockyard display a strong image as a key player in the region. This was the first time Colombo Dockyard planned a mega scale pavilion showcasing the activities of the shipyard and strategic partnerships with NSS, Japan, GL Nobel Denton, Norway and Pership Shipping, Sri Lanka.

The Colombo Dockyard pavilion at the SMP 2012 in Mumbai

The Colombo Dockyard PLC team along with the co partners from NSS, GL Noble Denton and Pership

Posidonia 2012, the International Shipping Exhibition held in Athens Greece saw European market operations enhanced further with a penetrative marketing campaign implemented in Greece, Germany and Norway.

Mr. Chris Papatheodorou, Chris Marine SA., being handed a token gift by Mr. A Nakauchi, Chairman. Left to Right : Mr. Kimon Papatheodorou, Mr. D. Chandrasekera, Mr. A. Nakauchi, Mr. Chris Papatheodorou, Mr. Prince Lye

Colombo Dockyard PLC/Chris Marine SA Stall at Posidonia 2013

Selected territories were penetrated with higher intensity, strengthening relationships with continuous dialogue, augmented by follow-up visits and campaigns to emphasize the 'Colombo Dockyard' presence. These efforts have successfully placed Colombo Dockyard in the league of a reliable international shipyard, that meets quality standards required by discerning ship owners.

Shipbuilding Sector

Certainly the driving force in the Company's revenue growth over the last few years, CDPLC's shipbuilding sector has, through various strategic initiatives including diversification in 2005/6, seen this sector perform consistently well, despite continuous downward trends globally. These initiatives gave the Company the necessary impetus to maintain its strong reputation as a quality shipbuilder in the Offshore Vessel (OSV) market segment.

With capacity increases being envisaged, we will be adding the entirety of Dock 1 (Dock 1A+1B) during 2013 to the 9,000 dwt Dock 2 and Dock 1-B which we currently use.

As was planned, we delivered three vessels in 2012. The first was the 140 ton Bollard Pull Anchor Handling Tug Supply Vessel 'Executive Pride' for a Singaporean based owner, followed by two 78 m Multipurpose Platform Supply Vessels 'Greatship Roopa' and 'Greatship Rachna' for Greatship Global Offshore Services Pte Ltd.

What you see below are the projects completed in 2012 (Table 1) and the work in progress (Table 2) scheduled for delivery by 2014.

Table 1 - Projects completed during 2012

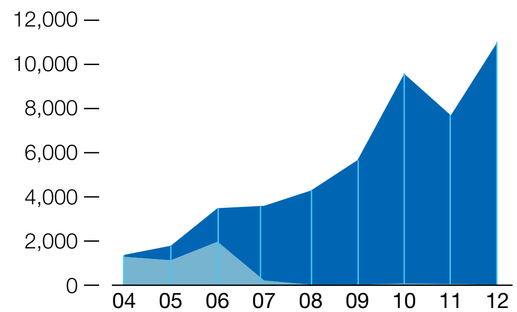
Project Name	Yard No.	Customer	Delivered	Country
140 T BP Anchor Handling Tug Supply Vessel - Executive Pride	NC/0220	True Wisdom Pte Ltd.	January 2012	Singapore
Multi Purpose Platform Supply Vessel - Greatship Roopa	NC/0222	Greatship Global Offshore Services (Pte) Ltd.	March 2012	Singapore
Multi Purpose Platform Supply Vessel - Greatship Rachna	NC/0223	Greatship Global Offshore Services (Pte) Ltd.	October 2012	Singapore
Source: Company Data				

Table 2 - Projects to be completed and delivered in 2013-2014

Project Name	Yard No.	Customer	Scheduled Delivery	Country
Multi Purpose Platform Supply Vessel - Greatship Ragini	NC/0224	Greatship Global Offshore Services (Pte) Ltd.	January 2013	Singapore
Multi Purpose Platform Supply Vessel - TBN*	NC/0225	True Champion Pte Ltd.	March 2013	Singapore
Multi Purpose Platform Supply Vessel - TBN*	NC/0226	Abundant Assets Pte Ltd.	August 2013	Singapore
Multi Purpose Platform Supply Vessel - TBN*	NC/0227	High Fortune Pte Ltd.	December 2013	Singapore
Multi Purpose Platform Supply Vessel - TBN*	NC/0228	Blue Castle Pte Ltd.	May 2014	Singapore
400 Passenger cum 250 T Cargo Vessel - TBN*	NC/0229	Union Territory of Lakshadweep Administration Kavaratti	November 2013	India
400 Passenger cum 250 T Cargo Vessel - TBN*	NC/0230	Union Territory of Lakshadweep Administration Kavaratti	December 2013	India
**TBN - To Be Named*	*Source: Company Data*			

Performance as a sector

In general, over the years from 2007 to 2009, a typical breakdown of revenue contribution by our sectors into the top line of the company was at 60% for ship repair and 40% for shipbuilding. However, from 2010, this equation turned around to shipbuilding surpassing ship repair revenue. Shipbuilding increased to approximately 70% contribution with ship repair presented by the balance. This was echoed even in 2012 and is believed to continue through 2013. This change to shipbuilding being the dominant players is also seen in the margins which the sector has seen increase between 10% to 16% over the past few years.



Shipbuilding Revenue (Rs. Mn)

Shipbuilding revenue is highly dependent on shipbuilding contracts and it is observed that the new shipbuilding contracts are heavily back-loaded. This means that a high proportion of the revenue will be realised only at the latter end of the project, which entails the Company shouldering a considerable financial burden. However, the increased revenue allows the company to absorb overheads.

Comparative Revenue from Shipbuilding

It must also be noted that shipbuilding continues to add significantly to the foreign exchange revenue, being the largest foreign income generating business activity of the company. This hence drives us to position shipbuilding as a priority business sector within our strategic plans.

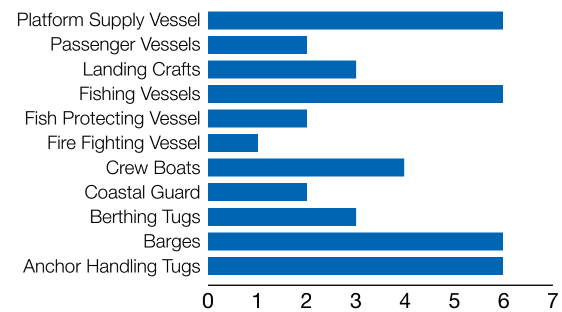
With the emphasis being on the Offshore Vessel market, we have gained for ourselves an enviable reputation in the South Asian region for building medium-sized OSVs. The stable macro environment prevalent in Sri Lanka has also given CDPLC a competitive edge, as ship owners, being very cognizant of the safety of their vessels prefer having their vessels constructed in a secure and safe destination.

In 2012, we commenced the construction of two 400 Passenger cum 25 ton Cargo Vessels for the Government of India, with the official keel laying ceremony held in April and September for the two vessels. This was a considerable scoop for the Company given that we faced stiff competition from China, Thailand and Germany, winning the bid at competitive price. These Vessels are scheduled for delivery in 2013, joining the existing fleet of the Arabian Sea and Lankshadweep Sea, which CDPLC constructed in 2010 for India.

Segment Distribution in Revenue

Having begun our operations with small boats, in recent years our product portfolio has grown admirably to a diverse range of ships, including medium scale Multipurpose Platform Supply Vessels, Anchor Handling Tug Supply Vessels and Passenger Vessels. Having analysed the trends from a few years ago, we are now focusing significantly on the Offshore Supply Vessel market, as this segment has proved to be resilient in volatile economic conditions.

Shipbuilding revenue illustrated as per vessel segment:



Foreign Vessels Undertaken 1974-2012

Source: Company Data

Key operational initiatives and achievements

Since 2006, CDPLC has invested in excess of SLR 4.6 Bn on developing our yard facilities to gain further competitiveness by adding capacity and increasing levels of productivity. While the planned improvements were effected well within the timelines, in 2012 too, some of the key initiatives aligned to these objectives were instituted and completed:

- Relocation of the current Shot Blasting operation and the Steel Storage Yard to the Kelani River Yard (KRY), adding 1,750 square meters of fabrication area to the yard.
- Installation of a new Plasma Cutting machine, commissioning of the Component Fabrication workshop and an open fabrication of area at KRY site, which will substantially increase steel processing capacity.
- Shifting Location C Stores and converting this area for the Electrical Outfitting workshop to increase electrical work capacity.

The company also commissioned a 250 ton Bollard Pull Test Facility in China Bay Trincomalee. Constructed primarily to check and confirm the pulling capacity of ships including Tugs and Anchor Handling Tug Supply Vessels to a maximum of 250 ton, the natural deep water of Trincomalee provides the necessary depth and other optimum conditions to achieve accurate bollard pull test results. CDPLC is a pioneer in building a facility with such high capacity in Sri Lanka. While, it will be used mainly for ships under construction within the yard, the facility could also be hired by other ship owners and shipyards at a nominal fee. It is also to be noted that this test facility incorporates some of best environmentally friendly practices available ensuring minimum damage to the natural resources and eco-system.

Marketing & Relationships

The aggressive marketing drives we instituted from 2005 onwards, has surely paid dividends. This is amply observed in our Order Book which currently is filled until mid 2014, a paradigm that other shipbuilders of similar stature are finding difficult to maintain. Having collated a reasonably strong customer base in India and Singapore, we remain confident that our fundamentals of quality, commitment and ontime delivery will carry us through some of the hardest times we are seeing currently and position us well for beyond.

This industry, like all industries in the current marketing context, has evolved from a demand oriented product producer to one that thrives on relationship marketing. The excellent relationships we have nurtured and strengthened over the years has been the panacea for sustaining our business in challenging times. We have extended this relationship premise to classification societies as well, garnering the unbiased opinions of surveyors and other key personnel, who more often than not, have been our brand ambassadors, given that they speak impartially and with authority on the positives of our shipyard, adding immense confidence and trust in our work among prospective clientele.

Transformations in the Environment and Market

Green growth remains the underlying the feature for the global shipbuilding industry. The concept of green growth showcases a shipyard's ability to increase economic activity, while reducing or totally eliminating negative environmental impacts.

Over the years, the global industry has been infusing regulations, diktats and initiatives to encourage this green growth phenomenon. The new environmental regulations which came into effect this year, require single hull tankers to be removed from the seas completely and be replaced with double hull tankers, creating strong demand for new ships. This naturally prompted a need for shipbuilders to cater to the demand that ensued, which however, due to hasty decisions made, saw an imbalance between capacity and demand. These regulations did provide an opportunity for the shipbuilding sector, but in turn also posed a threat to the ship repair sector, as the phasing out of the single hull tankers dipped revenues in ship repair.

The International Marine Organisation (IMO) also brought in the new Performance Standard for Protective Coatings (PSPC) regulation for new ships being built, calling on shipyards to institute measures to protect against corrosion, especially the ballast water tanks and void spaces which are prone to corrosion. CDPLC was quick to upgrade our yard facilities by installing combined blasting and painting halls to be compliant with the new regulation.

The IMO's regulations for the Ballast Water Management Programmes aims at reducing the transfer of harmful marine species and aquatic organisms in the ship's ballast water, which has also been complied with by CDPLC.

The SPS Code (Special Personnel Code) requires enhanced stability requirements for special personnel onboard. Having adopted this, CDPLC is now able to cater to all market requirements, while maintaining full compliance to safety.

Opportunities and Threats, Risks and Concerns

While the economic downturn continues to dog an upsurge in global trade and commerce, we however observe opportunities emerging in the new ports and deep water offshore oil and natural gas explorations that are being established in this region. There will be great demand for AHTSVs, PSVs, Drilling Rigs, Harbour Tugs to name a few, which remains hence, the focus of our marketing activities. This also means that during period of low market demands within the shipping sector, these are markets that will remain active and capitalizing on these markets would be astute.

We also perceive countries like India mooting major plans for infrastructure development which would cascade to enhancing passenger transportation fleets operating its coastline. We have already reaped dividends in the relationship we have nurtured with the Indian shipping fraternity, exampled with the award to build the two 400 Passenger cum 250 ton Cargo Vessels for the Government of India.

In shipbuilding, our priority is in the PSV sector but, we do believe that, by the time the current offshore asset replacement cycle ends in the long term, which is beyond 2016, CDPLC must have implemented a strategy that will maintain shipbuilding revenue in this competitive environment. In recent years, we have been able to etch passenger vessels agreements and believe that we can assuage some of the negativities that can ensue.

The omnipresent financial dangers are exacerbated with the threat of increasing competition emanating from large shipbuilding yards, which had hitherto only focused on larger shipbuilding projects and hence, did not encroach into our business. Given the downturn in shipbuilding however, we are seeing these larger yards now focusing on the medium and small shipbuilding markets, which can pose considerable threats. Being very conscious of these trends, CDPLC has continued to devise strategies that will counter these dangers and remain confident that we can overcome the problems that will surely emerge.

Statutory burdens, financing costs and high production overheads including water, energy and labour make us vulnerable in a volatile market. In addition, majority of inputs and resources required for shipbuilding are sourced from abroad and continuous increases in such imports is also a concern. Although the sector contributes immensely to the local economy, CDPLC receives no State support or incentives, which unfortunately is given to this sector in competitive countries. This therefore, does not allow us a level playing field as it impacts our competitiveness in the international market.

Space for expansion too is limited and attracting comparatively larger vessels than those we currently build is not possible. From a financial angle, large revenues are obtained from few orders and most often, the revenue is obtained only at the completion of the agreement. Cancellations thus, however small, could have a negative impact on our revenue earning capacity.

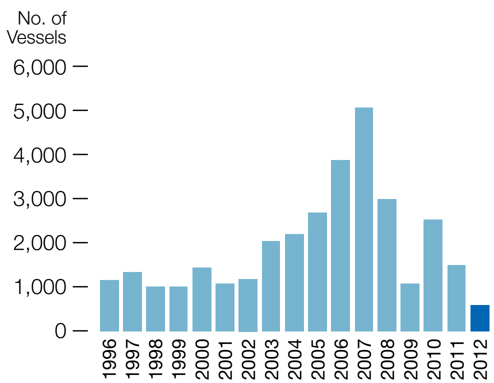
Future outlook

According to report from UNCTAD in 2009, an estimated 80 percent of the world's trade (by volume) is carried in whole or in part by seaborne transport, while a range of vessels ply international waterways in myriad activities including the transportation of cargos, dredging, search and rescue, environmental clean-up, oil and gas exploration and production, cable and pipe-laying, scientific research, fisheries, project construction, tourism, naval warfare and patrols.

Shipbuilding maintains equilibrium between demand and supply in the merchant shipping sector, prompting a direct correlation between the performance of the shipbuilding industry and the world's economy and trade. A noticeable trend over the last two decades has been the emergence of shipbuilding yards in developing nations.

The strong demand for energy as a result of industrialization in the Asian markets has added impetus for Offshore Vessels, which has proved to be the only sector to recover fast from the global recession. In addition to the continuing consumption of oil across the world, the discovery of new deep water offshore oil reserves in Brazilian waters has also exponentially increased demand for OSVs, seen specifically in the Brazilian Petrobras, which has displayed a voracious appetite for newer tonnage, with no signs of diminishing soon.

However, permeating from the global downturn, new shipbuilding contracts has seen a downward trend and is posing some challenges for shipbuilders to grasp opportunities of new contracts from ship owners. The worldwide number of shipbuilding contracts is given below:



Global Vessel Contracting

In observing the last two decades, the shipbuilding market has seen an abundance of vessels, especially in the last five years due to the expiration of vessels and amplified demand in the marine industry, due to the phasing out of single hull tankers and the mooting of double hull tankers.

In Sri Lanka, with the development of the Hambantota Port, we do see new avenues of business emerging. A ship repair and shipbuilding facility being commissioned in this locale would be advantageous although it would require immense investment. This calls hence, for astute analysis of global shipping trends to implement any initiatives that may prove to be a long term investment.

The development of the shipbuilding sector has the potential to positively impact the local economy and encourage positive socio-economic influence. To realize true growth potential, the sector needs to establish and develop more capacity, upgrade existing and invest in new capacity, which will lead to the construction of large offshore steel structures including rigs and platforms.

Ship Repair

Overview and Market changes

Very reflective of general trends, ship repair suffered considerably this year, continuing to feel the fallback of the unpredictability of the macro environment. There was even speculation of the market having bottomed out. However, this did not materialise and the ship repair sector continued to struggle through 2012 as well.

The industry worked on a 'Need to Repair' premise and hence, scheduled dry docking repairs were either postponed or cancelled. The extended recessional conditions has also created a ship owning and ship managing customer segment, who utilise basic survival skills to sustain their business. This was based on minimizing spending and delaying repairs to the furthest point within statutory regulations, resulting in owners focusing on mandatory classification society identified repairs.

Many small time private ship owners succumbed to the pressure however and went out of business, while those astute enough to tread water, survived. One of the survival strategies adopted by the bigger vessel owners included laying-up of their non performing fleet to minimize losses with the intention of re-activating these once markets return to pre-recession operable levels.

The shipping industry historically portrays a cyclical nature, which if analysed saw shipping booms in the late 1970s, late 1990s and 2004 to 2007, interspersed with recessions over the past few decades. However, it must be noted that the ship repair sector has been under increasing pressure from prevalent market conditions, exacerbated by the start up of new yard operations in the region which cascaded to a stifling of prices due to intensified competition and lowering of price structures. The challenging milieu has also instilled a buyers' market, seeing the buyer dictating terms, which permeates to repair prices dropping drastically.

These changes also pushed a transformation in the types of vessels being operated in our regional waters. The neighboring Indian fleet dynamics have changed, with much of the older fleet being scrapped and new tonnage on order, as well as a continuation of smaller sized vessels being accommodated for repairs, with multiple dry-docking taking place frequently.

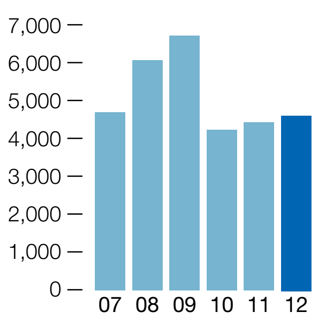
The strategies to fill the void created by the reducing number of tankers (a reason partly due to IMO's regulations for single hull tankers being phased out and new double hull tankers being commissioned in its place) and size restrictions, has been successfully addressed by targeting other types of vessels including dredgers, bulk carriers, offshore support vessels and container vessels.

Operational Performance

As mentioned earlier, the contributing revenue shares which were dominated by ship repair prior to 2007, continues to now tilt conversely, with ship repairs contributing 30% of the revenue, a trend seen around shipyards worldwide.

We leverage on the synergies of shared resources for both ship building and ship repair, where prime drydock slots have been released to accommodate the new-build hulls for completion of their assembly and final docking work scope. Dock No.1 and 4 are also allocated when required to accommodate the new-build vessels, to ensure on-time delivery. Dock No. 01 (30,000 Dwt) has been released for shipbuilding from December 2012.

Ship repair revenue this year increased marginally from last year's Rs. 4,406 Mn to Rs. 4,620 Mn, continuing to push upwards despite a very trying operating environment.



Shiprepair Revenue (Rs. Mn)

Despite the tough year, the ship repair sector maintained a value addition relatively higher level than the 2011.

However, even though the number of repairs undertaken in 2012 was lower than that of 2011, posted at 149 compared to 165, the value of the repairs saw our revenue share rise. Dead Weight handled reduced slightly to 1,426,705 tonnes in 2012 from 1,723,556 tonnes in 2011. The total number of vessels repaired in dry-docks reduced to 78 compared to 91 in 2011.

The reduction in number of vessels/DWT repaired in 2012 is a result of some long duration projects occupying the drydocks. Two major projects handled in Drydock No. 03 was MV Chowra and MV. Lauren L occupying it for 212 days. The 125,000 dwt Drydock No. 04 which usually accommodates tankers was expanded to accommodate multiple vessels, paving the way for high revenue generating projects such as conversion and upgrading to be targeted.

Dock No. 01-30,000 dwt drydock handled 20 vessels to a total of 131,684 dwt (120,783 dwt), Dock No. 04-125,000 dwt drydock handled 44 vessels which is a total 560,114 DWT (589,371 dwt) and Dock No. 03-9,000 dwt drydock handled 13 vessels with a total dwt of 15,673 (27,137 dwt) this year.

	2012	2011
Repaired In dry-docks		
Total No. of Vessels	78	91
Total DWT	707,472	737,291
Total GRT	495,980	590,697
Afloat Repairs		
Total No. of Vessels	71	74
Total DWT	719,233	986,265
Total GRT	505,779	746,544
Total No. of Vessels Repaired	149	165
Total DWT	1,426,705	1,723,556
Total GRT	1,001,759	1,337,241

Dredger repairs continued to be strong with Hyundai Engineering placing the Goryo 4 for repairs along with barges and launches, while Dredging Corporation of India and China Harbour Corporation also came into Colombo for their repairs.

Yard efficiencies and the professional approach we espouse was appreciated when we handled repairs on OSV. Siam Hanne owned by Siam Offshore, Norway. With the market behaviour being unpredictably volatile, CDPLC adopted strategic penetrative initiatives to adapt to changing markets. One of these is the penetration into Norway for conversion projects, which is a new market but which holds much promise for us to grow our repair business.

Our marketing strategies proved to be fruitful to a great extent, when we had the following new owners/vessels docking for repairs for the first time in Colombo:

Vessel Name	Country	Ship Owner/Management
M.V. "ALLCARGO LAXMI"	India	Allcargo Shipping Co. Ltd.
M.V. "CRISTINA A"	Turkey	Arkas Shipping & Transport S.A.
M.V. "STELLA BEAUTY"	Japan	Asiana Lines, Inc.
M.V. "THAI BINH STAR"	Vietnam	Binh Minh International Sunrise Shipping JSC
M.V. "SKOLDNAES"	Germany	Brise Bereederungs GMBH & Co. KG
T.S.H.D. "JUN HAI 2"	China	China Harbour Engineering Co. Ltd.
M.T. "HYDROUSSA"	Greece	Dileton Maritime S.A.
M.V. "MPP SHIELD"	Greece	Elmira Shipping & Trading S.A.
M.V. "OMEGAS"	Greece	Entrust Maritime Co. Ltd.
ORV "BOS ANGLER"	Norway	Fjord Shipping AS
LPG "GAS BALI"	Singapore	GBLT Ship Management Pte Ltd.
M.V. "BRILLIANT"	Greece	Goldenport Ship Management Ltd.
PSV "ADINATH ONE"	India	Great United Energy Pvt Ltd.
TUG "XIN GANG WAN 26"	China	Guangxi New Harbour Engineering Co. Ltd.
M.V. "EMERALD - II"	United Arab Emirates	Gulf of Aden Shipping L.L.C.
M.T. "GUNES K"	Turkey	Kaptangoglu Holding
M.V. "MAERSK RONNEBY"	India	Maersk Global Service Centres
M.V. "NIUMATH"	Maldives	Mid-Sea Shipping Line Co, Pvt Ltd.
TUG "RESOLVE COMMANDER"	U.S.A.	Resolve Marine Group Inc, USA
M.V. "ST. JOHN VICTORY"	United Arab Emirates	Simatech Shipping LLC
M.Y. "LAUREN L"	France	Titan Fleet Management
M.Y. "KALIZMA"	India	V.M. Marine
M.T. "CHEMICAL ARROW"	Greece	Vasco Ship Management S.A.
M.V. "VINE 2"	Norway	Wallem Ship Management Norway AS

Project Achievements

We successfully completed the SK Line 71 and 72 projects commissioned by Vega Offshore, Norway for conversion and installation of stern thrusters on brand new vessels delivered from China.

SK Line 71 stern thruster installation process in progress

SK Line 71 accommodated in Drydock No. 4 for the conversion repairs

MV. Lauren L in all her glory nearing completion of her repairs

Yet another remarkable feat in the annals of our ship repair history, not only for Sri Lanka but for this entire region, is the completion of the major lay-up repairs to MV. Lauren L, a super luxury yacht managed by Titan Fleet Management, France. These high end projects are usually handled by prestigious ship repair companies in Europe or the Far East, but our professionalism and reputation for quality delivery in super yacht repairs, held us in good stead for the project., which culminated in the owners/managers conferring kudos to us once the project was completed.

This was surely augmented when the French managers returned to CDPLC for emergency grounding damage repairs on the same vessel, which was also completed successfully.

MV. Lauren L in all her glory nearing completion of her repairs

Afloat Repair Unit

The limitation of yard space to handle afloat repairs, a facet we have battled with for some time now, was further aggravated with available berth space being used for drydocking repair projects. The Afloat Repair Unit, which handled significant repairs in both the Colombo and Trincomalee ports this year, focuses on voyage repairs and port stay repairs.
72 afloat repairs amounting to a total of 719,243 dwt was handled this year, compared to 74 (986,265 dwt) last year. Among some of the significant operations worked on by this unit since its inception in 2009 was in assisting the offshore support vessels mobilized by Bourbon, in the oil drilling fields off the coast of Mannar.

Opportunities and Threats, Risk and Concerns

While the least affected was the Offshore Support vessels, Colombo battled yet another disadvantage due to internal barriers caused by customs issues on the Indian end, seeing Indian vessels unable to come into Colombo.

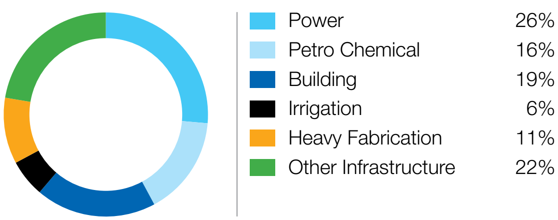
The ship repair business, as mentioned earlier, remained in a mode of necessity only, as a means ship owners/managers survival.

The Colombo South Port Development Project is now underway and scheduled for completion mid 2013. This will ease the congestion inside the Port of Colombo and will release the imperative berth space for ship repairs, which adds scope to our future plans.

Dockyard General Engineering Services (Pvt) Limited (DGES)

Emphasising on the fundamental tenets of quality and commitment that permeates the entirety of CDPLC, Dockyard General Engineering Services (Pvt) Limited is a wholly owned subsidiary established to meet heavy engineering requirements that would emerge within Sri Lanka in its accelerated development drive. Taking full advantage of the infrastructure and other development projects that were mooted post the end to the war, DGES from 2009 quickly became an independent profit center, aligned to the long term strategy and vision of the Company. Displaying noteworthy expertise in civil, mechanical and electrical engineering, the services range from design to commissioning, value added services and combined technical services especially for sectors of Power, Petrochemical, Building, Irrigation, Heavy Fabrication, all other Civil and Mechanical Infrastructure developments and newly diversified marine constructions.

This year, DGES notched a 4% growth in revenue, having undertaken mega engineering projects constructed upon the trusses of inventiveness, flexibility, adaptability and the use of cutting-edge technology, coupled with considerable resource synergies leveraged from our strategic partners Colombo Dockyard & Onomichi Dockyard Japan. Our highly skilled workforce, with the right competencies, is ready to assume any type of heavy engineering need of the nation, be it a State driven infrastructural development and industrialization program or a private sector development project.



DGES Engineering Business Sectorial wise Revenue Distribution

Repairs to Landside Crane Beam for South Asia Gateway Terminals Ltd.
Repairs were instituted to the deteriorated reinforced concrete beam of the South Asia Gateway Terminals Ltd. (SAGT), considered a unique engineering feat as DGES used highly pressurized water to break the concrete prior to instituting the repair. The work consisted repairs to the deterioration on the soffit of the landside crane beam. Phase I was completed in 2012 with the balance due for completion in 2013.

Mechanical Work for Construction of Aviation Fuel Storage Facilities and Fuel Hydrant System of Hambantota International Air Port, Mattala
For the first time, DGES undertook a contract for the construction of aviation fuel tanks for the Mattala International Airport in Hambantota which is currently under construction. Being a subcontractor to Amana Pipelines LLC of UAE, this contract is indeed considered a major breakthrough in engineering feats. DGES' prior experience has been in the involvement of Petrochemical Storage Tanks. The scope of work includes fabrication, installation and testing of 03 numbers of Jet A-1 Aviation Fuel Storage Tanks with 1200m3 capacity each and Fire Water Tank with 571 m3, as well as the design, fabrication, installation and testing of 03 pressure vessels.

Concrete demolition for crane beam repair work SAGT

Unloading shell plates at the Mattala Airport site

Remedial Work for Polgolla Dam
DGES has become a strategic contractor for Mahaweli Authority of Sri Lanka for rehabilitation, repair and remedial works related to existing dams of Sri Lanka. During the last decade, the company was involved in some mega projects for rehabilitation, repair and remedial works, providing value added services within specified time limits. The current contract with the Mahaweli Authority of Sri Lanka is to carry out remedial works for the Polgolla Dam, which includes civil, mechanical and electrical works for spillway gates and outlet gates and renovation of the irrigation tunnel intake.

Blasting and painting of spillway gates at Polgolla Dam

Civil Work Related to Gammaduwa Mini Hydro Power Project

DGES signed an agreement to construct concrete weir intake structures, the head race channel, aqueduct, de-silting tank, forebay tank and spillway, civil work for penstock, power house and tail race for the Gammaduwa Mini Hydro Power Project, Matale.

Canal Construction for Gammaduwa Mini Hidro Power Project

Workshop and Office Complex

Having won the competitive tender and impartial evaluations and bidding processes, DGES has fabricated and supplied a 65m x 45m x 20 m steel workshop and an office complex comprising four storeys for our parent company, CDPLC.

Workshop and Office Complex at Dockyard Premises

Naval Hospital Complex Welisara

Nine roofs of varying sizes are being constructed for the Naval Hospital Complex in Welisara.

Steel roof construction for Naval Hospital Complex

64 Ton Per Day Air Separation Unit at LINDEL Industrial Estate

This project is undertaken for Ceylon Oxygen Limited and all civil and structural works, the mechanical installation such as erection, assembly and alignment of moving machinery, cold box, static equipment and piping system of aluminium/stainless steel and carbon steel and construction and fabrication, assembly, erection, testing and commissioning of the 320 MT liquid oxygen storage tank, all pertaining to the 64 ton per day air separation unit.

Civil Work for 64 TPD air separator unit at Ceylon Oxygen Limited

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

Taking advantage of the DGES specialty in providing total solutions for corrosion protection which is amply exampled in a number of projects around Sri Lanka, this year, DGES was committed to provide services to the Laxapana Generating Stations of Ceylon Electricity Board. The scope of work entails the painting of the inner surface of the new Laxapana Penstock which uses power tool cleaning and penstock pipes carrying 1.5 to 1.1 m diameter pipes with a length of 1.8Km. In addition, DGES was also tasked with sand blasting and painting of the inner surface of the old Laxapana State 01 Penstock A and B.

Specific Specialised Engineering Projects

- Fabrication of sluice gate for salinity barrier for the National Water Supply and Drainage Board in Ambatale.
- Service of LPG valves of the LPG sphere at Litro Gas Terminal for Litro Gas Lanka Limited.
- Painting of Kalaoya bridge and Malathu Oya bridge for the Road Development Authority, Sri Lanka.
- Fabrication of radial gate 6mx5m for the Maduru Oya Dam.
- Installation of lube oil cooler at Sapugaskanda Power Station for the Ceylon Electricity Board.
- Supply, fabrication and installation of SS 316 cage rotor and installation of steel roof for the Hambanthota International Airport Project.
- Fabrication of accessories for the clothing machine at North Cloth Lanka (Pvt) Ltd.
- Repair and painting of buoys at the port expansion project commissioned by Hyundai Engineering & Construction Company.
- Emergency staircase for Central Bank of Sri Lanka.
- Desiccated Coconut Building for Ceylon Biscuits Ltd.

Financial Review

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

With total assets of Rs. 18,344.6 Mn as at end 2012, the Group serves a global customer base through its core business activities of shiprepairs, shipbuilding and heavy engineering services over 25 countries.

Majority of the key factors influencing our business are global and regional economic conditions, oil and gas exploration, shipping freights charges, currency fluctuations and international regulation on shipping and shipping environments.

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

GROUP FINANCIAL HIGHLIGHTS				
For the Year (Rs. Mn)	2012	2011	Change	%
Income Statement				
Revenue	16,388.4	12,803.1	3,585.3	28
Gross Operating Profit	2,950.7	2,267.6	683.1	30
Profit after Tax	1,990.7	1,543.8	446.9	29
Balance Sheet				
Total Assets	18,344.6	14,748.0	3,596.4	24
Total Liabilities	7,890.0	5,878.5	(2,011.5)	(34)
Shareholders' Funds	10,454.5	8,869.5	1,585.0	18
Cash & Cash Equivalent	4,033.0	4,097.6	(64.6)	(2)
Interest bearing borrowings	1,660.0	396.4	(1,264.0)	(319)
Financial Ratios				
Earning Per Share (Rs.)	27.90	21.62	6.3	29
Dividend Per Share (Rs.)	8.00	6.0	2.0	33
Net Assets Per Share (Rs.)	146.4	129.6	16.8	13
Gearing Ration (%)	0.12	0.40	0.3	68
Return on Total Assets (%)	10.9	10.5	0.3	3
Working Capital to Assets (%)	38.3	47.1	(8.8)	(19)

Financial Performance

Group Revenue

The Group achieved a total revenue of Rs. 16,388.4 Mn for the financial year 2012 showing growth of 28% (Rs. 3,585.3 Mn) as against last year recorded Rs. 12,803.1 Mn primarily owing to new shipbuilding deliveries and value of Work-In-Progress at the end of 2012.

Segmental Contribution to the Group Revenue
Group revenue includes Company's core activity ship repairs, shipbuildings, heavy engineering, and materials sales from subsidiary companies. The major revenue contributor for group has become shipbuilding with 67% compared to 60% recorded for last year.

Export Revenue

The group's export revenue includes the revenue generated mainly from shipbuilding and ship repairs operations. Total export revenue has increased by 34% (Rs. 3,907.9 Mn) compared to last year. The major overseas market of the Group during the year becomes Singapore with 67% (Rs. 10,626 Mn) of the total export revenue followed by the India with a revenue of 25%. However, the Indian market continued to be the major overseas market for the Shiprepair sector, with a contribution of 52% of the total export Shiprepair revenue during 2012,

The dominant currency for export continued be the US dollar, accounting for 99% of total exports, balance followed by the Euro with 1%. The depreciation & appreciation of the Sri Lanka Rupee continued to impact on the conversion of US Dollar proceeds.

Earnings Before Tax and Depreciation

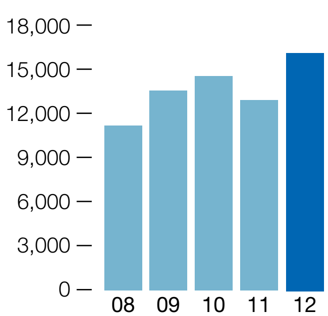
The Group's earnings before tax, depreciation and amortization recorded Rs. 2,363.0 Mn during the year with an increase of 28% from last year's figure of Rs. 1,835.1 Mn. The increase was primarily due to the growth on shipbuilding revenue during the year compared to 2011.

Other Operating Income

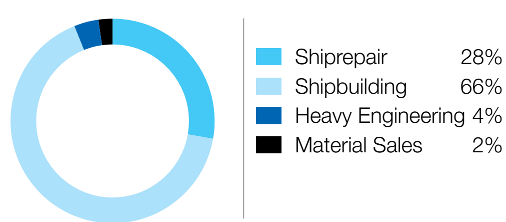
Other operating income of the Company excluding interest income decreased to Rs. 471.4 Mn during the year from Rs. 641.0 Mn recorded for last year. The decrease of 26% (Rs. 169.6 Mn) was mainly due to reduction on gain on exchange rates differences of Rs. 269.5 Mn as against the exchange gain of Rs. 439.5 Mn recorded for 2011.

Profit after Tax

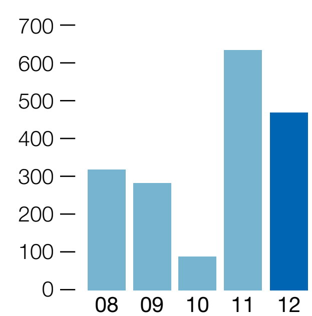
The Company recorded a profit after tax of Rs. 1,889.3 Mn during the year under review representing a 31% positive growth relative to the year 2011 figure of Rs. 1,439.4 Mn. This increase was mainly attributed to the growth on shipbuilding business volume and profits during the year compared to last year. The Company has achieved 12.0% net profit margin during the year compared to 11.8% recorded for year 2011.



Group Revenue (Rs. Mn)



Group Segmental Revenue



Other Operating Income - Rs. Mn

Contribution to Sri Lankan Economy

In 2012, the economy is projected to grow by 6.8 per cent from a growth of 8.3 per cent in 2011. Given the 7.2 per cent growth in the first half of 2012, the economy is projected to grow by 6.3 per cent in the second half of the year compared to the 8.4 per cent growth recorded during the same period in 2011. The deceleration in growth for 2012 could be attributed to the relatively lower growth in Agriculture and Services sectors during the year. Although the projected growth for Agriculture sector is 5.6 per cent which is higher than the previous year, the sector deviated from the envisaged high growth target due to the prolonged drought that has adversely affected the yala cultivation season. The Services sector is projected to grow by 5.4 per cent with the decline in external trade and transport while the Industry sector is forecasted to grow by 10 per cent with the continued high growth in construction activities.

The direct value addition generated by the Company was Rs. 5,590.5 Mn, (2011- Rs. 4,824.0 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. 6,510.0 Mn (41.6%) compared to Rs. 6,310 Mn (51.8%) recorded for 2011.

The details of Company direct value distribution is given on page 74.

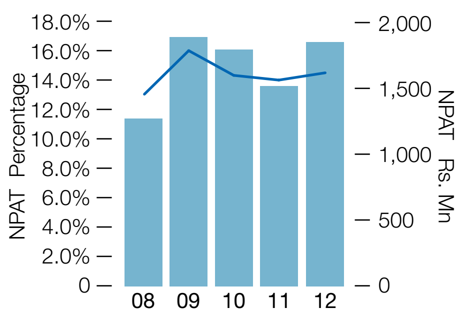
Exchange Rates

Exchange rate policy in 2012 mainly focused on allowing more flexibility in the exchange rate by limiting the Central Bank intervention in the foreign exchange market. The rupee depreciated by 14.56 per cent vis-a-vis the US Dollar in the first half, while appreciating by 2.70 per cent during the third quarter of 2012. Expectations of further foreign currency inflows, increasing trend of domestic interest rates and curtailing import growth contributed to the rupee appreciation in the third quarter. Accordingly, in the first nine months of the year the overall depreciation of the rupee against the US Dollar was 12.24 per cent. Reflecting cross currency exchange rate movements, the rupee depreciated against all other major currencies. The rupee depreciated against the pound sterling (16.84 per cent), the Japanese Yen (12.37 per cent), the euro (12.23 per cent), and the Indian Rupee (12.16 per cent) by end September 2012. The Central Bank has reduced its intervention in the domestic foreign exchange market substantially since February 2012.

Financial Position

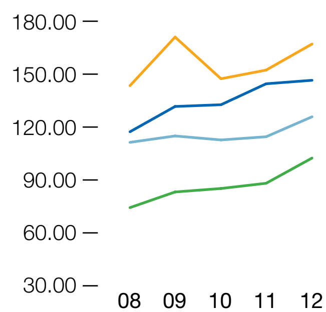
Total Assets

Company's total assets as at 31 December 2012 were Rs. 17,547.5 Mn, as against Rs. 14,214.1 Mn. The



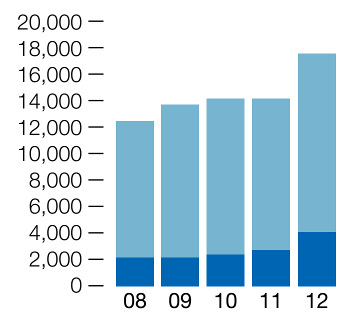
Net Profit After Tax

Net profit after Tax
As percentage of Revenue



Exchange Rates (Rs.)

US $ SG $
Euro Yen (100)



Total Assets (Rs. Mn)

Non-Current Assets
Current Assets

23% growth (Rs. 3,333.4 Mn) was mainly due to the increase on long term and short term investments. Total non-current assets value of Rs. 4,097.7 Mn is an increase of 51% (Rs. 1,387.0 Mn) against last year representing a growth on intangible assets.

Current Assets
Current assets of the Company too has increased from Rs. 11,213.7 Mn in 2011 to Rs. 13,116.6 Mn in 2012, growth of Rs. 1,902.9 Mn (17%) against last year and it is mainly attributed to the increase of trade debtors and Inventories.

Working Capital
The net working capital continued to increase recording Rs. 6,647.7 Mn as at 31 December 2012 indicating no changes over the previous year.

Cash Flow
Cash generated from Group's operations before working capital changes stood at Rs. 2,468.3 Mn in 2012 compared with Rs. 1,723.0 Mn in the previous year. The net cash generated from operating activities increased to Rs. 1,016.6 Mn against Rs. 57.3 Mn negative figure of the previous year.

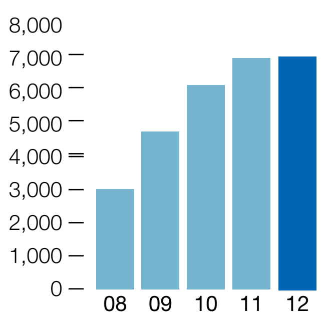
Net cash used in investment activities was Rs. 1,495.9 Mn during 2012, as against Rs. 293.9 Mn the previous year. The group invested a total of Rs. 1,744.7 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December was Rs. 4,006.0 Mn, with marginal reduction over last year.

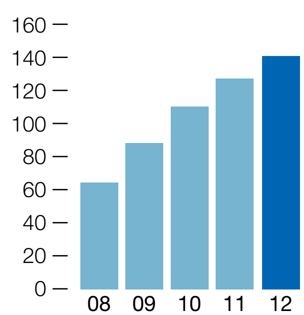
Net Assets Value Per Share
In line with capacity and facility expansion, the net assets value per share of CDPLC increased by 12.4% from Rs. 124.53 to 139.96 per share as at 31st December 2012.

Capital Structure
Total assets of the group stands at Rs. 18,344.6 Mn as at 31st December 2012, compared with Rs. 14,748.0 Mn in the previous year. Assets were funded by shareholders funds (57 per cent), non-current liabilities (6 per cent) and current liabilities (37 per cent).

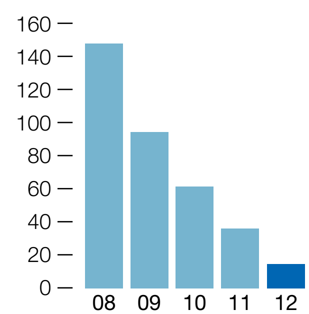
Debt
Group's total debt was Rs. 1,660.0 Mn as at balance sheet date, 318% (Rs. 1,263.6 Mn) more than in 2011. This was primarily due to increase on working capital requirement on high volume of Shipbuilding WIP during the year. Group's long-term debts continued to reduce and as at 31st December 2012, total long-term debt was Rs. 13.0 Mn, 43% lower than in 2011.



Working Capital (Rs. Mn)



Net Assets per Share - Rs.



Group Long Term Debts (Rs. Mn)

The Company gearing level has reduced by 0.30 percent points, from 0.40 in 2011 to 0.10% in 2012.

Performance of the Share

The share price of the Company as at 31st December 2012 recorded at Rs. 224.00, a drop of 6.2% compared to last year's closing price of 238.80. Similar reduction trend is noted in All Share Price Index in the Colombo Stock Exchange. The share price recorded the highest price of Rs. 252.90 on 24th February 2012 and lowest of price of 183.00 on 14th June 2012.

Financial Reporting

Colombo Dockyard Plc is committed to adopting best practices in financial reporting to providing most updated and developments in the financial reporting and disclosure. The financial reports on page 112 to 178 have been prepared in compliance with Sri Lanka Accounting Standards.

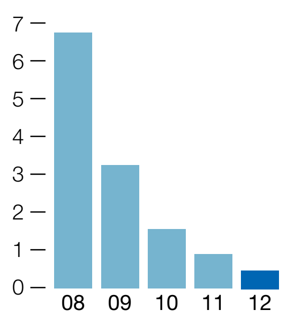
Our Achievement

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

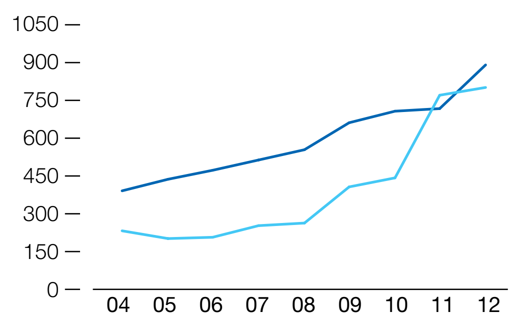
As a result our 2011 Annual Report was adjudged Gold Award in the Service Sector at the 2012 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,714.0 Mn of which Rs. 815.0 Mn from wholly owned Dockyard General Engineering Services (Pvt) Ltd. and Rs. 899.0 Mn (SGD 8.3 Mn) from Ceylon Shipping Agency (Pte) Ltd. with 51% holding.



Gearing Ratio (%)



Subsidiary Revenue (Rs. Mn)

Corporate Governance

Colombo Dockyard PLC (CDPLC) is committed to meeting high standards of corporate governance. Its Corporate Governance Principles reflect its strong belief in protecting and enhancing shareholder value in a sustainable way. The Group firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls will enable it 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 2012 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 complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and ethics at work-place have been institutionalized.

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

Board of Directors

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

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

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

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

The current Board comprises nine Directors; six of them are Non-Executive Directors. The Board's Chairman, Mr. A. Nakauchi and Mr. Kijima are Executive Directors. Mr. Mangala P. B. Yapa, who is the Managing Director and CEO, of Colombo Dockyard PLC, is also an Executive Director.

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

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

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

Director	Position on the Board	Date of Appointment	Nature of Appointment
A. Nakauchi	Chairman	28 Oct. 2009	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-Executive/Nominee Director
Mangala P. B. Yapa	Managing Director/CEO	22 April 2004	Executive/Nominee Director
Y. Kijima	Director	25 Mar 2008	Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-Executive/Nominee Director
Lalith Ganlath	Director	21 June1993	Non-Executive/Public Director (Independent)
H. A. R. K. Wickramathilake	Director	28 April 1995	Non-Executive/Public Director (Independent)
Janaki Kuruppu	Director	25 August 2010	Non-Executive/Nominee Director
P. Kudabalage	Director	03 May 2011	Non-Executive/Nominee Director

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

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

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	7	83%
Audit Committee	6	67%
Remuneration Committee	1	67%

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

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

Audit Committee

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

Report of the Audit Committee

In terms of the Listing Rules of the Colombo Stock Exchange the Audit Committee will assist the Board to improve the existing system to be more transparent. It will focus on system of internal control financial reporting process compliance with the laws and regulations and other best practices for Corporate Governance.

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

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

The Committee focused much attention this year on reviewing the internal control system of more important areas after the discussion with internal auditors and based on their reports. Those recommendations were made to the Board of Directors and have now been implemented.

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

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

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

Remuneration Committee

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

Report of the Remuneration Committee

Policy

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

Functions

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

Annual General Meeting

The Company's 29th Annual General Meeting (AGM) was held on 28th March 2012. At the AGM 132 shareholders were present by person or by proxy.

The resolutions passed at the AGM were as follows:

- To receive the Annual Report of the Board of Directors on the affairs of the Company, the Audited Accounts for the year ended 31st December 2012 and the Report of the Auditors.
- Re-election of Directors in terms of the Articles of Association of the Company.
- Appointment of KPMG, Chartered Accountants as the External Auditors of the Company for 2012 and to authorize the Directors to approve their remuneration.
- To authorize the Directors to determine donations for the year 2012 and up to the date of next AGM.

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

Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report, Company is in compliance with the Corporate Governance Rules.	Compliance	Please refer page 115.
7.10.3 (a)	Names of independent Directors should be disclosed in the annual Report.	Compliance	Please refer page 52.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliance	Please refer page 51.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise.	Compliance	Please refer pages 24 - 25.
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliance	Please refer page 24- 25.
7.10.5	A listed company shall have a Remuneration Committee.	Compliance	Please refer the Remuneration Committee report on pages 53.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of independent Non-Executive Directors, whichever is higher.	Compliance	The Remuneration Committee comprises a majority of independent Non-executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliance	Mr. H.A.R.K. Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/ Chief Executive Officer.	Compliance	Please refer the Remuneration Committee report on pages 53.
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliance	Please refer page 53.
	A statement of remuneration policy.	Compliance	Please refer the Remuneration report on page 53.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliance	Committee report on pages 53.
7.10.6	A listed company shall have an Audit Committee	Compliance	Please refer the pages 52.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or a majority of independent Non-Executive Directors, whichever is higher.	Compliance	The Audit Committee comprises a majority of independent Non-Executive Directors.

Rule No	Requirement	Compliance Status	Details
	One Non-Executive Director shall be appointed as chairman of the Audit Committee by the Board.	Compliance	Mr. H.A.R.K. Wickramathilake functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliance	The MD/CEO and GM (Finance) attended all Committee meetings.
	The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Compliance	The Chairman of the Audit Committee is a member of professional accounting bodies
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliance	Please refer Audit Committee report on pages 52.
7.10.6 (c)	The Annual Report shall set out:		
	The names of the Directors who comprise the Audit Committee.	Compliance	Please refer Audit Committee report on pages 52.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliance	Please refer Audit Committee report on pages 52.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliance	Please refer Audit Committee report on pages 52.

The Management of the Company is committed to assists the Board to implement and strengthen good corporate governance practices.

The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before any important decision is made.

Independent internal Audit Function

The internal audit function of the Company is provided by the Internal Audit Staff (Financial & System Review) provided by the, B R De Silva & Co, Chartered Accountants, which reports directly to the MD/CEO on all audit matters.

The internal audits performed are aimed at assisting the Board and Management in the discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business processes within the Company.

Subsidiary Monitoring Framework

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

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

Corporate Responsibility for Sustainable Business Performance

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

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

The Company Secretary

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

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

Communication with Shareholders

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

The Annual Report and Quarterly Report produced with Group information and as per the rules of the Securities & Exchange Commission and Colombo Stock Exchange are produced to the CSE and then to the shareholders. The website (www.cdl.lk) maintained by the Company offers macro level information of the Company to interested 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 a special corporate management team to be available at the AGM to answer any queries raised by shareholders.

Risk Management

Introduction

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

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

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

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

Our Approach

Being an integral part of the business, process risk management is done on a continuing basis, in order to reduce risk volatility and improve returns.

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

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

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

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

Internal Risks:

OPERATIONAL RISK MANAGEMENT

Our Concern:

Operational risk, which is inherent in all business activities, is the risk of potential financial loss and/

or business instability arising from failures in internal controls, operational processes or the systems that support them.

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

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

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

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

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

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

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

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

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

The assignment of internal audit to a third party is another step to taken to improve transparency and accountability. Thus, both the Quality Management Systems Procedures are subject to independent, competent auditors improving the overall control over these processes and transparency.

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

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

INFORMATION TECHNOLOGICAL RISK & MANAGEMENT

Our Concern:

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

Our Impact:

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

Our Response:

This has been addressed by way of daily backups, standby file servers. Regularized maintenance etc. Insurance cover is also taken to safeguard unforeseen losses.

External Risks:

MARKET (STRATEGIC) RISK & MANAGEMENT

Our Concern:

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

Our Impact

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

Our Response

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

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

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

FINANCIAL RISK MANAGEMENT

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

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

Interest Rate Risk

Our Concern:

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

Our Impact:

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

Our Response:

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

Foreign Exchange Risk

Our Concern:

Risk on foreign-currency fluctuation on sales and purchases, denominated primarily by US Dollar, Euros and Singapore Dollars, are high.

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

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

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

Our Impact:
Inadequate net working capital would lead to un-necessary financing costs to the bottom line.

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

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

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

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

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

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

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

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

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

Corporate Milestones

Year	Event
1974	Incorporation of Colombo Dockyard Limited (CDL) and started operation of a 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.

Year	Event
1983	CDD was converted into a Public Limited Liability Company and established as a Licensed Enterprise under the GCEC Laws (now BOI). First export order in Shipbuilding. Yard Nos. 57/58 Split Hopper Barges for Burma Ports Corporation, Myanmar.
1987	First Shipbuilding project to the Republic of Maldives. Yard No. 78/81: Fish Collector Vessels for State Trading Organization (STO).
1988	CDD commences operation of the 125,000 DWT Newly Built Drydock and CDL functions as the Managers for CDD.
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).

Year	Event
1999	International Quality Accreditation - Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
2002	Upgrading the Quality Management System to ISO 9001: 2000.
2004	Commencement of Offshore Engineering Activities - Diversification:
2005	Internationalization of Shipbuilding Activities & Breakthrough to Middle Eastern Market. Expansion of the entrance to the Dock No. 2 for enhancing the capacity for Shipbuilding.
2006	The largest Aluminium Hull built in Sri Lanka (NC 200) - 40 M Fisheries Protection Vessel for the Republic of Maldives. Building of first Tug Boat to an International Client (NC202, NC203 & NC204).
2007	Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment. • Delivery of 6 New Constructed ships during the year 2007. • In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel. • Building of first Anchor Handling Tug/ Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India) Ltd.

Year	Event
2008	Structural adjustments: Shifting to a New Head Office Building, Expansion of shipbuilding facilities up to total land area of 2,575 square meters, Building of Deck Barge for enhance of Shipbuilding capacity. New technological adaptation: Use of "line heating" technology, Computer Aided Designs (CAD) and Computer-Numerically Controlled Plate Marking and Cutting technologies for Steel aluminum, MIG, TIG and Submerged Arc welding techniques.
2009	The year of Success despite the global Economic Crisis. • Enhancing crane capacity by 20 tonnes and operation capacity of Dry Dock No 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs. • Completion of first ever 250 passengers cum 100 tonnes cargo vessel "Arabian Sea" built for the government of India. • Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.

Year	Event
2010	The year of Economic Prosperity • Completions of five largest vessels in the history 2010 (NC209,NC210, NC215, NC216 and NC217). • Start operation of Kelani River Yard (KRY site) and built first passenger vessel (NC221) to RDA in the Site. • Implementation of Performance Standard for Protective Coating (PSPC) process based on IMO resolution. • Upgrading the Quality Management System to ISO 9001:2008.
2011	The year of Market Pressure • Construction of intermediate Dock gate Dry-Dock 01 to enhance efficiency and effectiveness of Ship repair and Shipbuilding activities with an investment of Rs. 152 Mn. • Commencement of repairing LPG carriers and establishment of related infrastructural facility "Cryogenic Workshop" with an investment of Rs. 1 Mn. • Construction of 250 tonnes bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects.

Year	Event
2012	The year of Sustainability in Stormy Waters • Keel laying of largest Vessel to be built by Colombo Dockyard PLC, yard No NC/0229-0230 400 Passenger Cum 250T Cargo Vessels to India. • Installation of largest Crane Lifting facility with 160 Ton capacity. • Commissioning of 2nd Plasma Cutting Machine at KRY Site. • Export revenue generated over 98% of total revenue for the first time. • Highest capital investment of Rs. 1,889 Mn in one financial year.

The Operational Impact of 365 days

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

Rs.16 Bn.
Total Revenue

The Company managed to reach total revenue of Rs. 15.7 Bn despite the slow recovery of the global economy and declining trends in the shipping industry.

98%
Foreign Revenue

Export earnings generated in 2012 were over 98% of the total Revenue. This represents 100% foreign generated Shipbuilding revenue.

3 Nos
Delivery of New Vessels

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

3,200
Direct Employment

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

Rs. 1.8 Bn.
Capital Expenditure

Company added above capital values for yard productivity improvements and infrastructure development during 2012.

99.5%
Employee Retention

Despite many economical downturns both locally and globally, we have had few employee resignations during 2012.

6,900 T
Steel Output

The Company achieved 31% growth on Steel Output during 2012 with 6,900 Steel tonnes as against 5,300 steel tonnes done in 2011.

68%
Waste Re-use

Total waste generation of 13,100 MT and 68% these waste are re-used & collected.

Rs.16 Bn.
Market Capitalization

With Market Capitalization of Rs. 16 Bn we represents approx. 0.74% of the total CSE Market Capitalization as at 2012-12-31.

We are proud to carry the 'Made in Sri Lanka' flag across the oceans. The value addition we have rendered to a globally competitive industry, the shareholder value we have enhanced across the organisation and the social responsibility we have infused throughout the company remain the founding tenets of our sustainability approach. Add the fact that we are in an industry where 'being green' can be quite challenging but has therefore, spurred us to implement initiatives that will emphatically reduce our carbon footprint and leave a greener cleaner environment for future generations.

Sustainability Report

The Preface

We prophesy that the sustainability at our corporate level will eventually become a global concept. We place key sustainability practices at the forefront, and comply with the Global Reporting Initiatives GRI G3 guidelines. This utilization enables us to visualize what we have for our Company's sustainability, and will prop us in our journey to excel at corporate sustainability.

Sustainability Review of MD/CEO

We are proud to carry the 'Made in Sri Lanka' flag across the oceans. The value addition we have rendered to a globally competitive industry, the shareholder value we have enhanced across the organisation and the social responsibility we have infused throughout the company remain the founding tenets of our sustainability approach. Add the fact that we are in an industry where 'being green' can be quite challenging but has therefore, spurred us to implement initiatives that will emphatically reduce our carbon footprint and leave a greener cleaner environment for future generations, it can be seen that Colombo Dockyard PLC has truly founded the apt principles, built the right trusses and created the necessary milieu for all stakeholders to develop and thrive in a sustainable environment.

The holistic approach we have inculcated within the organisation stems from a vision, mission and quality policy that espouses the values, ethics, transparency and accountability we pursue. This is a top down approach that we believe must be emulated, and as with pragmatic leadership, we have infused best practices and a thinking process that permeates throughout our stakeholders to simply 'make lives better'. We start the social responsibility process from within the organisation, to ensure a clear understanding of the responsibility of being a good corporate citizen. This is further augmented with a culture that ingrains the aspects of adding value to everything we do, exceeding expectations of all stakeholders and creating a viable corporate steward that will be consistent, showcase long term growth and be true partners to stakeholder vision and goals. To explain in simpler terms, the ethos is one which cascades to the way we think, plan and ultimately action, right across the organisation.

As an organisation, we remain very committed to our founding principles, having also gained added impetus from our Japanese influence, which allows us to weigh the pros and cons of the impact of our actions before we embark on any initiative. This thought process is the axis upon which the organisation revolves and evidenced by the accolades we have gained, the quality improvements and efficiencies we have successfully introduced and are reflected in our bottom line. The pioneering green initiatives we have introduced into our every day operations, coupled with a focus on nurturing and strengthening relationships among our stakeholders adds to this momentum. We continue to up the bar of sustainable development within our organisation and beyond, with the objective of making a difference that will truly impact our stakeholders lives positively.

Period of Reporting

This Corporate Sustainability report is prepared for the period from 1st January 2012 to 31st December 2012.

Stakeholder Engagement

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

The List of Our key Stakeholders

- **Customers - Sri Lankan:** Sri Lanka Navy, Sri Lanka Ports Authority, Road Development Authority.

- **Customers - International:** Government of India, Government of Singapore, Great ship (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.

- **Suppliers (Material):** Ceylon Shipping Agency (Pte) Ltd., Dockyard General Engineering Services (Pvt) Ltd.

- **Suppliers (Manpower):** 106 registered sub-contract companies in Sri Lanka and material suppliers from all over the world.

- **Suppliers (Business):** World-wide agency network of ARIES TRADERS-BANGLADESH, Eberhardt Agencies & Shipping Aps- Denmark, Mcc Marine International Ltd - France/ Spain/ Portugal, Ernst Russ Gmbh & Co Kg - Germany, Chris Marine Sa - Greece, Ocean Span Shipping Co. Ltd - India, Banchero Costa & C. Agenzia Marittima S.P.A - Italy, Onomichi Dockyard Co. LTD - Japan, EMHA Technisch Bureau B.V.- Netherlands, Ulrik Quvale & Partners AS. - Norway, Marine & Industrial Consultants - Pakistan, Palco Marine Services Pvt Ltd - Singapore, YUH FA Lanka Shipping & Trading (Pvt) Ltd - Taiwan, Globetech Services Ltd.- UK, Penn International Marine Agencies Ltd. - US, Nordic Marine LLC- UAE.

- **Suppliers (for quality of production and international standards):** various International Classification Societies of Germanischer Lloyd Colombo (Pvt) Ltd., American Bureau of Shipping, Lloyds Register of Shipping Ltd., Bureau Veritas Lanka, Det Norske Veritas, ClassNK Nippon Kaiji Kyokai, China Corporation Register of Shipping, Indian Register of Shipping C/O Maritime Agencies Ltd.

- **Suppliers (International Designers)** from Canada, UK, Norway, Finland, Holland, Croatia, Russia, India, Singapore, New Zealand and Australia.

- **The Community:** Those who have touched our lives, and those whom we in turn have continued to help become sustainable productive citizens of the country – this includes the community and various professional organizations/institutions: The Ceylon Chamber of Commerce CCC, National Chamber of Commerce NCCSL, Ceylon National Chamber of Industries CNCI, National Chamber of Exporters NCE, Company of Master Mariners, Institution of Engineers Sri Lanka IESL, The Institute of Marine Engineering, Science & Technology IMarEST, Institute of Policy Studies (IPS), the Central Bank of Sri Lanka, Directorate of Merchant Shipping, National Apprenticeship & Industrial Training Authority (NAITA), Charted Institute of Marketing, The Institute of Charted Accountants 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, either positively or negatively, impacts our environment.

- **Directors:** as listed in the Board of Directors in the page 114.

- **Employees:** As given under the Sustainability Report in page 83.

- **Shareholders:** As given under the Sustainability Report in page 73.

- **Government and its agencies:** Department of Inland Revenue, Central Bank of Sri Lanka, Department of Census and Statistics, Sri Lanka Ports Authority, Board of Investment, Department of Labour, Sri Lanka Customs, Sri Lanka Navy, Sri Lanka Police, Marine Pollution Prevention Authority (MPPA), Director General of Shipping, Department of Commerce, Central Environment Authority, Export Development Board, Ministry of Finance, University of Vocational Training, Tertiary & Vocational Education Commission TVEC etc.

- **Owners (shareholders):** As detailed in the Sustainability Report Page 73.

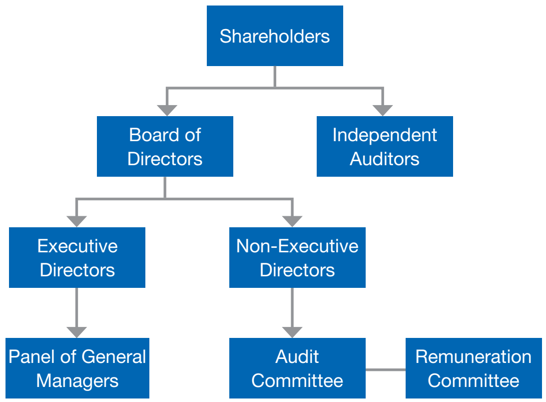
- **Lenders:** Bank of Ceylon, People's Bank, Commercial Bank of Ceylon PLC, State Bank of India, Sampath Bank PLC, National Development Bank PLC, Hatton National Bank PLC, The Hongkong & Shanghai Banking Corporation Limited.

Governance and Economic Contribution

The Governance of Sustainability

Colombo Dockyard functions on a stringent top down approach, thereby the same modus operandi has been put into effect with its' sustainability practices. The visionary strategies of the Chairman and Board of Directors are communicated to the CEO and senior management, who enact these policies while tweaking them for maximum efficiency.

The Governing Structure of Colombo Dockyard PLC



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 51 & 57. in this annual report for a more comprehensive detail of the stringent features we introduce constantly into our inner workings to ensure that the business remains sustainable on all fronts.

External & Internal Audit Standards

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

We remain very conscious of our obligation to provide accurate and factual financial information to all stakeholders who include international customers 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 General Manager (Finance) and his team responsible for the enforcement of these standards and that management complies with them without compromise.

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.

Colombo Dockyard Compliance Policy

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

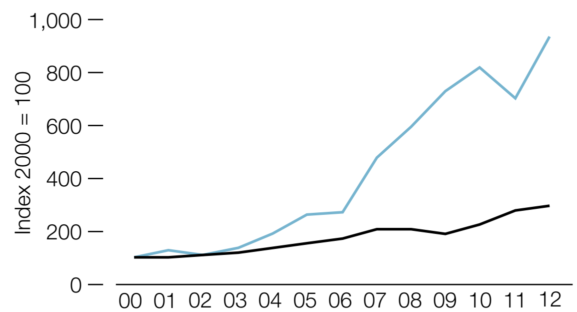
Commitment to Sustainable Management and Governance

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

Economic Sustainability
As an export oriented company, Colombo Dockyard contributed 1.23% of the total national export, whilst generating Rs. 15,466 Mn as export revenue during 2012. Recognizing the outstanding performance of CDPLC in the national export sector, the Company won the coveted President's Award for Non-traditional Products and Services in both 2007 and 2008. Colombo Dockyard was also adjudged as "the Most Outstanding Exporter of the Year" in 2008 and 2009. The company was also awarded the Gold medal for Outstanding Exporter of Business and Professional Services Sector for years from 2008 to 2011 continuously. The Company was also awarded as "The Most Value Added Exporter of the Year" for the last three years from 2009 to 2011; the National Chamber of Exporters Sri Lanka organized the award ceremony.

Domestic Value Addition (DVA) of Colombo Dockyard for its total Shipbuilding and Ship repair is 40%; the segmental the Ship repair sector creates almost 85% of Domestic Value Addition and the Shipbuilding sector creates a 35% of Domestic Value Addition in 2012. This high rate of Domestic Value Addition is achieved due to the use of indigenous expertise, skills and competence, to build and repair ships to an international clientele. The DVA will increase considerably, if the support industry is also encouraged and adopts international levels of quality and competence.

At present, Colombo Dockyard has proved that its far-reaching business plans and policies are astute. Thereby, the Company has recorded a consistent growth rate of its export revenue over the last twelve years since 2000, as illustrated by the graph. During 2012, our export revenue increased dramatically by 34% compared to the previous year, whilst national export revenue growth rate increased by 7%, both in Rupee terms.



Export Income Indices

Further, the Shipbuilding sector alone recorded a 43% growth in export revenue whilst Ship repair sector recorded 5% growth in export revenue, both in Rupee terms.

Capacity Enhancement: Increase crane capacity up to 160 tonnes
During the year 2012, the Company introduced a new Dock-side crane with maximum lifting capacity of 160 tons at Dock Center (26m radius), making a significant milestone of the history of CDPLC. Before the Company introduced this project to CDPLC had only 50 tonnes maximum crane capacity (Restricted to 32 Ton at Dock Center).

The 160 Ton Crane Being Installed Near Dry Dock 02

As the Company has been concentrating more on building new ships to the international market since 2003, at present the CDPLC is well reputed in building high quality ships that meet stipulated international standards with in a shorter time period. Thereby, the tendency towards building more complex, bigger vessels by the Company demanded higher crane capacity to handle quite larger units of newly constructed vessels. The Company expects a notable productivity and efficiency improvement in Shipbuilding with the increase of crane capacity up to 160 tons. Total investment for the project was over Rs. 800 Mn and the expected direct and indirect benefits to the Company are listed below.

Direct Benefits,
- Optimize Dry Dock utilization through reducing assembly period of vessel units by 50%. Thereby, reduce production time period and production man-hours.

- Optimise the operation of the prevailing PSPC (Performance Standards for Protective Coating System) system through serving larger ship units for blasting and painting.

- Improve the level of quality of production by sparing the saved time on assembly for outfitting, electrical & other finishing works.

- Reduce the risk of safety and wastage of man-hours by reducing the rush works at final stage of outfitting & finishing.

- Improves the smooth flow of production with the minimization of overlapping of workload of identical activities of parallel Shipbuilding projects which will helps to reduce the proportional resource requirement (number of working groups, services/ machinery etc) at peak times.

- Avoid constraints on berthing issue by on-time delivery before next vessel launching Indirect benefits.

- Increase the revenue, value addition and profit of Shipbuilding activities.

- Increase Ship Repair revenue at Dry-dock 01, as the new crane capacity enables the Company to do hatch cover repairs of the ships that demands higher lifting capacity.

- Improve Ship repair activities of Dry –dock 03 with possible shifting of 20 ton crane from dry-dock 01 to dry dock 03, after the 160 ton crane start its operation.

Our Corporate Citizenship
Sharing Knowledge and Supporting National Economic Development
Colombo Dockyard PLC, with its unique approach in blending latest technology, Sri Lankan labour and modern designs and components to develop sophisticated engineering products and services accumulates a significant volume of knowledge and experiences that are not available to many in Sri Lanka.

Realizing the immense benefit that the country can gain out of the experience of Colombo Dockyard, we have constantly engaged in disseminating and sharing such knowledge and experience amongst many other stakeholders, e.g. chambers of commerce, universities, professional bodies and various interest groups in the society.

MD/CEO and Senior Managers of the Company actively take part in such knowledge sharing activities. In 2012 such engagements were present with following institutions/conferences:

- India Shipping Week: Shiprepair Sector Opportunities in Offshore & Defense Market.
- University of Colombo - Inauguration of the Master of Business Studies (MBS): Keynote Speech on "Managing Businesses - the Challenge for Survival and Growth of Sri Lanka".

Mr. Mangala P.B. Yapa speaks on Transformational Logistics in Emerging Market at the CILT International Conference 2012

- University of Colombo, Inauguration of the MBA Programme of Faculty of Management & Finance: Keynote Speech on "Doing a MBA or Becoming a MBA?".
- SMP World Conference 2012: Ship Repair Industry Challenges.
- Institution of Engineers Sri Lanka: Prof. R.H. Paul Memorial Ceremony: Speech on “Engineering Education: Issues and Future Challenges”.
- Vishakha Vidyalaya, Colombo, Art & Commerce Day 2012: Keynote speech
- IMarEST, Middle East Conference: speech on "A Maritime Hub and Gateway to India".
- Institute of Supply and Materials Management: Speech on "Shipbuilding towards total economic development of Sri Lanka, another opportunity to make Sri Lanka the wonder of Asia".
- Institution of Engineers Sri Lanka : Speech on "Positive & Systematic Thinking Management & Operational Level Training".

- Organization of Professional Association OPA, 25th Annual Sessions: participated at Technical Session - “Developing a New Agenda for Productivity.
- The Institute of Certified Professional Managers: speech on "Success Stories of Change Management".
- University Grant Commission, Workshop on “Competency Building and Capacity Enhancement of the Emerging Offshore Gas and Oil Industry in Sri Lanka”: speech on Capacity Building Needs in Industry.
- Chartered Institute of Logistics & transport, CILT International Conference 2012: speech on "Transformational logistics in emerging markets".

The Senior Management of Colombo Dockyard PLC also plays an active role in various societies and forums at regional level; i.e.

- South Asia Advisory Committee of the Lloyds register of Shipping.
- South Asia Committee of the Det Norske Veritas (DNV).
- Technical Committee for Naval Shipbuilding, Germanischer Lloyd (TCNS).
- American Bureau of Shipping(ABS) and ABS India National Committee.
- Indian Register of Shipping (IRS).
- Indian Technical Committee of ClassNK.

Corporate Memberships

The Company has memberships in numerous authorities, regulatory bodies and related bodies that require annual subscriptions. In 2012 the Company invested Rs. 946,864 as direct subscriptions to maintain the corporate leadership status and remain abreast of industrial, national and other corporate information dissemination forum decisions. In addition to the corporative memberships, the Company also actively joins with other chambers, professional institutions, and technical institutions to work collectively towards the development of the National economy.

Below is the list of selected institutions, authorities and statutory bodies that the Company kept close ties with during 2012.

- Board of Investment of Sri Lanka
- Central Bank of Sri Lanka
- Central Environment Authority
- Colombo Stock Exchange
- Export Development Board of Sri Lanka
- Sri Lanka Ports Authority
- Income Tax Payers’ Association
- Marine Environment Protection Authority
- National Chamber of Exporters of Sri Lanka
- The National Chamber of Commerce Sri Lanka
- The Institute Of Technology (IET)
- The Ceylon National Chamber of Industries
- The Employers’ Federation of Ceylon
- The Institute of Marine Science & Technology
- The Institution of Engineers Sri Lanka

Creating Shareholder Wealth

Our Shareholders

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

Investor Communication

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

CDPLC is committed to have a proper communication with its shareholders and other investors too. Thus, during the year 2012 Company continued to provide, timely, accurate disclosures like quarterly financial announcements, press releases and interviews with media, publication of the Annual Report etc.

Encouraging the full participation of shareholders at the Annual General Meeting (AGM) and Extra Ordinary General Meeting (EGM) adequate notice is given together with the Annual Report enabling them to prepare in advance. According to the Colombo Stock Exchange, CDPLC was the first listed Company to hold the AGM in 2012 out of the 31st December Financial Year end Companies.

Further, the Company is very much concerned about its statutory commitments to the society. Thus, The Company audited Financial Statement and Balance Sheet for the year ended 31st December 2012 has been made available to CSE within two months of the Balance Sheet date.

Shareholders' Visit to Colombo Dockyard in 2012

Financial Performance

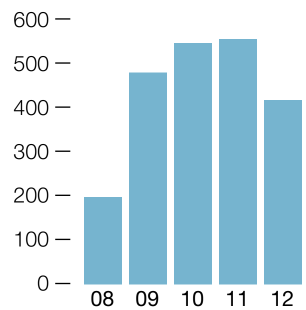
During the year under review, the Company achieved total revenue of Rs. 15,727.5 Mn (2011 - Rs. 12,195.3 Mn.) and net profit of Rs. 1,889.3 Mn. (2011 - 1,439.4 Mn) strengthening shareholders' value with an increase of 17.3% (Rs. 1,475.1 Mn) over the last year.

Dividend Approved

Directors have approved a first and final dividend of Rs. 8.00 per Share (2011 - Rs. 6.00) based on the profit for the year 2011, with 33.3% growth against previous year.

Dividend Pay-Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 23% during 2012 compared to 38% recorded for 2011.



Dividend Paid (Rs. Mn)

	1st Quarter Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2012 Rs. Mn	2011 Rs. Mn
Revenue	3,719	3,960	4,601	3,447	15,727	12,195
Gross Operating Profits	865	865	762	208	2,700	2,031
Profit after Tax	747	506	345	291	1,889	1,439
Shareholders' Fund	7,637	7,846	8,313	9,998	9,998	8,523
Total Assets	19,697	14,944	15,316	17,547	17,547	14,214

Financial Reporting

CDPLC is committed to adopting the best practices in financial reporting, signifying this, Company was presented the Gold award in the Service sector at the Annual Report Award Ceremony 2012 organized by the Institute of Chartered Accountants of Sri Lanka.

Colombo Dockyard Won Gold Award of Service Sector, for Excellence in Financial Reporting at the Annual Report Awards Ceremony - 2012

Shareholders Information

Share Capital

	31/12/2012	31/12/2011
Stated Capital Rs.	718,589,240	684,370,710
Number of Shares	71,858,924	68,437,071
Number of Shareholders	5,040	5,191
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares:.	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2012

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

From	To	No of Share Holders	No of Shares	%
1	1,000	3,896	682,505	0.95
1,001	10,000	983	2,764,038	3.85
10,001	100,000	129	3,685,937	5.12
100,001	1,000,000	26	6,853,351	9.54
1,000,001 above		6	57,873,093	80.54
		5,040	71,858,924	100.00

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, percentage of shares held by the Public as at December 2012 is 34.12% (2011 - 34.39%)

List of Largest 20 Shareholders

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

	Name	2012-12-31	%	2011-12-31	%
01	Onomichi Dockyard Company Ltd	36,648,051	51.000	34,902,906	51.000
02	Employees Provident Fund	10,649,365	14.820	9,956,808	14.549
03	Sri Lanka Insurance Corporation Ltd - General Fund	3,592,998	5.000	3,421,903	5.000
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,592,548	4.999	3,421,475	4.999
05	Sri Lanka Ports Authority	2,186,191	3.042	2,082,087	3.042
06	Employees Trust Fund Board	1,203,940	1.675	1,146,610	1.675
07	Mr. M M Udeshi	673,725	0.938	396,450	0.579
08	Aviva NDB Insurance PLC A/C No. 7	650,689	0.906	492,755	0.720
09	National Savings Bank	642,075	0.894	611,500	0.894
10	J B Cocoshell (Pvt) Ltd	614,025	0.854	371,200	0.542
11	Bank of Ceylon No. 1 Account	413,700	0.576	394,000	0.576
12	MAS Capital (Private) Ltd	369,259	0.514	195,900	0.286
13	Bank of Ceylon No. 2 Account	336,000	0.468	320,000	0.468
14	Mellon Bank N.A. Florida Retirement System	291,161	0.405	-	
15	DFCC Bank A/C 1	245,831	0.342	234,125	0.342
16	Union Assurance PLC/No-01 A/C	238,350	0.332	227,000	0.332
17	Lanka Milk Foods (CWE) Limited	219,948	0.306	209,475	0.306
18	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	191,736	0.267	-	
19	Star Packaging (Pvt) Ltd	173,000	0.241	-	
20	Mercantile Investments and Finance PLC	169,050	0.235	161,000	0.235

Composition of Shareholding

The total number of shareholders of CDPLC is 5,040 as at 31st December 2012, which is 2.9% reduction compared to 5,191 as at 31st December 2011.

	No of Shareholders	No of Shares	%
Local Individuals	4,704	6,046,619	8.41
Local Institutions	226	27,853,235	38.76
Foreign Individuals	94	579,718	0.81
Foreign Institutions	16	37,379,352	52.02
	5,040	71,858,924	100.00

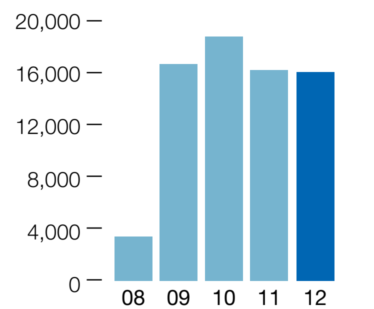
Market Value Per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2012, the share price of Colombo Dockyard PLC recorded a decrease of 6.2% compared to the previous year's closing price.

Market price per Share	As at 31/12/2012	As at 31/12/2011
Highest during the year	252.90 (24/02/2012)	295.00 (15/02/2011)
Lowest during the year	183.00 (14/06/2012)	221.10 (28/11/2011)
As at end of the year	224.00 (31/12/2012)	238.80 (31/12/2011)

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2012 as Rs. 16,096 Mn. (2011 - Rs. 16,343 Mn). CDPLC represents approx. 1.0% of the total market capitalization.



Market Capitalization (Rs. Mn)

Shares Trading

	As at 31-12-2012	As at 31-12-2011
No. of Transactions	2,304	2,493
No. of Shares traded (Rs.)	2,207,504	3,375,900
Value of Share traded (Rs.)	480,518,079	886,159,200

Earnings per Share

The Earning per share (EPS) of Rs. 26.60 in the year 2012 recorded a growth of 25.8% compared to last year's EPS value of Rs. 21.03. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	2009	2010	2011	2012
Shareholders Fund	4,401	6,048	7,515	8,522	9,998
CDPLC Market Capitalization	3,422	16,750	18,820	16,343	16,096
Total Market Capitalization of CSE	488,813	1,092,138	2,210,100	2,269,722	2,167,582
As a % of CSE	0.70	1.53	0.85	0.72%	0.70%

The level of Stakeholder Satisfaction is the yardstick of our future sustainability.

Thus Economic Progress, Environmental Concern, Customer and Supplier Relations, and Social Inclusiveness are our main business concerns.

Statement of Company Value Addition

	2012 Rs. 000	2011 Rs. 000
Total Revenue & Other Income	16,183,403	12,636,520
Less: Cost of Materials & Services purchased from External Sources	10,592,903	7,812,502
VALUE ADDITION	**5,590,500**	**4,824,018**
Value Addition as a % on Revenue	34.5%	38.2%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,188,820	2,886,472
To Shareholders as Dividends	410,622	547,497
To Lenders as Interest	41,076	33,568
To Government Taxes	165,094	173,597
Retained in the Business		
- as Depreciation	306,190	290,979
- as Revenue Reserves	1,478,698	891,905
VALUE DISTRIBUTION	**5,590,500**	**4,824,018**
Value Distribution %		
To Employees as Remuneration & Benefits	57.0%	59.8%
To Shareholders as Dividends	7.4%	11.3%
To Lenders as Interest	0.7%	0.7%
To Government Taxes	3.0%	3.6%
To Retained in the Business	31.9%	24.5%

Customers - the drivers of success

Our customer is discerning and demanding and to us, that's an exemplary trait. 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 economize but we can be prudent in cost management. We have always strived 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

To keep the customer happy, customer satisfaction assessment mechanisms and proper implementation procedures are essential. Therefore, Colombo Dockyard too has implemented a comprehensive customer feedback evaluation mechanism 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.

The Company's customer focus is also displayed by the products and services that we offer; which often exceed customer expectations. 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 to the newly built ships and ships being repaired, which generally exceed specifications.

Apart from the direct communication with the customers, which is extremely successful, Colombo Dockyard has also established a wide agency network comprising 16 companies spread across 18 countries, which helps the Company to identify and envisage customer requirements and market trends.

Expanding our presence

We do realize that our presence must be noted among the global industry, which is an avenue to enhance our customer portfolio. Thus, we collect knowledge of technological advancements and innovations through participating in international industry exhibitions, trade fairs, forums etc. At the end, the knowledge is transferred internally to the every corner of the Company using internal media, publications and trainings, with the intention of delivering a superior quality product to the customer with right quality, whilst matching customer needs.
During the year we participated in the following international exhibitions.

1. Boat Show - Sri Lanka 2012 at BMICH Colombo.
2. India Shipping Summit- 2012 at Trident Hotel, Mumbai.
3. Shipping, Marine & Port World Expo 2012, Mumbai.
4. Posidonia exhibition June 2012 at Metropolitan Expo Centre of Athens, Greece.
5. JASTECA EXHIBITION & TRADE FAIR 2012 at BMICH - Colombo organized by The Japan Sri Lanka Technical & Cultural Association.

Mr. Mangala P. B. Yapa MD/CEO among the business delegates at World Expo 2012

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.

Creating Quality (Best Practices)

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

1. The Company holds more than 90 (Ninety) class approved welding procedures endorsed by the IACS approved classification societies such as Lloyd's Register of Shipping (LRS), American Bureau of Shipping (ABS), Germanischer Lloyds (GL), Det Norkse Veritas (DNV), etc.

2. In house and third party certification of all welders including sub-contract welders in compliance with international standards such as ASME , BS-EN etc.

3. A team of qualified NDT inspector's accordance with the international standard ISO 9712 and IAEA-TECDOC – 407 & 628 keep abreast a welding / quality control.

4. The welding practices of the Company conform to the best shipbuilding standards. Facilities for radiography & ultrasonic inspections are also available.

5. In house facility/equipment to carryout the following NDT techniques to inspect welding and fabrication:

   a. Ultrasonic testing
   b. Radiography testing
   c. Dye penetrant testing
   d. Magnetic particle testing
   e. Visual Inspection

Approvals from Relevant Classification Societies for the Process of Ship Building

LRS	Thickness Measurement of Hull Structures
DNV	Do measurement of 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 Structures
GL	Thickness Measurement of Hull Structures 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 Structures

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.

International Surveyors in a Quality Inspection Process

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

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

Our competitive edge:

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

Evaluation of Quality Management Systems

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

Quality improvement schemes

Quality improvement measures are also implemented in compliance with the upgraded ISO 9001:2008 International Quality management system. CDPLC successfully completed the LRQA surveillance audit on 27, 29 and 30th August 2012.

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

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

In terms of product development, the Company continues to expand the facilities of its 'Design Department', which work on detailed design drawings of shipbuilding projects using in-house resources of both manpower and computer facilities. Using outsourced modern software like "Ship Constructor" for the design of detailed drawings and industry standard, our engineers now have the ability to quickly develop detailed drawings, saving time and incorporating customer requirements while adhering to the changes and modifications. The designers use in-house communication facilities to communicate with production designers to ensure accuracy of drawings.

Thereby raw material usage is efficient and wastage is minimal. We are confident that these practices cascade to our vendors, who will also gain from the positive influence.

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 higher expenditure than market rates.

Environmental Concern

The Company with a holistic view initiated a new approach for environment concern since 2012.
The approach was creating a good environment for employees to stand themselves volunteer towards the corporate need for better environment conservation.

Health, Environment, Safety and Productivity Improvement (HESPI) Committee
The Company initiated to form a new structure to address various aspects of health, environment, safety and productivity related matters with the involvement of cross functional employees attached to various departments of production, marketing, yard development, HR, Business and Marketing etc. on volunteer basis.

Thereby, a new committee was established on 25th September 2012 under the name of Health, Environment, Safety and Productivity Improvement Committee (HESPI), as an apex body in the yard with necessary privileges to work independently under the purview of top management.

The purpose of the exercise was clearly defined as "to bring total environment management practices in to a structured system whilst strengthening personnel attached to the subject area under a proper leadership".

Although the committee was formed as a bottom to top approach, a proper structure was introduced by the management to strengthen the committee whilst ensuring smooth, continuous functioning. Since the environment management was at very significant state to consider by the Company, the first focus of the HESPI committee was given for Sustainable Environment Management. Therefore, to drive the above objective, six of subcommittees were formed under the HESPI Committee on various aspects as illustrated below.

To ensure the inter connectivity of the each subcommittee, committee members were nominated to represent at different committees. Some personnel were nominated to two or three committees as appropriate. Each subcommittee is requested to meet, discuss and plan for their future programs and the proposals were presented to the main HESPI committee, which is assembled once in two weeks

The HESPI committee reviews the progress of each subcommittee and gives the necessary guidance as appropriate.

A workshop-level Employee Awareness Campaign on Environment Conservation Conducted by CDPLC together with Geocycle

Whilst all sub-committees initiated their plans on such widely spread scopes, the Subcommittee of Awareness, Education & Changing Attitudes joining with Geocycle conducted series of macro level and micro level awareness campaigns throughout the Company and Kelani River Yard (own work premises placed outside) focusing on the employee groups of Engineers, Supervisors, Industrial grade employees, Subcontract owners and workers, Samagi and Cleaning employees, Trainees etc. The structured awareness sessions covered general understanding about the global environment issues, country and industry specific environmental issues, effective methods of the environment management and present environment management practices of the Company etc. Subsequently the total waste management process was further improved with more effective waste segregation and transportation methods.

Proper waste segregation and unwanted item identification process has been improved the waste disposal/ transportation process of the Yard after the implementation of HESPI initiatives.

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

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

a) Reduction and management of industrial wastes of all types.
b) Efficient and productive utilization of raw materials, energy and other natural resources.

c) Adopting environmentally friendly production approaches.
d) Designing and manufacturing ships that are more energy efficient, environmentally friendly and non-polluting.

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

Some Salient Achievements

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

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

Total Waste Management

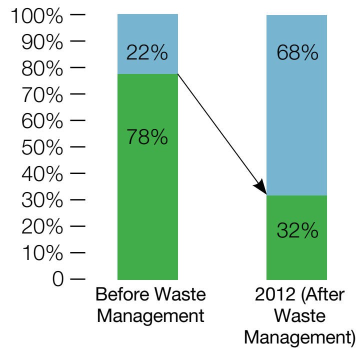
The Company undertook an initiative with Geocycle Ltd, a Strategic Business Unit (SBU) of Holcim Lanka for total waste management since 2007. Geocycle, based on a three-year agreement signed by both parties, executes the waste management process. Annually, approximately 14,000 tons of different types of waste generated/collected in the yard is segregated, co-processed and disposed in a prudent and completely environment friendly manner.

CDPLC Total Waste Management Approach - 2012

Type of Wastes	Quantity - Tons	Waste Management	%
Used Grit	5,488	Reused	37%
Scrap Sales	3,680	Recycled	25%
Garbage	3,288	Reduce & Land filled	22%
Mud	904	Reduce & Land filled	6%
Waste Oil	657	Reused	4%
Mud with Grit	516	Reduce & Land filled	3%
Sludge	217	Reused	1%
Food Wastes	88	Reused	1%
Coconut Shells	38	Recycled	0%
Debris	35	Reduce & Land filled	0%
Polythene	31	Recycled	0%
Cardboard	20	Recycled	0%
Wood Pallets	9	Reused	0%
Papers	6	Recycled	0%
Saw Dust	6	Reused	0%
Cotton Waste	5	Reused	0%
Grit Bags	2	Reused	0%
Total	14,988		100%

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: temperature (around 1,900 °C), 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 shipyard in the region to adopt such a comprehensive TWM approach.



Progress of Total Waste Management - 2012

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 become a major challenge for a ship yard, both in terms of cost and complexities.

Colombo Dockyard was generating a total waste quantity of approximately 19,000 metric tons per annum over the last few years. However, with the implementation of this pragmatic total waste management process, the total waste quantity has decreased by 21 % in 2012.

An Inclusive Approach for Cleaner, Tidier and Safer Yard

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

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

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

Reuse: The process redefined

Colombo Dockyard PLC makes concerted efforts to re-use whatever by-products and left-over materials 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 sludge 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 further enhanced the percentage of reuse of steel shots.

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

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.

Since 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 minimize environmental impact on surface cleaning. Hydro-blasting is primarily used for surface preparation in confined areas as well as locations where other machinery repairs take place. The technology is an environmentally friendly solution 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. CDPLC being environmentally conscious and responsible adopted this initiative and replaced such material with a 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.

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 Organization (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 separates dust and is carried off via an automatic dust-sealing valve. The dust emission is maintained below 5 mg/Nm^3. The silencer attached to the discharge duct reduces the noise level by almost 20% to around 60dB (A).

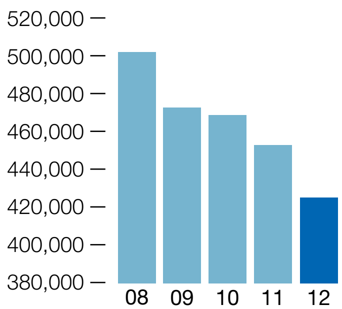
The dissemination of paint spray and fumes is controlled through a complex multiple filtering system.

The system uses "steel grit" as a 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 a 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.

Water Savings During the Period



Water Consumption / Saving Since 2008 (Value: Tons)

Recycle
The third approach adopted by the Company towards transforming the Company to a Green Yard is Recycling. In this approach, traditional industrial waste is channelled 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 Tons 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 utilized 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, organizationally loyal, internally disciplined, technically competent, functionally knowledgeable & equipped with shared goals take lead role in the organizational 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 in built 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 standardized set of documented procedures (ISO certified) provides a firm foundation and guidance, the Company always takes a holistic perspective in HR decision making, and at no point have we constrained or delineated ourselves within mechanistic predefined structures or frameworks when it comes to managing HR issues.

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 achieving the desired results.

At the heart of our HR strategy, lays the central focus of building and ensuring organizational commitment among employees. The Company maintains a development-oriented performance evaluating system and recognizes employees who perform exceedingly well and who are committed to the organization. Deserving employees are honoured with annual awards based on different performance/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 that 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 with all rules, regulations and obligations laid down by the International Labour Organisation and related regulations instituted by the Ministry of Labour.

Workforce Strength

CDPLC has a total workforce of 1,775 as at 31st December 2012 excluding subcontract employees.

Workforce Strength and Employment by Sex, 2012

Currently, women are employed predominantly in management, clerical & allied grades considering the nature and scope of jobs that they have to undertake. Though the management is endeavouring to engage female employees in the production activities, the dangerous, difficult and dirty connotation associated with Shiprepair/ 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 categories are minimal.

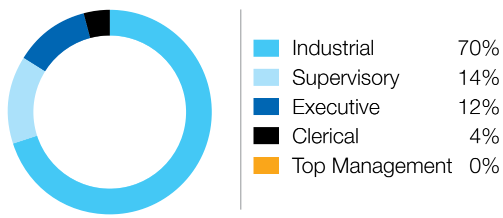
Job Category	No of Employees	Male		Female	
Top Management	9	9	100%	-	-
Executive	211	200	95%	11	5%
Supervisory	245	243	99%	2	1%
Clerical	66	41	62%	25	38%
Industrial	1,244	1,244	100%	-	-
Total	1,775	1,737	98%	38	2 %

Employment by Age Group 2012

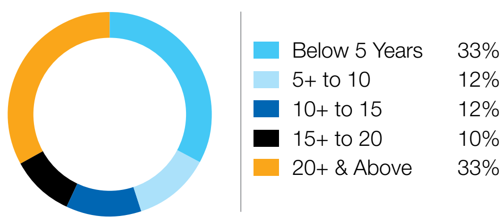
Job Category	No of Employees	Age Group (Years)					
		18 to 30		30 to 40		40 & Above	
Top Management	9	0	0%	1	0%	8	1%
Executive/Engineers	211	33	8%	55	12%	123	14%
Supervisory / Foremen	245	33	8%	26	6%	186	20%
Clerical & Allied	66	9	2%	20	4%	37	4%
Industrial	1,244	325	81%	362	78%	557	61%
Total	1,775	400	100%	464	100%	911	100%

The above analysis demonstrates that there is no discrimination based on age of the employees, though a significant skew-ness is observed towards senior employees, which is normal in organizations 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 organization's technological prowess. Thus, as a policy, HR is focused on attracting technical talent that 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 organizational values and transforming attitudinal modifications, compatible with the CDPLC culture and corporate vision. In addition, preference is also given to employees' children who are armed with required knowledge and fortified with positive attitudes under the recruitment policy. This is strong antecedent of building and sustaining organizational commitment of our employees, taking the Company beyond the team concept towards a family concern.

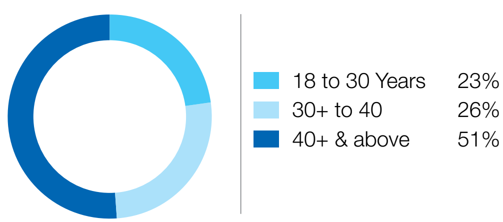
Segmental Analysis of the Workforce 2012



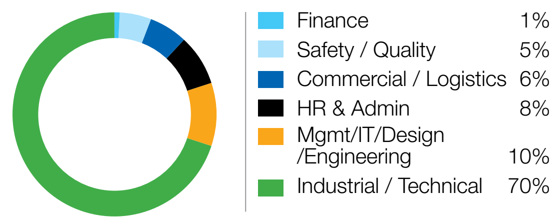
Job Category Analysis



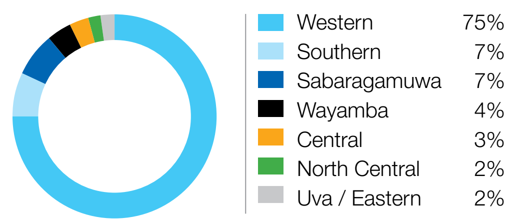
Service / Experience Analysis



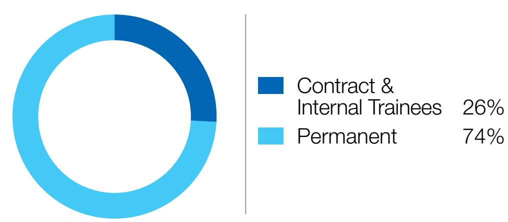
Employees' Age Analysis



Professionalism Analysis



Recruitment Analysis - Provincial wise



Employment by Contract Type

The Company's employee turnover ratio in 2012, 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 significantly low, which records 2.39%.

Rewards, Remuneration and Benefits

Employee Recognition

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

- Bonuses 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

Employee Turnover 2012

Employment	No of Employees	Turnover Ratio	Age Group (Years)		
			18 to 30	30 to 40	40 & above
Permanent	1,314	0.46	1	1	4
Contract	461	2.39	5	2	4
Total	1,775		6	3	8

- 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 recognizes 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 annual Best Employee Award Ceremony of the Company was held on the 28th of July 2012 at the Sri Lanka Foundation Institute for the ninth consecutive year and 23 employees were awarded with certificates and trophies. Furthermore, four individuals received special awards for their excellent community leadership, Employee Welfare, Employee Safety and Community Development. Another award was presented to sub-contract employees for their excellent performance at production. Best Auditor & Auditee were also rewarded and 06 Special Merit Awards were also presented to the best divisions. The Company invested Rs. 518,771 for the event in 2012.

We also recognized the dedicated services of all those team members who have served the company over a long period. During last 15 years, 1,310 employees have been served us for over 15 and 25 years, were awarded with Gold Sovereigns.

Number of employees awarded with Gold Sovereigns during last 15 years:

Year	Employees Awarded	Year	Employees Awarded
1998	76	2006	127
1999	431	2007	69
2000	22	2008	43
2001	32	2009	118
2002	71	2010	13
2003	114	2011	22
2004	78	2012	14
2005	80		
Total : 1,310			

Facilities and Welfare

In order to optimize productivity and efficiency and to institute our policy of a good work/life balance among our team, we have provided quarters and dormitory facilities for single or married employees in certain categories. The Team and trainees are provided breakfast, tea and snacks free of charge, while lunch and dinner is provided at a subsidized 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, family days and annual trips, and community oriented meritorious works are also organized by the Welfare Association.

CDPLC provides scholarships for undergraduate children of its employees every year. The value of a Scholarship is Rs. 4,000 per month, per student, and granted for twelve months a year during the entire period of his/her university career. During 2012, the Company provided such scholarships for undergraduates with total value of Rs. 130, 800 including new scholarships granted for 12 students during the year.

The Welfare Association joined with the management of CDPLC in contributing Rs. 72,000 towards the effort of granting scholarships to 24 students of employees, who passed the Grade five (5) Scholarship examinations. The scholarship award ceremony "Diriya Pranama" was conducted at the in-house Training Center on 3rd November 2012.

Employee Sport Activities

Colombo Dockyard together with the welfare Association CDLWA provides maximum facilities for the development of sport activities of its employees. Proving the effort, CDPLC won the third place at the entire game series of Mercantile Athletic Games organized by the Mercantile Athletic Federation of Sri Lanka in 2012, at Sugathadasa Stadium. At the above competition, Sports men of CDPLC obtained 35 medals, wining 9 gold medals, 18 silver medals and 8 bronze medals.

CDPLC taking the Lead at the event of 5000 Meters - Men

The Cricket Team of CDPLC won the Championship of “E” division at the “Bajaj Challenge Trophy” of Mercantile Cricket Tournament which was organized by the Mercantile Cricket Association of Sri Lanka on 10th March 2012.

CDPLC won the Championship at Mercantile Cricket Tournament 2012, of “E” Division

The Football Team of CDPLC won the Championship of “D” division at the Mercantile Football Tournament which was organized by the Mercantile Football Association of Sri Lanka. The Team also won Runners-up of “B” division at the Knock-out tournament which was organized by the Mercantile Football Association of Sri Lanka.

In addition to the above achievements, employees of CDPLC participated at a number of sport competitions during 2012, under different sport categories.

Medical Facilities

Believing in a strong work/life balance, we have always strived 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 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 the day, but are 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.

Employee Family Get-Together

The Company’s annual family get together which collates around 7,000 people comprising employees and their families was held at Sathutu Uyana of Viharamahadevi Park, Colombo on 29th December 2012 with an investment of Rs. 8 Mn expended towards this gigantic effort.

“Suhanda Hamuwa” the Annual Get-together 2012

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 recognized 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.

Employee Value Development

Good values and attitudes of the workforce have been identified as a very significant area to consider towards better corporate sustainability, productivity as well as social responsibility. Therefore, the Company initiated a series of interactive discussions during 2012 and plan to continue the effort continually in future too. Each discussion is carefully planned targeting selected groups of employee directly and all employees are educated on the discussion though the in-house TV channel and Radio Channel. Well reputed resource personnel are carefully selected based on the subject area, to conduct the discussion effectively.

Rev. Mawarale Baddhiya Thero Conducting the Discussion on Understanding Employment rights and Duties

During 2012, the Company conducted such three discussions as highlighted here.

Topic	Conducted By	Date
Buddhist directions for organizing a better family life.	Rev: Polpitimukalane Pagnasiri Thero	26th April 2012
Psychological & Buddhist Directions for Resolving Issues in Family Life	Mr. Suranga Amarakoon (Counselor)	22nd June 2012
Understanding Employment Rights and Duties	Rev. Mawarale Baddhiya Thero	13th September 2012

Training and Development

Training and development plays an integral part in skill and knowledge development in our endeavour to create a learning culture within our organization. We actively support and encourage this knowledge gaining culture, matching individual aspirations with the Company vision and mission, aligning training and development initiatives to gain optimum results. We also encourage those who pursue professional and higher education initiatives, complementing 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.

New Management Focus: "Versatility in Dynamic Management"

The management has understood that, CDPLC needs to be transformed towards a fully versatile organization, in order to effectively challenge the external market dynamics. With this strategic focus, the Company started creating awareness among all its employees about its performance status quo, future strategic direction, and emerging challenges. The central focus of these sessions was to instill the importance of the concept of Versatility in employees' minds and gain their voluntary concurrence towards gradual behavior modifications required for achieving a status of individual versatility. Two such awareness sessions were organized for those in higher managerial positions and for newly recruited engineers and executives, with the aim of generating constructive deliberations, sharing opinions and resolving / addressing issues connected with the company's future survival and growth, using versatile means of resolution.

Higher Management of the Company in an open discussion towards a versatile organisation at Pegasus Reef Hotel

The first of the programs, was conducted at the Pegasus Reef Hotel, Uswetakeiyawa, on 24th March 2012 for the higher and middle level managers. The main presentation was made by the MD/CEO, while Chairman presented his visionary ideas about the company's future direction, blended with the Japanese management perspective. In addition, all General Managers made presentations regarding their respective focal areas and the it was concluded with an open forum for dialogue.

MD/CEO conducting a lecture on versatility in dynamic management for young managers of CDPLC at GOH

The Second session, on a similar theme was held at the Grand Oriental Hotel – Colombo, on 31st December 2012 targeting the new executives/ engineers. Augmenting the main presentation by the MD/CEO, was a special inspirational segment conducted by selected high performing managers or leaders of the Company, who presented their cases as "Role Models" taking cues from their successful career progression and growth along with the company.

Training Provided for All Employees During 2012

Course category	Number of participants				
	Executive	Supervisory	Clerical	Industrial	Total
Computer Training	6	5	2		13
Electrical Engineering	1	6		32	39
Electronics and Automation	6	9		16	31
English	3				3
Financial Management	2				2
General Management	50	23	2	1	76
Human Resource Development and Administration	6	2	1		9
Industrial Safety and Health	7	18	1	63	89
Law	2				2
Marine Engineering	14	3		23	40
Mechanical Engineering	1	14		169	184
Productivity and Quality	13	7		36	56
Supply and Material Management	4	11	9		24
Yard Operations		6		31	37
Grand total	115	104	15	371	605

In-House Training Center (Knowledge 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 personnel at the Knowledge Center.

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 Quality Management system required by TVEC facilitated the Training Center to be upgraded to Grade A+.

National Vocational Qualification NVQ For Employees

CDPLC's in-house Training Center was upgraded to A+ status in 2011 by TVEC as they commenced conducting NVQ programs for its employees.

Dr. Tissa Jinasena (Chairman of NAITA) and Mr. Mangala P. B. Yapa (MD/CEO of CDPLC) with officials of TVEC, NAITA and CDPLC signing the MOU

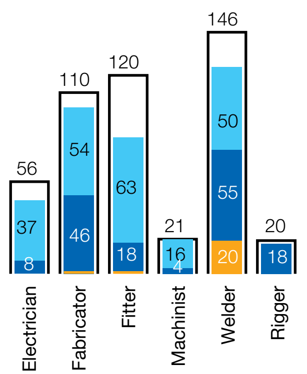
A Partnership Agreement was signed between NAITA and CDPLC for RPL - NVQ process for occupations such as Welder, Fabricator, Fitter and Machinist.

Gaps filling prior to NVQ final assessments were conducted in-house.

A request was made to TVEC by CDPLC regarding the development of new National Competency Standards (NCS) for some occupations which are not only specific for Shipbuilding but also related to many other fields such as Construction and Heavy Engineering fields that contribute to the infrastructure development projects in Sri Lanka as well as upgrading existing skilled workforce within the country.

Therefore, development of NCS of Rigger was developed by CDPLC and a group of expertise in collaboration with NAITA and TVEC; and the program was funded by CDPLC. The first group of CDPLC Riggers was assessed enabling them to obtain NVQ. The Marine Electricians were able to obtain NVQ since the NCS of Electrician was modified to cater to them, CDPLC will sponsor NCS development for occupation of Scaffolder and Painter Blaster in 2013.

Existing NCS for Electrician was modified to Marine Electrician with participation of NAITA and TVEC enabling the Marine Electrician to qualify for NVQ.



NVQ Qualified Employees Against Number of Applicants

- Qualified NVQ Level 04
- Qualified NVQ Level 03
- Qualified NVQ Level 02
- APPLIED for NVQ

Further, CDPLC initiated in developing of NCS for Shipyard Supervisor in 2012, with the support of TVEC and NAITA.

83 % of permanent employees of CDPLC have applied for NVQ so far and 81% of them have obtained NVQ by the end of 2012.

National Acceptance for Competency In Welding

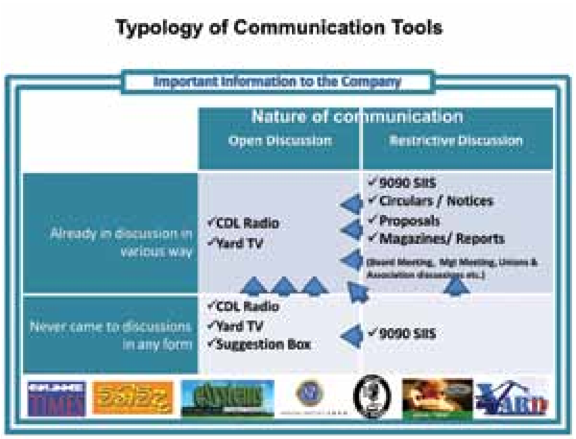
Employees of Colombo Dockyard and its registered subcontract companies won first place to eighth place for welding at the National Competition on Skills, Innovations and Educational Exhibition 2012 held at BMICH. The first and second places won by CDPLC permanent employees whilst the third place won by an employee attached to a Subcontractor who is registered at CDPLC manpower supply registry.

Mr. H . K . H. Nilanka, the Winner receiving his Certificate and reward from Ministers Bandula Gunewardhana and Douglas Alahapperuma

Transparency and Open Dialogue

We strongly believe in a culture of open dialogue and have continued to institute effective communication strategies that will propagate this culture. From cross functional teams, to open forums, to numerous communication channels, we have effectively managed a two way conduit that empowers our team to comment, give ideas and discuss Company issues that will have an impact on the macro picture of the organization.

Magazines, Reports, Proposals, Circulars & Notices, 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

Yard TV is a creative solution introduced to enhance two way communication and transparency within the company whist improving general awareness and knowledge dissemination. The 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 relations, 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 distributed the relevant videos.

- Facilitates the retrieval of previous telecasts from the media library.

- Captures important events from National and International TV channels, telecasted them for general awareness, knowledge and entertainment.

"Ape Handa" – In-House Radio Channel

The in-House Radio channel utilizes the Public Address System to communicate at macro level. The radio deals with current issues relevant to the Company including live interviews with different stakeholders (management, trade unions, Project Managers, and all employees as relevant), whilst highlighting Safety Messages, Management Communiqués 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 425 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 425 of employees including managerial personnel. Further, 531 employees have privileges to access to internet through any PC. Trade Unions as well as the Welfare Association are also provided e-mail facilities.

Tele & Radio Communications

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

9090 - Sensible Information Investigation Service SIIS

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

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
- Management 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
- Group Discussions

Health, Safety and Environmental Performances

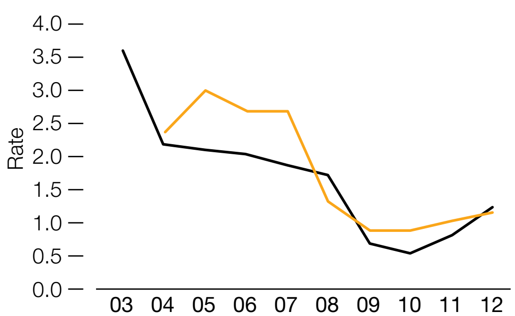
In the present day world organizations of all kinds are increasingly concerned with achieving and demonstrating a sound and an effective Occupational Health and Safety (OH&S) standard by controlling their OH&S risks in consistence with their OH&S policies and objectives. They do so in the context of increasingly stringent legislation, the development of economic policies and other measures that foster good OH&S practices and increased concern expressed by interested parties about OH&S issues. The Safety Policy of the CDPLC highlights the needs of creating a Safe work environment, maintaining a high standard in Occupational Health and also of protecting the Environment. In this context we have instituted numerous initiatives throughout this year to ensure that our employees work in a Healthy and Safe work environment.

We are aware and concerned about the Hazards and Risks our employees face in their day to day activities, and the effects on the Health of employees due to their occupation. In order to identify and control these effects a latest methodology called HIRA (Hazard Identification and Risk Assessment) was introduced to the existing Safety management system last year (2011). In this perspective a Hazard Identification and Risk Assessment process (HIRA) would be carried out of all operational functions by the relevant departments to identify the possible Risks and Hazards and introduce effective controls. The safety Dept will do a facilitative role with recommendations for safety assurance, periodic monitoring and providing management feedback. This methodology of HIRA which was introduced last year is an essential tool in OHSAS 18001:2007 Safety Management System which is an internationally recognized OH&S management system. The Company hopes to achieve this standard in the near future. In this framework a large volume of documentary work is involved. During this year(2012) the documentary work on the Legal Requirements Identification with respect to OHSAS 18001:2007 and the updating of the existing Safety Manual (ISO 9001:QMS -6.4-SAF-MN-01) to OHSAS 18001:2007 requirements were completed. Updating of support procedures is in progress.

Safety Performance

Initiating from this year (2012) at the end of each four months a detailed statistical analysis of accidents and investigations of major accidents which happened in the yard is prepared and presented to the management.

Year 2012 showed a slight increase in the Safety performance indices (Accident Severity Rate & Accident Frequency Rates) when compared to year 2011. However these two indicators are within the linear limits of ASR and AFR.



Employee Safety Indices of CDPLC

- Accident Frequency Rate (Number of accidents per 100,000 production man-hours)
- Accident Severity Rate (Man-hours lost per 1000 production man-hours)

Safety Training and Awareness

Safety training to employees is considered as a top priority by the CDPLC management. In this context the Organization has identified the training needs associated with its OH&S risks and its management system. This year, a number of Safety training and awareness programs were conducted by the Safety Dept for the benefit of employees. A few training and awareness programs were conducted by outside resource personnel as well. Some of the programs are mentioned below.

An awareness program on Eye injuries was conducted by a renowned Eye surgeon early in the year 2012. It was very beneficial for our employees as a number of eye injuries occur to our employees in the yard annually. An awareness program was conducted on 06th July 2012 by the Ceylon Oxygen Co personnel on the safe handling and the usage of Oxygen cylinders. Accident prevention Awareness for all employees of Hull construction was carried out in the Training Center from 16th July 2012 to 27th July 2012.

Fire officer and safety officer participated as observers for a Chemical emergency drill conducted by National Authority for implementation of the chemical weapons convention, Ministry of Industries of Commerce in Sri Lanka.

Safety Patrol/ Safety Inspections and Audits

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

Furthermore carrying out Risk Assessments for new projects such as the new Gas Centre (at Dock no 4.), new work shop (at Dock no 3), Machinery etc and issuing/ displaying of Safe work instructions accordingly were done during this year (2012).

Auditing is a key feedback mechanism within OS&H and it is instrumental in recognizing the existing achievements and outstanding challenges to further improve Health and Safety Management. To be certain that the process Safety management is effective, employers must certify that they have evaluated compliance with the provisions of SMS at regular intervals. This will verify that the procedures and practices developed under the standard are adequate and are being followed. The compliance audit was conducted by our professional advisers in the Safety, Health and Wellbeing team of the Internal Audit during the period of the end of this year (2012) and a report of the findings of the Audit have been developed and deficiencies were documented to have them corrected. An action plan of the most recent compliance Audit report was submitted and is being implemented according to the time frame.

The Safety Audits conducted by Top management, the Safety department are also published in the Audit calendar and the process of Safety Patrol continued in 2012.

Hands-On Safety Measures Adopted

Occupational Noise Survey in New Construction Vessels/Sites in the Yard

Noise is one of the most common workplace hazards. Workers in many industries and occupations in Sri Lanka are exposed to Noise levels that are so high that their hearing can be affected. If the sound is loud enough and workers are exposed to it for long enough, their hearing will be impaired. Fortunately, work-related hearing loss is preventable.

CDPLC is responsible for minimizing the Noise hazard at their workplaces as it is a requirement of the province's Occupational Health and Safety (OHS) legislation.

Therefore at places where workers are exposed to "excessive noise levels" (Noise exceeding the Occupational Exposure Limits -OELs), a Noise Management Programme have been developed and implemented. The following elements are already used to activate this programme by controlling noise exposure. Exposure to noise is reduced through. Engineering controls, Administrative controls, By providing workers with appropriate personal hearing protection devices (These include selection, use and maintenance of the equipment), educating workers, measuring and monitoring sound levels, posting of suitable safety signs, conducting periodic audiometric tests and evaluating the programme.

Tool Box Meetings

The Safety Toolbox Meetings programme has proved an effective tool for improving safety awareness on the ground. These short, regular discussions (20 minutes per week) are organized by line management with supervisors and workers on specific safety issues conducted in the mornings before commencement of work. They contribute to an efficient way of raising awareness, reducing accident risks and complying with regulations before the commencement of work and also for effective consultation, communication and coordination of work to be carried out.

Special Barriers of Ship Openings

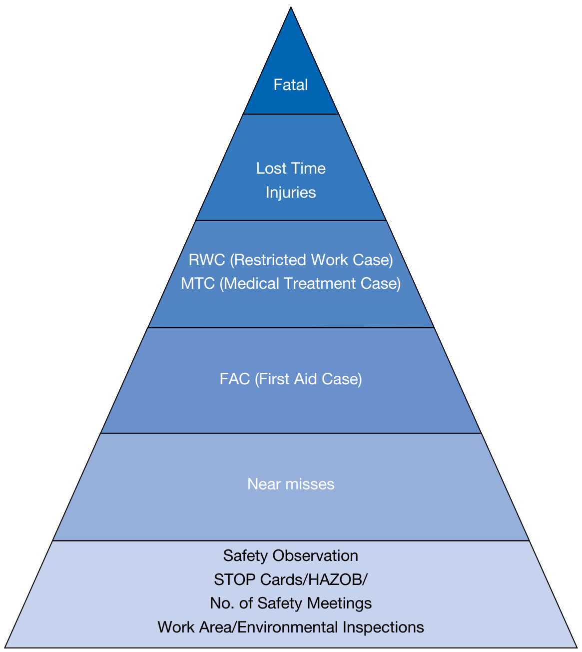
Shipbuilding or repair activity invariably results in the ship's structure being incomplete, thus there are likely to be a large number of openings through which a person might fall. This includes shipside rails or rails in the engine room, missing blocks, access holes cut to facilitate work, removal of gratings and ladders, lightening holes in the structure.

Display of Safety Signs Boards

The four conditions which are depicted on the Safety Signs are Mandatory, Hazardous Prohibition and Safe are displayed in the access of the NC vessels and sites to recognize the hazard and risk of the operation and precautions that have to be taken daily as an administrative control.

Lagging and Leading Indicators/HES Information

It is found that a majority of companies use indicators, mainly to gauge the end results of the Safety processes. In the year 2012 two types of indicators Lagging and Leading were introduced to the new construction sector of the yard for this purpose. These were presented as HSE information at the weekly NC project progress review meeting.



Lagging indicators/metrics are the result of an incident (the past), Indicate whether the objectives have been achieved Eg. The number of LTIs, No of Incidents / Accidents/ Lost Time Accidents, Restricted work case (RWC), Medical treatment case (MTC) and First aid case (FAC) of the week. Leading indicators/ metrics, are aimed at the future (early warning) - Eg. Stop Cards, Hazard observations (HAZOB), Near misses Influence the lagging indicators, the number of completed actions - Eg. Safety Meetings, Workplace Environmental Inspections etc.

Safety Functions at the Kelani River Yard

A number of Safety Audits were carried out at the Kelani River Yard-(KRY) during the year (2012).In addition to that, an occupational and an Environmental Noise survey was carried out in the entire KRY site. An Interior Illumination assessment survey was also carried out at the newly constructed Steel cutting and pipe pre fabrication work shop in which natural prismatic lighting system is installed as an Energy saving technique. Also several tool box meetings were held at the premises including the new work shop. Safe operations (work) instructions for the operation of the newly installed Plasma Cutting Machine have also been issued and displayed at site.

Housekeeping and the general arrangements in this yard have been significantly improved during this year.

Safety Gear/Protective Attire

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

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.

Description	Unit	2012
Ear plug with cord	Sets	1636
Gloves (riggers)	Pairs	4444
Gloves (cotton)	Pairs	5384
Gloves (wrist length)	Pairs	4868
Gloves (Elbow length)	Pairs	13560
Gloves (Rubber)	Pairs	2964
Goggles (chipping)	Numbers	1442
Goggles (welding)	Numbers	680
Gum boots	Pairs	160
Helmet - spares	Numbers	5016
Jacket	Numbers	328
Leg guards	Pairs	704
Masks	Numbers	329740
Overalls	Numbers	4500
Rain coats	Numbers	600
Respirators	Numbers	576
Safety belts	Numbers	200
Safety helmets	Numbers	500
Safety shoes	Pairs	1800
Safety Torch	Numbers	700
Full body Harness	Numbers	15

Sustaining Our Community

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

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

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

Knowledge DEVELOPMENT: The Knowledge Centre of CDPLC

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 etc. Most of the programs are conducted free of charge or for a nominal fee, for the provision of food and protective equipment. However, the Company spent around Rs. 56 Mn in 2012 as expenses for meals, uniforms, shoes, tools etc.

Total Number of Trainees against their Institutions

Institution	Number of Trainees	
N.A.I.T.A. - National Apprentice and Industrial Training Authority	195	45%
CINEC - Colombo International Nautical & Engineering College	46	11%
A.T.I. - Apprenticeship Training Institute	54	13%
NIFNE - National Institute of Fisheries And Nautical Engineering	32	7%
CGTTI - Ceylon German Technical Training Institute	5	1%
Universities (internships)	13	3%
NDT - University of Moratuwa	10	2%
V.T.I. - Vocation Training Institute	38	9%
Other Trainees (from Miscellaneous Institutions)	36	8%
Grand Total	429	100%

Furthermore, 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 for IESL, local Universities, Institute of Marine Engineering, Science and Technologists (IMarEST) and conduct 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), Charted Institute of Marketing, Charted Institute of Sri Lanka and the Post Graduate Institute of Management (PIM), Road Development Authority etc.

Social Philanthropy
The collective approach of the Company in actualizing various CSR project have been very successful during 2012 too. Through a good communication and education process, the Company gets hand of its employees, customers, suppliers and other voluntary social movements like NGOs to complete CSR projects whilst sharing the value of the social inclusiveness among each other. By doing so, the present leadership of Colombo Dockyard has given a new meaning for corporate sustainability which is achievable while strengthening business relationships.

Colombo Dockyard also approaches CSR with the perspective that it serves a two-fold purpose. That CSR could be an important HR lever and provide a forum for employee development while at the same time that it is an opportunity to make a real difference in society.

Laparoscopy Surgical Training Unit for the National Hospital of Sri Lanka NHSL
The NHSL, while rendering enormous service to the health sector of Sri Lanka, also provides training facilities for undergraduates and postgraduate surgical trainees of Department of Surgery, University of Colombo too. The NHSL provides such exclusive training facility for averagely 50 of post graduate students at a time. At present, all trainees have to undergo a mandatory period of 1 year training in General Surgery and this includes training in laparoscopic surgical techniques too. However, there were not enough such laboratory training facilities in Sri Lanka except the facilities available in the College of Surgeons Sri Lanka and Teaching Hospital of Ragama. Therefore, many of students of Department of Surgery, University of Colombo had to go abroad for acquiring proper skills in laparoscopic surgery per annum.

Colombo Dockyard (CDPLC) understood the need and the scarcity of a proper Laparoscopic Surgical Training Unit for new trainee surgeons. Therefore, CDPLC with the joined hand with its subsidiary of Dockyard General Engineering Services DGES and its good suppliers' base; successfully completed a proper Laparoscopic Surgical Training Unit for the National Hospital NHSL, in January 2012.

The Official opening of the Training Unit by Mr. Mangala P.B. Yapa (MD/CEO - CDPLC, Dr. Anil Jasinghe (Director – NHSL) and two other Consultants

The official handing over ceremony of the laboratory was held at new conference room of the same laboratory at 08:30 Hrs on 27th July 2012, with the participation of Mr. Mangala P.B. Yapa – MD/CEO of Colombo Dockyard, Dr. Anil Jasinghe – Director of NHSL, senior consultants of NHSL and other officials from Colombo Dockyard PLC and DGES.

Renovation of Gold Fence of Sri Bodhiraja Viharaya
Colombo Dockyard PLC sponsored for the Renovation of Gold Fence of the Bodhiya of Sri Bodhiraja Viharaya, Colombo 11 as a positive response to the request received from the chief incumbent Karmacharya of Asgiri Maha Vihara, Dharmakeerthi Sri Seelarathana,

and Panditha Rev. Nikula Pagnasara Thero. The total donation for the meritorious project was Rs. 54,600/-.

The renovated Gold Fence of Sri Bodhiraja Viharaya

Praja Sathkaraka Bathigee Saraniya – 2012

“Sahurdhayamaya Ekamuthuwa”, a recognized volunteer team in the Colombo Dockyard PLC for aesthetic performances conducted a community focused meritorious campaign on “Praja Sathkaraka Bathigee Saraniya – 2012” at “Sanhinda” Elders Care Center, Rajamaha Vihara Mawatha, Kotte on 5th June 2012.

The programme commenced at 3.30 pm with a Dhamma ceremony conducted by Rev. Madihe Sugathasiri Thero for one hour, focusing the elders who lived in the Elders Care Center. Then, the “Sahurdhayamaya Ekamuthuwa” started performing a series of Buddhist Songs “Bathi Gee” which they have been training for over three months for the happiness of the elders who are indeed in an isolated situation in the society. Meanwhile snacks, refreshments and dinner were provided for the elders. The conclusion of the campaign was done with a familiarization session focusing on individual elders; whilst making them realize that they are our own Mothers and Fathers holistically. The invaluable contribution made by the elders knowingly or unknowingly towards the betterment of the society was re-emphasized and appreciated through providing them small packs of gifts to suites for their day to day needs.

Praja Sathkaraka Bathigee Saraniya – 2012

Creating Shared Value And Vision In The Colombo 15 Community

As per a project proposal received from So Others May See Inc. or SOMS under the ‘Vision for Change’ programme, Colombo Dockyard saw an opportunity to serve the neighboring community, especially for those who are earning less income and unable to pay for eye glasses. SOMS is a U.S. non profit NGO with permission to operate in Sri Lanka from the Ministry of Health and the NGO Secretariat.

CDPLC converted its typical CSR project implementation procedure and started sharing value of serving to innocent, needy people, those who cannot see the world properly whilst allowing them to be transformed themselves as value adding citizens with the aid of eye glasses.

The value creation among all employees and subcontractors was quite successful. Fund collection exceeded the target of Rs. 245, 000 for 350 eyeglasses to Rs. 573, 250 for almost 820 eyeglasses. Therefore, CDPLC was able to conduct two eye camps on Vesak Day of 2012 and 1st December 2012, for the needy people at Colombo 15 area, joining with SOMS and Modara MOH office. Both eye camps were quite successful from screening process to final feedback collection from the patients after giving them good quality Eye Glasses at free of charge. A systematic follow up process is also being implemented with the aim of providing a long-lasting care for the vision.

The EYE Glass Donation Campaign – 2012

School Equipments For Selected Students of Kebithigollewa

A group of employees representing Engineer, Supervisor, Clerical and industrial categories of the Company donated school bags, caps, umbrellas, and stationery worth Rs. 450,000 for selected 285 students of low income families who are studying at 13 schools in the Kebithigollewa area. The donation camp was held on 7th January 2012 at Halmillawetiya Rajamaha Viharaya, Kebithigollewa.

School Equipment Donation Campaign at Kebithigollewa – 2012

Annual Blood Donation Campaign

The Welfare Association of the Company CDLWA, as one of its annual philanthropic projects, conducted an annual blood donation campaign at the Company's Training Center on 21st January 2012. The campaign was organized to collect blood from the employees and donate them to the National Blood Bank. The campaign was quite successful, 209 employees donated blood.

CDPLC Blood Donation Campaign – 2012

Empowerment of Children With Special Educational Needs

Nature provides equal opportunities for people, but people are not equally capable of utilizing the resources they need. Some children are naturally born with special needs due to disabilities that affect their ability to learn. Such disabilities can be behavioural/ social, reading and writing, understanding things, concentrating etc.

The Welfare Association of the Company CDLWA initiated a value-adding philanthropic project with the objective of empowering such children on 1st of January 2012. The children of "Pethum Uyana School" of Sri Kalyana Viharaya, Kaluwamodara, Aluthgama were provided school equipments, fruits, sweets etc. The children and the staff had organized and performed their abilities on the stage whilst the CSR team of CDPLC were exceedingly supportive of their efforts.

Children with Special Needs Performing Their Talents

Other Donations and Sponsorships

During the year, Colombo Dockyard continued further to contribute generously to the society, with a total expenditure of Rs. 85,000 as donations and sponsorships for various society movements/ associations. In detail, Rs. 20,000 donated for RCGC Golfers for Charity Tournament for the purpose of development of Neonatal Intensive Care Unit of the Castle Street Hospital for Women. Rs. 10,000 donated for the World Friendship Foundation for the purpose of collection of funds as financial aids for studies of Buddhist Student Monks who are from Bangladesh, residing in Sri Lanka with resident visa. Rs. 25,000 donated for the Retired Naval Officers' Club, the association of retired naval officers after an arduous but distinguished service of many years, for the purpose of organizing a fellowship evening. Rs. 25,000 donated for the Cricket Tournament of CDL Subcontractors Sport Club for their annual cricket tournament. Rs. 5,000 donated for Seva Vanitha Unit of Government Analyst's Department for the purpose of distributing books for school children.

Our Compliance to Global Reporting Initiatives (GRI) G3

The Global Reporting Initiatives (GRI) G3 is a widely accepted framework/ guideline for reporting sustainability and corporate social responsibility initiative of organizations. Therefore, Colombo Dockyard used the GRI G3 guidelines to develop its Sustainability and Corporate Social Responsibility Report of 2012 that will be published as a separate section of its Annual Report 2012. Although few of sub-criteria given in the GRI G3 guidelines are not applicable to the Colombo Dockyard, taken as a whole we believe that the guidelines were very useful to develop a good Sustainability and Corporate Social Responsibility Report for 2012. The GRI index refers to the information provided under the Sustainability report and other sections of our Annual Report 2012.

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

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

Future Direction on Sustainability

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

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

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Global Reporting Initiatives (GRI) Index

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
Profile			
1.	**Strategy and Analysis**		
1.1	Vision statement	Vision	3
1.1	Chairman, MD/CEO statement,	Chairman's Review and CEO's Review	12 - 23
1.2	Description of key impacts, risks and opportunities	Risk Management	57 - 60
2.	**Organizational Profile**		
2.1	Name of the reporting organization	Colombo Dockyard PLC	NA
2.2	Primary brands, products and services	Ship repair, Shipbuilding, Heavy Engineering and Offshore Engineering	NA
2.3	Operational structure of the organization	The Governing Structure	68
2.4	Location of organizational head quarters	Port of Colombo	NA
2.5	Number of countries	One	NA
2.6	Nature of ownership and legal form	A Holding Company, Public Limited Company	NA
2.7	Markets served	Chairman's Review and CEO's Review	12 - 23
2.8	Scale of the organization	Large Scale	NA
2.9	Significant changes during reporting period	Corporate Milestones	61 - 62
2.1	Awards received in the reporting period	Financial Reporting	72
3.	**Report Parameters**		
	Report Profile		
3.1	Reporting period	2012/01/01 – 2012/12/31	68
3.2	Date of most recent previous report	2011/12/31	NA
3.3	Reporting cycle	Once a year	NA
3.4	Contact point for questions regarding the report or its contents	Contact Details for Sustainability Report	99
	Report Scope and Boundary		
3.5	Process for defining report content	Content of the Report	2
3.6	Boundary of the report	No	NA
3.7	Limitations on the scope	No	NA
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and /or between organizations	Accounting Policies	126 - 136

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
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	NA
3.1	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	None	NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Significant Accounting Policies	126 - 136
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report	Global Reporting Initiatives (GRI) Index	100 -108
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report	None at present	NA
4.	**Governance, Commitments, and Engagement**		
	Governance		
4.1	Governance structure of the organisation	The Governing Structure	68
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Yes	NA
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	51 - 56
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Sustainability Report - Transparency & open dialogue	89 - 91
4.5	Linkage between compensation for members of the highest governance body, senior manager, and executives and, the organisation's performance	Not estimated yet	NA
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Sustainability Report - Creating shareholder wealth and Transparency & open dialogue	71 - 72 89 - 91
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)	NA
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	66 - 99
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, Sustainability Review of MD/CEO	12 - 23 66

GRI Index	GRI Definition	Description / Reference in the Report	Page/s of Reference
4.1	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	None	NA
	Commitment to External Communities		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Sustainability Report - Sustainability Review of MD/CEO	66
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Sustainability Report - Total waste management	79 - 82
4.13	Memberships in associations and /or national/ international advocacy organizations in which the organization	Sustainability Report - Our corporate citizenship	70 - 71
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report - Stakeholder Engagement	66 -67
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	NA
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report - Stakeholder Engagement	66 -67
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	66 -67

Management Approach and Performance Indicators

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Economic				
		Disclosure of Management Approach		
Economic Performance Indicators				
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Sustainability Report - Statement of Company Value Addition	74
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	No	NA
	EC3	Coverage of the organisation's defined benefit plan obligations	Sustainability Report - Economic Sustainability	69 - 74
	EC4	Significant financial assistance received from government	None	NA
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	NA
	EC6	Policy, practices, and proportion of spending on locally- based suppliers at significant locations of operation	Sustainability Report - Partnering our Valued Business Partners	77
	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.	NA
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	66 - 99
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report	66 - 99
Environmental				
		Disclosure of Management Approach		
Environmental Performance Indicators				
Materials	EN1	Materials used by weight or volume	Sustainability Report - Environmental Sustainability	77 - 82
	EN2	Percentage of materials used that are recycled input materials	Not estimated yet	NA

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Energy	EN3	Direct energy consumption by primary energy source	Sustainability Report - Environmental Sustainability	77 - 82
	EN4	Indirect energy consumption by primary source	None	NA
	EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report - Environmental Sustainability	77 - 82
	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	77 - 82
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Sustainability Report - Environmental Sustainability	77 - 82
Water	EN8	Total water withdrawals by source	Water saving initiatives	82
	EN9	Water sources significantly affected by withdrawal of water	Water saving initiatives	82
	EN10	Percentage and total volume of water recycled and reused	Sustainability Report - Water saving initiatives	82
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	NA
	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	NA
	EN13	Habitats protected or restored	None	NA
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None	NA
	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	NA

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Emissions, Effluents, and Wastes	EN16	Total direct and indirect greenhouse gas emissions by weight	None	NA
	EN17	Other relevant indirect greenhouse gas emissions by weight	None	NA
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report - Environmental Sustainability	77 - 82
	EN19	Emissions of ozone-depleting substances by weight	None	NA
	EN20	NO, SO, and other significant air emissions by type and weight	None / Not applicable	NA
	EN21	Total water discharge by quality and destination	None	NA
	EN22	Total weight of waste by type and disposal method	Sustainability Report - (Total Waste Management)	79 - 82
	EN23	Total number and volume of significant spills	None	NA
	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	79 - 80
	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	NA
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Report - Environmental Sustainability	77 - 82
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	No packaging process involved in the Company	NA
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No such fines have been imposed against the Company	NA
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Not applicable	NA
Overall	EN30	Total environmental protection expenditures and investments by type	Not estimated	NA

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Social				
		Disclosure of Management Approach		
Social Performance Indicators				
Labour Practices and Decent Work				
Employment	LA1	Total workforce by employment type, employment contract, and region	Sustainability Report	83 - 84
	LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainability Report	83 - 84
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not revealed	NA
Labor/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	100% permanent employees	NA
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not applicable	NA
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	4.8%	NA
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Sustainability Report - Health Safety & Environmental Performance	91 - 94
	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	91 - 94
	LA9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report - Health Safety & Environmental Performance	91 - 94
Training and Education	LA10	Average hours of training per year per employee by employee category	Sustainability Report - Social Sustainability	88
	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	87 - 89
	LA12	Percentage of employees receiving regular performance and career development reviews	All employees, annually and time to time	NA

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Board of Directors/Senior Management, Workforce Strength	24 - 27 83 - 84
	LA14	Ratio of basic salary of men to women by employee category	Sustainability Report / Ratio 1:1	83
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	NA
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	None	NA
	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	88
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	No such incidents reported	NA
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)	86 - 91
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	NA
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	NA
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	NA
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No such incident reported	NA
Society				
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Sustainability Report – Sustaining Our Community	95 - 99

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	None	NA
	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	NA
	SO4	Actions taken in response to incidents of corruption	No such incidents reported	NA
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report - Our Corporate Citizenship	70 - 71
	SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	NA
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None	NA
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	NA
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	NA
	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	NA
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.	NA
	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	NA
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report - Customers - The Drivers of Success	75 - 77

Category	GRI Reference	GRI Definition	Description / Reference in the Report	Page/s of Reference
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not available	NA
	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	NA
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No such evidence reported	NA
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	NA

Financial Calendar 2012/2013

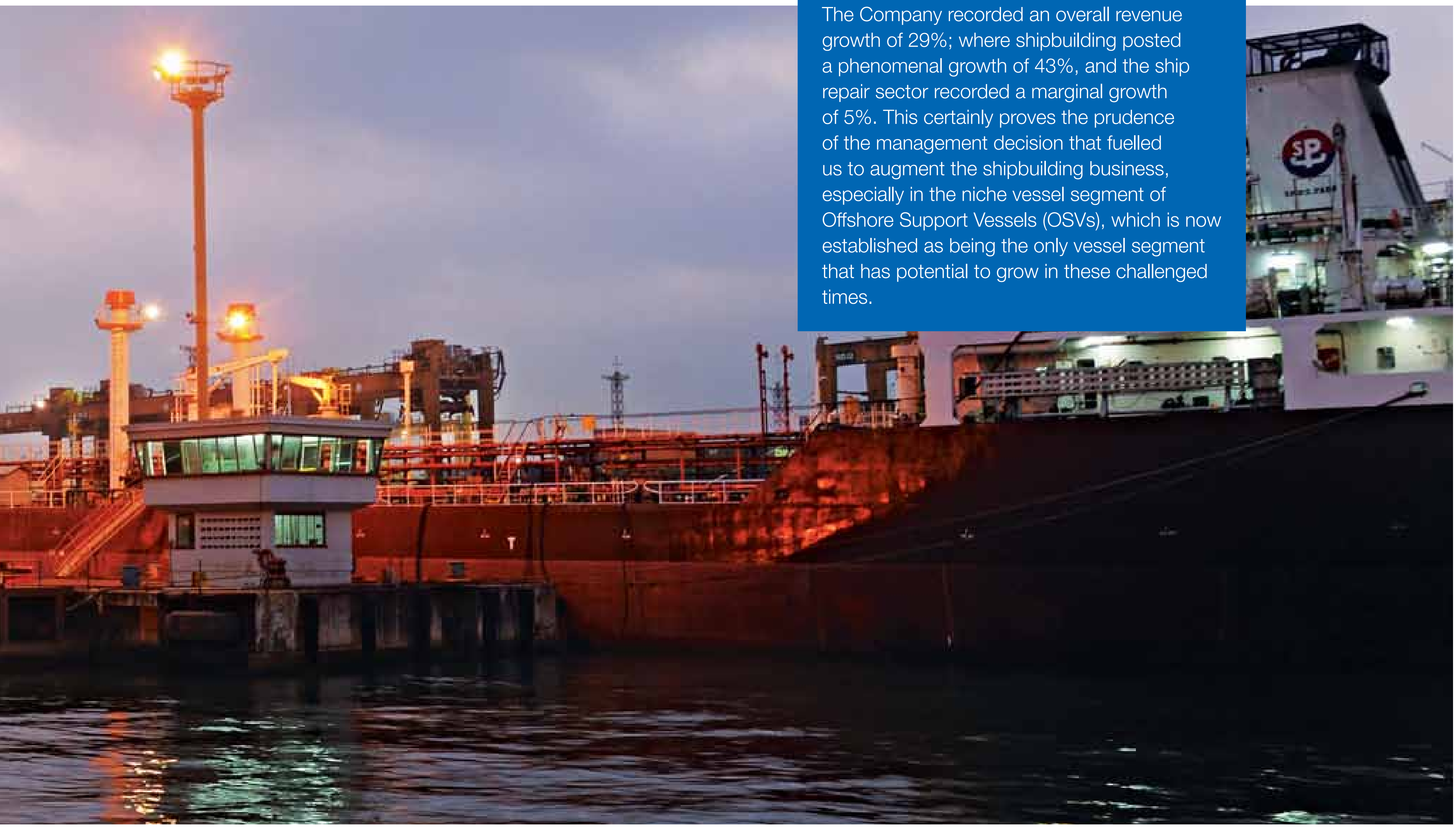
2012

Approval of Financial Statements	February 22	2012
Interim Report - 4th Quarter - 2011	February 28	2012
Despatch of Annual Report - 2011	March 05	2012
Payment of Dividend	March 14	2012
29th Annual General Meeting - 2011	March 28	2012
Interim Report - 1st Quarter - 2012	May 15	2012
Interim Report - 2nd Quarter - 2012	August 15	2012
Interim Report - 3rd Quarter - 2012	November 15	2012
Financial Year-end	December 31	2012

2013

Approval of Financial Statements	February 22	2013
Interim Report - 4th Quarter - 2012	February 28	2013
Despatch of Annual Report - 2012	March 04	2013
Ex-Dividend Date	March 6	2013
Payment of Dividend	March 15	2013
30th Annual General Meeting - 2012	March 27	2013
Interim Report - 1st Quarter - 2013	May 15	2013
Interim Report - 2nd Quarter - 2013	August 15	2013
Interim Report - 3rd Quarter - 2013	November 15	2013
Financial Year-end	December 31	2013

Financial Statements



The Company recorded an overall revenue growth of 29%; where shipbuilding posted a phenomenal growth of 43%, and the ship repair sector recorded a marginal growth of 5%. This certainly proves the prudence of the management decision that fuelled us to augment the shipbuilding business, especially in the niche vessel segment of Offshore Support Vessels (OSVs), which is now established as being the only vessel segment that has potential to grow in these challenged times.

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

The Directors present their report to the members together with the audited Financial Statements of Colombo Dockyard PLC and Consolidated Financial Statements of the group for the year ended 31st December 2012, 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 22nd February 2013. 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.

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 Message on page 12 to 17 and Managing Director/CEO's Review on page 18 to 23 in this Annual Report. These reports form an integral part of the Report of the Directors'.

Principal Activities

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

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

Future Developments

An overview of the future prospects of the Company is covered in Chairman's Message (page 12 to 17), the Managing Director/CEO's Review (page 18 to 23) and Management Discussion Analysis of this report (page 34 to 45).

Financial Statements

The Financial Statements of the Company and the Group for the year ended 31st December 2012 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 112 to 178 of this Annual Report.

Auditors' Report

Company Auditors, Messrs KPMG performed the audit on the Consolidated Financial Statements for the year ended 31st December 2012, and the Independent Auditors' Report issued thereon is given on page 119 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 126 to 136 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

These are the Group's first Consolidated Financial Statements prepared in accordance with SLFRSs and SLFRS 1 First Time adoption of Sri Lanka Accounting Standards (SLFRS) has been applied. Accordingly, the impact and the other disclosures on SLFRSs first time adoption to the Financial Statements are given on Note 31 - Finance Instruments on page 160 and Note 37 - Explanation of Transition to SLFRSs on page 170.

Going Concern

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

Gross Income

The revenue of the Group during the year was Rs. 16,388.4 Mn (2011 - Rs. 12,803.1 Mn), while Company's revenue was Rs. 15,727.5 Mn (2011 - Rs. 12,195.3 Mn). Analysis of the revenue is given in Note 5 to the Financial Statement on page 137 of this Annual Report.

Profit & Appropriation

Profit for the year:	2012 Rs.'000	2011 Rs.'000
Group post -tax profit	1,990,751	1,543,834
Amount attributable to Minority Interest	(7,385)	(6,988)
Profit attributable to the Shareholders of Colombo Dockyard PLC	1,983,366	1,536,846
Retained Profit B/F	8,142,408	7,153,059
Bonus Issue	(34,219)	
Dividends - Paid Rs. 6/- per share (2011 - Rs. 8/- per share)	(410,622)	(547,497)
Retained Profit C/F	9,680,933	8,142,408

Reserves

Total Group Retained Earning Reserves at 31st December 2012, was amounted to Rs. 9,680.9 Mn (2011 - Rs. 8,142.4 Mn). The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on page 123 on this Annual Report.

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 9 on page 140.

Dividends

The Board of Directors have authorized the payment of first and final Dividend of Rs. 8.00 per share for the year ended 31st December 2012 (2011 - Rs. 6.00).

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

At the balance sheet date, the company was solvent and the net current assets was Rs. 6,647.7 Mn (2011 - Rs. 6,647.1 Mn) and the value of company's assets less liabilities and stated capital was Rs. 9,273.1 Mn (2011 - Rs. 7,828.7 Mn). The profit of the company attributable to the equity holders of the company was Rs. 1,889.3 Mn (2011- Rs. 1,439.4 Mn), amount set aside for dividend has been Rs. 574.8 Mn (2011 - Rs. 411 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in the Sustainability Report from page 66 to 109.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, plant and equipment during the year was amounted to Rs. 1,939.0 Mn. (2011 - Rs. 813 Mn). The extent of the freehold lands held by the Company as at the balance sheet date is 1,091.01 perch (2011 - 1,091.01 perch) are recorded at cost.

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

Market Value of Freehold Properties

The net book value of freehold property, plant and equipment owned by the Company and Group as at 31st December 2012 is included in the accounts at Rs. 3,988 Mn. (2011 - Rs. 2,560 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out market value assessment of the Group freehold land as at 31st December 2010. The details of freehold land owned by the Company are given in Note 11 of the Financial Statement on page 145.

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 2012.

Pending Litigation

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 32 of the Financial Statements on page 167 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. 473,768/- (2011 - Rs. 814,281/-) in terms of the resolution passed at the last Annual General Meeting.

Company Records

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

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

The Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company and the Group for the year ended 31st December 2012 to reflect the true and fair view of the state of affairs. The Directors are of the view that Financial Statements, Accounting Policies and Note thereto appearing on page 112 to 178 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist Nine (2011-9) Directors with wide range Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on page 25 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. Sarath De Costa - Vice Chairman
Mr. T. Nakabe
Mr. L. Ganlath
Mr. H.A.R.K. Wickramathilake
Mrs. Janaki Kuruppu
Mr. P. Kudabalage

Alternate Directors
Mr. Y. Imai
Mr. N. Nishida

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on pages 24 to 25 of the Annual Report. No changes in the directorate from the date of the last report to this report.

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

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

Board Sub-Committees

The Board of Directors have formed two Board subcommittees and their composition and attendances is given in page 51 under Corporate Governance of this Annual Report.

Director's Share Holdings

The Directors' and their spouses' holding of number of ordinary shares of the Company as at 31st December 2012:

	31/12/2012	31/12/2011
Mangala P B Yapa	**2,398**	2,284
L. Ganlath	**578**	551
H A R K Wickramathilake	**1,103**	1,051

Interest Register

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

Human Resources

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and building an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company. Specific measures taken in this regard are detailed in the Sustainability Report on pages 66 to 109.

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 66 to 109 of this Annual Report.

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2012 was as follows:

	2012	2011
Group	**1,777**	1,665
Colombo Dockyard PLC	**1,750**	1,643

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 34 to the Financial Statement on page 169, 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.

Director' Meetings

Details of Directors' meetings which comprise Board Meetings, and Board sub-committee meetings of Audit Committee and Remuneration Committee are presented on page 52 of this Annual Report.

Corporate Governance

The Board of Directors of the Company has acknowledged the adoption of good governance practices has become an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 51 of this Annual Report.
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 2012 are given on page 73 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 32 to the Financial Statements on page 167.

Events After the Reporting Period

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 35 to the Financial Statements on page 170 of this Annual Report.

Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 1 Sri Lanka at 10.00 a.m. on the 27th day of March 2013.

The Notice to the Annual General Meeting is given on page 182.

Auditors

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

For and on behalf of the Board,
Colombo Dockyard PLC

Akihiko Nakauchi
Chairman

Mangala P. B. Yapa
Managing Director/CEO

Manori Mallikarachchi
Company Secretary/Legal Officer

22nd February 2013
Colombo, Sri Lanka

Statement of Directors' Responsibilities

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

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

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

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- 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.

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

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

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

The Company's external auditors, Messrs KPMG, appointed in accordance with the resolution passed at the last Annual General Meeting, were provided with free access to undertake required inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, given on page 119, set out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant except as specified in Note No. 32 to the Financial Statements on Contingent Liabilities on page 167.

The Directors further confirm that after considering the Company's financial position, operational conditions, market environment, regulatory and other factors, the Directors have reasonable expectation that the Company and its subsidiaries possess adequate resources to continue in operation for the foreseeable future adopting the Going Concern basis in preparing the Financial Statements.
The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board

Manori P. Mallikarachchi
Company Secretary

22nd February 2013
Colombo, Sri Lanka

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

The Financial Statements of Colombo Dockyard PLC (Company and the Consolidated Financial Statements of the Company and its Subsidiaries (Group) as at 31st December 2012 are prepared and presented in compliance to the following:

- Sri Lanka Accounting Standards (SLFSs) issued by The Institute of Chartered Accountants of Sri Lanka.
- Companies Act No. 07 of 2007.
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Listed Rules of the Colombo Stock Exchange.
- Other applicable statutes to the extent applicable to the Company.

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

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

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

In order to ensure this, the Company has taken proper and adequate interest in internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Audit functions 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. All audit activities have conducted periodically to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

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

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

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances ; and
- there are no material litigations that are pending against the Group other than those disclosed in the Notes 32 to the Financial Statements in the Annual Report.

Mangala P. B. Yapa
Managing Director/CEO

Ranil Wijeygunawardana
General Manager (Finance)

22nd February 2013
Colombo, Sri Lanka

Independent Auditors' Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Colombo Dockyard PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31st December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 120 to 178 of the annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2012 and the financial statements give a true and fair view of the financial position of the Company as at 31st December 2012, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

KPMG.

KPMG
Chartered Accountants

22nd February 2013
Colombo

Statement of Comprehensive Income

For the year ended 31st December,	Page	Note	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
Revenue	137	5	**16,388,407**	12,803,164	**15,727,530**	12,195,368
Cost of Sales			**(13,437,619)**	(10,535,474)	**(13,027,686)**	(10,164,237)
Gross Profit			**2,950,788**	2,267,690	**2,699,844**	2,031,131
Other Income	139	6	**461,740**	635,758	**471,420**	641,045
Distribution Expenses			**(37,485)**	(26,655)	**(30,511)**	(19,724)
Administrative Expenses			**(1,483,498)**	(1,324,453)	**(1,367,370)**	(1,231,411)
Other (Expenses)/ Reversal			**(13,726)**	58,389	**(13,726)**	58,389
Net Finance Income/ (Expense)	139	7	**159,527**	(73,652)	**143,580**	(83,413)
Profit Before Tax	140	8	**2,037,346**	1,537,077	**1,903,237**	1,396,017
Income Tax (Expense)/ Credit	140	9	**(46,595)**	6,757	**(13,917)**	43,385
Profit for the year			**1,990,751**	1,543,834	**1,889,320**	1,439,402
Other Comprehensive Income						
Fair Value change of available-for-sale Financial Assets			**595**	1,462	**595**	1,462
Foreign Currency translation differences - Foreign operations			**8,485**	(5,017)	**-**	-
Other Comprehensive Income for the year, net of tax			**9,080**	(3,555)	**595**	1,462
Total Comprehensive Income for the year			**1,999,831**	1,540,279	**1,889,915**	1,440,864
Profits attributable to;						
Owners of the company			**1,983,366**	1,536,846	**1,889,320**	1,439,402
Non - controlling interests			**7,385**	6,988	**-**	-
Profit for the year			**1,990,751**	1,543,834	**1,889,320**	1,439,402
Total Comprehensive Income attributable to;						
Owners of the company			**1,998,288**	1,535,321	**-**	-
Non - controlling interests			**11,543**	4,958	**-**	-
Total Comprehensive Income for the year			**1,999,831**	1,540,279	**-**	-
Earnings per Share - EPS1 (Rs.)	143	10.1	**27.90**	21.62	**26.60**	20.25
Earnings per Share - EPS2 (Rs.)	143	10.1	**28.98**	22.46	**27.60**	21.03
Dividends Authorised per Share (Rs.)	144	10.3	**8.00**	6.00	**8.00**	6.00

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

(Figures in brackets indicate deductions.)

Statement of Financial Position

As At,	Page	Note	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
ASSETS								
Non-Current Assets								
Property, Plant and Equipment	145	11	**3,988,342**	2,560,056	2,287,798	**3,900,338**	2,513,657	2,251,544
Investment Property	149	12	**-**	-	-	**2,865**	2,865	2,865
Intangible Assets	149	13	**3,436**	3,175	6,008	**3,436**	3,175	6,008
Investment in Subsidiaries	150	14	**-**	-	-	**1,263**	1,107	951
Other Investments	150	15	**73,062**	68,091	65,430	**73,062**	66,091	63,430
Deferred Taxation	151	16	**126,836**	135,956	59,583	**126,830**	133,356	55,567
Other Financial Assets Including Derivatives	152	19	**327,446**	283,604	263,407	**323,091**	280,174	259,279
Total Non-Current Assets			**4,519,122**	3,050,882	2,682,226	**4,430,885**	3,000,425	2,639,644
Current Assets								
Inventories	151	17	**1,315,114**	667,469	640,924	**1,201,926**	638,187	623,924
Trade and Other Receivables	152	18	**8,285,516**	6,606,740	4,956,166	**7,866,165**	6,398,792	4,848,736
Other Financial Assets Including Derivatives	152	19	**191,818**	325,308	868,263	**151,913**	273,857	816,729
Amounts due from Related Parties	153	20	**-**	-	-	**33,083**	10,716	1,125
Income Tax Refund	160	29	**-**	-	9,916	**-**	-	42,948
Cash and Cash Equivalents	154	21	**4,033,080**	4,097,698	5,564,909	**3,863,586**	3,892,177	5,362,967
Total Current Assets			**13,825,528**	11,697,215	12,040,178	**13,116,673**	11,213,730	11,696,429
Total Assets			**18,344,650**	14,748,097	14,722,404	**17,547,558**	14,214,154	14,336,073

As At,	Page	Note	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
EQUITY AND LIABILITIES								
Stated Capital	154	22	**714,396**	684,370	684,370	**714,396**	684,370	684,370
Exchange Equalisation Reserves			**1,340**	(2,987)	-	**-**	-	-
Available-for-sale Reserves			**10,077**	9,482	8,020	**10,077**	9,482	8,020
Retained Earnings			**9,680,933**	8,142,408	7,153,059	**9,273,186**	7,828,709	6,936,804
Equity Attributable to Equity holders of the Parent			**10,406,746**	8,833,273	7,845,449	**9,997,659**	8,522,561	7,629,194
Non-Controlling Interest			**47,827**	36,284	31,326	**-**	-	-
Total Equity			**10,454,573**	8,869,557	7,876,775	**9,997,659**	8,522,561	7,629,194
Non-Current Liabilities								
Interest Bearing Borrowings	154	23	**-**	-	636	**-**	-	-
Deferred Taxation	156	25	**1,365**	12	44	**-**	-	-
Employee Benefit	157	26	**1,040,132**	972,848	958,974	**1,028,288**	962,664	951,433
Other Financial Liabilities Including Derivatives	155	24	**52,682**	162,276	77,992	**52,682**	162,276	77,992
Total Non-Current Liabilities			**1,094,179**	1,135,136	1,037,646	**1,080,970**	1,124,940	1,029,425
Current Liabilities								
Interest Bearing Borrowings	154	23	**1,633,005**	349,643	873,863	**1,633,005**	349,007	872,644
Trade and Other Payables	159	27	**4,826,672**	4,074,152	4,859,274	**4,418,632**	3,869,297	4,639,902
Other Financial Liabilities Including Derivatives	155	24	**246,986**	189,330	35,942	**247,142**	189,486	36,036
Amounts due to Related Parties	159	28	**-**	-	-	**135,261**	49,116	90,488
Income Tax Payable	160	29	**43,143**	66,707	-	**15,833**	46,175	-
Dividends Payable	160	30	**19,049**	16,757	14,912	**19,049**	16,757	14,912
Bank Overdraft	154	21	**27,043**	46,815	23,992	**7**	46,815	23,472
Total Current Liabilities			**6,795,898**	4,743,404	5,807,983	**6,468,929**	4,566,653	5,677,454
Total Equity, Liabilities			**18,344,650**	14,748,097	14,722,404	**17,547,558**	14,214,154	14,336,073

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

Ranil Wijegunawardane
General Manager (Finance)

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

Akihiko Nakauchi
Chairman

Mangala P. B. Yapa
Managing Director/CEO

Manori P. Mallikarachchi
Company Secretary

22nd February 2013
Colombo, Sri Lanka

Statement of Changes in Equity

Group	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available-for-sale Reserves (Rs.'000)	Exchange Fluctuation Reserve (Rs.'000)	Total (Rs.'000)	Non-Controlling Interest (Rs.'000)	Total Equity (Rs.'000)
	Attributable to equity holders of the Company						
Balance as at 1st January 2011	684,370	7,153,059	8,020	-	7,845,449	31,326	7,876,775
Total Comprehensive Income - Profit for the year	-	1,536,846	-	-	1,536,846	6,988	1,543,834
Total other Comprehensive Income	-	-	1,462	(2,987)	(1,525)	(2,030)	(3,555)
Transaction with owners - Dividend Paid	-	(547,497)	-	-	(547,497)	-	(547,497)
Balance as at 31st December 2011	684,370	8,142,408	9,482	(2,987)	8,883,273	36,284	8,869,557
Total Comprehensive Income - Profit for the year	-	1,983,366	-	-	1,983,366	7,385	1,990,751
Total Other Comprehensive Income	-	-	595	4,327	4,922	4,158	9,080
Total Comprehensive Income - Bonus Issue	34,219	(34,219)	-	-	-	-	-
- Dividend Paid	-	(410,622)	-	-	(410,622)	-	(410,622)
- Cost of issuing shares	(4,193)	-	-	-	(4,193)	-	(4,193)
Balance as at 31st December 2012	714,396	9,680,933	10,077	1,340	10,406,745	47,827	10,454,572

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available-for-sale Reserves (Rs.'000)	Total (Rs.'000)
Balance as at 1st January 2011	684,370	6,936,804	8,020	7,629,194
Total Comprehensive Income - Profit for the year	-	1,439,402	-	1,439,402
Total Other Comprehensive Income	-	-	1,462	1,462
Transaction with owners - Dividend Paid	-	(547,497)	-	(547,497)
Balance as at 31st December 2011	684,370	7,828,709	9,482	8,522,561
Total Comprehensive Income - Profit for the year	-	1,889,320	-	1,889,320
Total Other Comprehensive Income	-	-	595	595
Transaction with owners - Dividend Paid	-	(410,622)	-	(410,622)
- Bonus Issue	34,219	(34,219)	-	-
- Cost of issuing shares	(4,193)	-	-	(4,193)
Balance as at 31st December 2012	714,395	9,273,187	10,077	9,997,660

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

(Figures in brackets indicate deductions)

Statement of Cash Flow

For the year Ended 31st December	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
Cash Flow from Operating Activities				
Profit Before Tax	2,037,346	1,537,077	1,903,237	1,396,017
Adjustments for,				
Depreciation of Property, Plant and Equipment	317,049	292,297	307,971	286,816
Impairment/write off of Property, Plant and Equipment	-	203	-	203
Amortization of Intangible Assets	2,795	4,163	2,795	4,163
Provision for Retirement Benefit Obligations	143,556	107,880	141,898	104,967
Provision/(Reversal) for Bad and Doubtful Debts	(258,005)	24,544	(258,802)	23,922
Provision for/(Reversal of) Obsolete Stocks	(1,563)	(61,988)	1,252	(60,950)
(Profit)/Loss on Disposal of Property, Plant and Equipment	3,966	(18,652)	(3,958)	(18,639)
Foreign Exchange (Gain)/Loss (Unrealised)	428,575	61,257	400,722	66,272
Net Change in Fair Value of Financial Instruments	(45,665)	(297,154)	(45,709)	(297,152)
Interest Income	(250,078)	(259,805)	(234,072)	(249,753)
Dividend Income	(225)	(260)	(8,325)	(5,210)
Interest Expenses	90,551	333,457	90,492	333,166
Operating Profit Before Working Capital Changes	2,468,302	1,723,020	2,297,500	1,583,822
(Increase)/Decrease in Inventory	(646,082)	35,443	(564,991)	46,687
(Increase)/Decrease in Trade and Other Receivables	(1,421,042)	(1,630,585)	(1,208,571)	(1,529,831)
(Increase)/Decrease in Amounts due from Related Parties	-	-	(22,367)	(9,591)
(Increase)/Decrease Other Financial Assets	89,648	522,758	(3,226)	521,977
Increase/(Decrease) Trade and Other Payables	752,515	(785,120)	670,175	(770,608)
Increase/(Decrease) Amounts due to Related Parties	-	-	86,145	(41,372)
Increase/(Decrease) Other Financial Liabilities	(51,938)	237,672	(63,060)	237,734
Cash Generated from Operating Activities	1,191,942	103,188	1,191,606	38,818
Interest Paid	(39,435)	(73,482)	(39,412)	(73,427)
Gratuity Paid	(76,274)	(94,006)	(76,274)	(93,736)
Income Tax Paid/Set Offs	(59,076)	6,977	(37,733)	54,719
Net Cash Generated from/(used in) Operating Activities	1,016,618	(57,321)	1,038,187	(73,626)

For the year Ended 31st December	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(1,744,794)	(566,329)	(1,694,145)	(550,709)
Proceeds from Disposal of Property, Plant and Equipment	5,031	20,217	5,031	20,217
Interest Received	244,627	253,275	228,701	243,456
Investment in Short Term Investment	2,000	-	-	-
Redeem of Short Term Investment	-	-	-	-
Investment in Debentures	-	-	-	-
Acquisition of Intangible Assets	(3,056)	(1,331)	(3,056)	(1,331)
Dividend Received	225	260	8,325	5,210
Net Cash Used Investing Activities	(1,495,966)	(293,908)	(1,455,143)	(283,157)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(27,624)	-	(27,624)	-
Repayment of Short Term Loans	(8,363,780)	(4,941,163)	(8,363,780)	(4,941,163)
Loans Obtained during the period	9,237,240	4,349,464	9,237,239	4,349,464
Repayment of Leases	(671)	(1,454)	-	-
Dividend Paid	(410,662)	(545,652)	(410,662)	(545,652)
Net Cash Generated from/(used in) Financing Activities	434,503	(1,138,805)	435,173	(1,137,351)
Net Increase/(Decrease) in Cash and Cash Equivalents	(44,845)	(1,490,034)	18,217	(1,494,134)
Cash and Cash Equivalents at the beginning of the period (Note 21)	4,050,883	5,540,917	3,845,362	5,339,495
Cash and Cash Equivalents at the end of the period	4,006,038	4,050,883	3,863,579	3,845,362

Notes to the Financial Statements

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as at and for the year ended 31st December 2012 comprise the Company and its Subsidiaries (together referred as the "Group").

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

Of the two subsidiaries within the Group, the Company has 100% holding of Dockyard General Engineering Services (Private) Limited (incorporated in Sri Lanka) engaged in Heavy Engineering, Civil Engineering and Material Sales related to Engineering and Marine and 51% holding of Ceylon Shipping Agency (Private) Limited (incorporated in Singapore) engaged in material sales related to marine and heavy engineering works.

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 Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in equity and Statement of Cash Flows, together with the Notes to the Financial Statements. These Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with the requirement of Companies Act No. 7 of 2007.

These are the Group's first Consolidated Financial Statements prepared in accordance with SLFRSs and SLFRS 1 First Time adoption of Sri Lanka Accounting Standards (SLFRS) has been applied.

An explanation of how the transition to SLFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 37.

The Financial Statements were authorized for issue by the Board of Directors on February 22, 2013.

2.2. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Derivative financial instruments measured at fair value
- Non derivative financial instruments measured at fair value
- Employee benefit liability recognized based on actuarial valuation (LKAS 19)

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.

2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in different economic environment (See Note 14). All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

2.4. Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is provided in Note 04.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS statement of financial position at January 01, 2011 for the purpose of transition to SLFRSs, unless otherwise stated.

The accounting policies have been applied consistently by Group entities.

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.

As part of its transition to SLFRSs, the Group elected to restate only those business combinations that occurred on or after the transition date (January 01, 2011). However no business combinations were occurred on or after the date of transition.

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 fully 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 non controlling 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 Non-controlling Interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interest results in gains and losses for the Group that are recorded in the Income Statement. Purchases of non controlling 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 reporting date, monetary items denominated in foreign currencies are translated at the closing rate.

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

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for the Group's net investment in foreign operations/ subsidiaries.

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

3.2.3. Foreign Operations/Subsidiaries

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

- Assets and liabilities of each statement of Financial Position presented are translated at the date of that statement of financial position.

- Income and expense for each Statement of Comprehensive Income are translated at the exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognized in Other Comprehensive Income.

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

In the consolidated financial statements such exchange differences are recognized initially in the other comprehensive income and when a foreign operation is disposed of, the relevant amount in the translation reserves is transferred to profit or loss.

The Group elected to adopt the exemption provided in SLFRS 1 First Time adoption of Sri Lanka Accounting Standards (SLFRS) and hence, the cumulative translation deference of all foreign operations deemed to be zero at the date of transition.

3.3. ASSETS AND THE BASES OF THEIR VALUATION

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

3.3.1. Property, Plant & Equipment

3.3.1.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The Group elected to apply the optional exemption of SLFRS 1 First Time adoption of Sri Lanka Accounting Standards (SLFRS) to use the fair value as deemed cost at the date of transition for certain items of property, plant and equipments. (Note 11)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.3.1.2. Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct 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 and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 01, 2010.

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.

Other leases are operating leases and, except for investment property, the leased assets are not recognized in the Group's statement of financial position.

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 company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day to day servicing of property, plant and equipment are recognized in profit or 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 within other income in profit or loss.

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 follows:
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	2	50%

Group - Dockyard General Engineering Services (Private) Limited

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

Ceylon Shipping Agency (Private) Limited

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

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

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

Estimate of useful lifetime in respect of loose tools were revised from one year to two years, in the current year.

3.3.2. Intangible Assets
An Intangible Asset 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 and carried at cost less accumulated amortization and accumulated impairment losses.

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

3.3.2.2. Subsequent Expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is 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 the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

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

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

3.3.3. Inventories
Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is comprised all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisabale value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

The cost of the inventories is assigned by using specific identification of their individual costs and first-in-first out formulas.

3.3.4. 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 net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the 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 Statement of Comprehensive Income.

Impairment losses recognized in relation to Goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives and goodwill are tested for impairment annually either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.4. Financial Instruments
3.4.1. Financial Assets
a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.
All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

b) Subsequent measurement

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

Financial assets at fair value through profit or loss
A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

c) Derecognition

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

- The rights to receive cash flows from the asset have expired

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

3.4.2. Impairment of Financial Assets

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

The Group did not recognize any impairment losses in respect of financial assets for the years of 2011 and 2012.

3.4.3. Financial Liabilities

a) Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability.
The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

b) Subsequent measurement

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

c) Derecognition

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

d) Financial guarantee contracts

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

3.4.4. Fair value of Financial Instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 31.

3.4.5. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5. Post Employment Benefits

3.5.1. Defined Benefit Plan

Company

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, with the advice of an actuary, using the projected unit credit (PUC) method. Any actuarial gains or losses arising are recognized to the profit or loss using the "corridor" approach and it splits the actuarial gains and losses into an unrecognized and recognized portions.

Local Subsidiary

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

Foreign Subsidiary

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

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

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

3.6. Provisions

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

3.6.1. Provision for Warranty

Provision for warranty jobs is made for all construction contracts based on the contractual and projects estimates figures. However, warranty provision for Ship repair services is made based on historical experience. The estimates are revised annually.

3.6.2. Provision for Slow Moving Stocks

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

3.7. STATEMENT OF COMPREHENSIVE INCOME

3.7.1. Revenue

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

3.7.1.1. Revenue Recognition

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

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

When the outcome of a construction contract / service contract can be estimated reliably, revenue and costs are recognized as revenue and expenses respectively by reference to the Stage of Completion of the activity as at the reporting date (Percentage-of-Completion Method). When the outcome of a construction contract / service contract cannot be estimated reliably, revenue is recognized to the extent of cost incurred that are likely to be recoverable. When it is probable that total cost will exceed total revenue, the expected loss is recognised as an expense immediately.

The Stage of Completion is measured by reference to the proportion that, costs incurred for work performed to date bear to the estimated total costs.

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

3.7.1.1.3. Other Income
Revenue from dividends is recognized when the group's right to receive the payment is established.

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

3.7.1.1.4. Government Grants
Government grants are recognized initially as differed income at fair value when there are reasonable assurances that they will be received and the group will comply with the conditions associate with the grant. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on systematic basis in the same period in which the expenses are recognized. Grants that compensate the group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

3.7.2. Expenditure Recognition
3.7.2.1. Operating Expenses
All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income in arriving at the profit for the year. Provision has also been made for impairment of financial assets, slow moving stocks, all known liabilities and depreciation on property, plant and equipment.

3.7.2.2. Warranty Claims/Provisions
Costs incurred by the Company under the terms of warranty entered with the customers are charged against the provisions made for such warranty.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

The Group capitalises borrowing cost for all eligible assets where construction has commenced on or after January 01, 2010.

3.7.3. Net Finance Income / (Expenses)
Finance income comprises interest income on funds invested and staff loans, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.7.4. Taxation
3.7.4.1. Current Taxes
Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax on Sri Lankan operation is based on the elements of income and expenditures reported in the Financial Statements and computed 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.

3.7.4.2. Deferred Taxation

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.8. SEGMENTAL INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

3.9. RELATED PARTY TRANSACTION

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

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

3.10. 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 Statement of Cash Flows which has been prepared using the 'Indirect Method'.

3.11. EARNING PER SHARE

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

3.12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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

3.13. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. These includes;

SLFRS 09 – Financial Instruments which will be effective from January 01, 2015.

The International Accounting Standard Board (IASB) has issued IFRS 10, 11,12 and 13 which are effective from January 01, 2013. However the Institute of Chartered Accountants of Sri Lanka has decided to defer the effective date of SLFRS 10, 11, 12 and 13.

The extent of the impact has not been determined.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Critical accounting estimate/judgement	Disclosure reference	
	Note	Page
Income tax expenses	09	140
Property, plant and equipment	11	145-148
Intangible assets	13	149
Deferred tax assets / liabilities	16, 25	151, 156
Employee benefits	26	157
Provision for warranty claims	27.1	159

For the year ended 31st December,	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
5 REVENUE				
Shiprepair	4,619,548	4,405,744	4,619,547	4,405,745
Shipbuilding	11,013,298	7,682,054	11,013,298	7,682,054
Heavy Engineering	549,055	446,852	94,685	107,569
Material Sales	211,216	275,796	-	-
Gross Revenue (Note 5.1 , 5.2)	16,393,117	12,810,446	15,727,530	12,195,368
Sales Related Tax	(4,710)	(7,282)	-	-
	16,388,407	12,803,164	15,727,530	12,195,368
Less: Cost of Sales	(13,437,619)	(10,535,474)	(13,027,686)	(10,164,237)
Gross Profit / Operating Results (Note 5.3)	2,950,788	2,267,690	2,699,844	2,031,131
5.1 Project Types Segment Revenue (Business Segment)				
Ship Repair				
Tankers	683,639	744,834	683,639	744,835
General Cargo	376,448	259,713	376,448	259,713
Container Carriers	572,588	304,383	572,588	304,383
Passenger Vessels	345,038	375,434	345,038	375,434
Fishing Trawlers	14,395	57,321	14,395	57,321
Tugs	441,103	344,437	441,103	344,437
LPG Tankers	11,851	420,351	11,851	420,351
Dredgers	780,284	361,162	780,284	361,162
Navel Vessels	91,245	239,404	91,245	239,404
Cement Carriers	130,228	142,188	130,228	142,188
Offshore Support Vessels	261,463	599,548	261,463	599,548
Barge	93,580	150,289	93,580	150,289
Bulk Carriers	317,720	108,579	317,720	108,579
Research Vessel	90,381	196,900	90,381	196,900
Others	409,585	101,201	409,585	101,201
	4,619,548	4,405,744	4,619,547	4,405,745
New Construction				
Tugs	-	5,018,352	-	5,018,352
Passenger Vessels	463,703	255,700	463,703	255,700
Supply Vessels	10,549,595	2,408,002	10,549,595	2,408,002
	11,013,298	7,682,054	11,013,298	7,682,054

For the year ended 31st December,	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
5.1 Project Types Segment Revenue (Business Segment) Contd.				
Heavy Engineering				
Infrastructure	-	107,569	-	107,569
Heavy Fabrication	393,919	16,964	78,148	-
Services	16,537	108,121	16,537	-
Power Generation	138,600	214,198	-	-
	549,055	446,852	94,685	107,569
Material Sales				
Material Sales	211,216	275,796	-	-
	16,393,117	12,810,446	15,727,530	12,195,368
5.2 Geographical Segment Revenue				
France	261,816	-	261,816	-
India	2,855,751	4,309,717	2,855,751	4,309,717
Korea	97,624	71,512	97,624	71,512
Maldives	366,912	156,410	366,912	156,410
Bangladesh	-	18,107	-	18,107
Belgium	2,159	17,403	2,159	17,403
China	186,761	79,272	186,761	79,272
Dubai	-	29,331	-	29,331
Sri Lanka	1,021,460	1,346,692	355,873	731,613
Singapore	10,626,249	1,382,668	10,626,249	1,382,668
Japan	1,316	36,595	1,316	36,595
Germany	32,767	53,558	32,767	53,558
Greece	231,766	172,768	231,766	172,768
Hong Kong	-	144	-	144
USA	29,227	35,989	29,227	35,989
Thailand	14,394	51,998	14,394	51,998
Egypt	347,447	-	347,447	-
Samoa	116,244	5,018,352	116,244	5,018,352
Others	201,224	29,931	201,224	29,931
	16,393,117	12,810,446	15,727,530	12,195,368

For the year ended 31st December,	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
5.3 Segmental Operating Results				
Shiprepairs	1,351,331	1,364,009	1,351,331	1,364,009
Shipbuilding	1,332,480	648,014	1,332,480	648,014
Heavy Engineering	188,381	225,687	16,033	19,107
Material Sales	78,596	29,880	-	-
	2,950,788	2,267,690	2,699,844	2,031,131

6 OTHER INCOME

Exchange Gain (both realized and unrealized)	269,530	439,336	269,530	439,404
Disposal of Steel Scrap	175,625	159,254	175,625	159,254
Dividend Income	225	260	8,325	5,210
Profit on Disposal of Property, Plant and Equipment	3,966	18,652	3,958	18,639
Amortization of Corporate Guarantees	-	-	156	94
Amortization of Grants	1,664	3,851	1,664	3,851
Management Fees	-	-	918	918
Lease Rental	-	-	1,224	1,224
Miscellaneous Income	10,730	14,405	10,020	12,451
	461,740	635,758	471,420	641,045

7 NET FINANCE INCOME /(EXPENSE)

Interest Expense				
Interest on Un-winding of Grant	(1,664)	(3,851)	(1,664)	(3,851)
Interest on Finance Lease Obligations	(36)	(235)	-	-
Interest on Bank Overdrafts and Short Term Loans	(39,435)	(29,773)	(39,412)	(29,717)
Net Change in Fair Value of Financial Assets at Fair Value through Profit or Loss	(49,416)	(299,598)	(49,416)	(299,598)
	(90,551)	(333,457)	(90,492)	(333,166)
Interest Income				
Interest Income from Investments	209,410	219,334	193,484	209,977
Un-winding of Pre-paid Staff Benefit	5,451	6,530	5,371	6,297
Other Interest Income	35,217	33,942	35,217	33,479
	250,078	259,805	234,072	249,753
	159,527	(73,652)	143,580	(83,413)

For the year ended 31st December,	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
8 PROFIT BEFORE TAX				
Is stated after charging all expenses including the following,				
Directors' Emoluments	20,565	19,214	20,258	18,949
Auditors' Remuneration - On statutory audit	4,405	3,748	1,830	1,525
- For other services	310	234	310	80
Business Promotion Expenses	49,225	83,177	49,225	83,177
Depreciation on Property Plant & Equipment	317,049	292,297	307,971	286,816
Amortization of Intangible Assets	2,795	4,163	2,795	4,163
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	(258,005)	75,745	(258,802)	75,463
- Obsolete and Slow Moving Stocks	(1,563)	(61,988)	1,252	(60,950)
Staff Related Cost				
- Salaries and Wages	2,965,995	2,689,437	2,899,455	2,643,832
- Defined Benefit Plan Cost - Gratuity	143,556	107,880	141,898	104,967
- Defined Contribution Plan Cost - EPF	135,118	121,294	130,499	118,013
- ETF	33,813	30,356	32,658	29,536
Donations	474	1,064	474	814
Amortisation of Staff Cost	5,451	6,530	5,371	6,297
9 INCOME TAX EXPENSE				
On the Current years Profit (Note 9.4)	37,975	49,703	7,391	14,553
Under/ (over) Provision in previous year	(2,193)	19,944	-	19,850
Deferred Taxation (Note 9.6)	10,813	(76,404)	6,526	(77,788)
	46,595	(6,757)	13,917	(43,385)

9.1 Taxation on Profits

(i) Income Tax in Sri Lanka

Company

In accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to, the Company with taxable profit is liable to Income Tax at 28%. (2011 - 28%). (Further refer 9.3 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 act)	12%
Others	28%

(ii) Income Tax on Overseas Operations

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

9.2 Economic Service Charge

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

9.3 Tax Exemptions and Concessions

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

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

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

	Group		Company	
For the year ended 31st December,	**2012 (Rs.'000)**	**2011 (Rs.'000)**	**2012 (Rs.'000)**	**2011 (Rs.'000)**
9.4 Reconciliation between current tax expense and the accounting profit				
Profit before tax	**2,037,346**	1,537,077	**1,903,237**	1,396,017
Adjustments due to first time adoption of SLFRSs	**-**	300,639	**-**	295,534
	2,037,346	1,837,716	**1,903,237**	1,691,551
Disallowable Expenses for Taxation	**505,606**	391,918	**495,082**	382,556
Allowable Expenses for Taxation	**(1,329,964)**	(1,427,734)	**(1,309,111)**	(1,416,000)
Profit Exempt from Tax	**(1,291,041)**	(1,389,586)	**(1,291,041)**	(1,381,445)
Statutory Profit/(Loss) from Business	**(86,364)**	(587,686)	**(201,833)**	(723,338)
Statutory Profit/(Loss) from Colombo Dockyard PLC	**(201,833)**	(723,338)	**(201,833)**	(723,338)
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt)Ltd	**111,140**	128,393	**-**	-
Statutory Profit/(Loss) from Ceylon Shipping Agency (Pte) Ltd	**4,736**	7,259	**-**	-
Other sources of Income	**40,607**	79,963	**40,607**	79,963
Tax loss claimed during the year	**(14,213)**	(27,987)	**(14,213)**	(27,987)
Taxable Income	**142,269**	187,627	**26,395**	51,976
Tax at the Rate of 12% (2011 - 12%)	**(1,005)**	(1,526)	**-**	-
Tax at the Rate of 17% (2011 - 17%)	**(805)**	(1,234)	**-**	-
Tax at the Rate of 28% (2011 - 28%)	**(36,165)**	(46,943)	**(7,391)**	(14,553)
Provision for Taxation on Current Year Profit	**(37,975)**	(49,703)	**(7,391)**	(14,553)

For the year ended 31st December,	Group 2012 (Rs.'000)	Group 2011 (Rs.'000)	Company 2012 (Rs.'000)	Company 2011 (Rs.'000)
9.5 Reconciliation of Tax Loss				
Tax Loss Brought Forward	**895,932**	192,440	**895,932**	192,440
Tax Loss for the year of assessment	**201,833**	723,338	**201,833**	723,338
Setoff against the current taxable income	**(14,213)**	(27,987)	**(14,213)**	(27,987)
Adjustment for the year of assessment 2011/12	**73,645**	8,141	**73,645**	8,141
Tax Loss Carried Forward	**1,157,197**	895,932	**1,157,197**	895,932

9.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates,the deferred tax asset is arrived at by applying the income tax rates of 28% and 12% applicable for the local income received in local currency and local income received in foreign currency. The effective tax rate (Weighted Average) applicable is 9%. (2011 - 9%)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% to the temporary differences of Dockyard General Engineering Services (Pvt) Ltd as at 31st December 2012.

Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of CSA as at 31st December 2012.

Company	2012 Temporary difference (Rs.'000)	2012 Tax effect on temporary difference (Rs.'000)	2011 Temporary difference (Rs.'000)	2011 Tax effect on temporary difference (Rs.'000)
Temporary Difference on Property Plant & Equipment	**(361,473)**	**(31,132)**	(189,177)	(7,713)
Temporary Difference on Retirement Benefit Obligations	**65,624**	**5,906**	11,232	(16,430)
Temporary Difference on Voluntary Retirement Provision	**-**	**-**	(191,855)	(21,104)
Temporary Difference on Stock Provision	**1,252**	**113**	(24,885)	(3,957)
Temporary Difference on Forward Contracts	**(49,415)**	**(4,447)**	299,599	28,783
Temporary Difference on Warranty Provision	**(5,737)**	**(480)**	112,324	10,294
Temporary Difference on Tax Losses carried forward	**261,267**	**23,514**	895,932	82,111
	(88,482)	**(6,526)**	822,206	77,788

Group	2012 Temporary difference (Rs.'000)	2012 Tax effect on temporary difference (Rs.'000)	2011 Temporary difference (Rs.'000)	2011 Tax effect on temporary difference (Rs.'000)
Temporary Difference on Property Plant & Equipment	(378,084)	(35,783)	(194,261)	(3,506)
Temporary Difference on Retirement Benefit Obligations	63,966	5,482	13,875	(16,218)
Temporary Difference on Voluntary Retirement Provision	-	-	(191,855)	(21,104)
Temporary Difference on Stock Provision	4,067	901	(24,885)	(3,957)
Temporary Difference on Forward Contracts	(49,415)	(4,447)	299,599	28,783
Temporary Difference on Warranty Provision	(5,737)	(480)	112,324	10,294
Temporary Difference on Tax Losses carried forward	261,267	23,514	895,932	82,111
	(103,936)	(10,813)	819,765	76,404

10 EARNINGS PER SHARE / DIVIDEND PER SHARE

10.1 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 during the year and calculated as follows:

		Group 2012	Group 2011	Company 2012	Company 2011
Amount used as the Numerator					
Profit for the period (Rs.'000)		1,990,751	1,543,834	1,889,320	1,439,402
Non-controling Interest (Rs.'000)		(7,385)	(6,988)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)		1,983,366	1,536,846	1,889,320	1,439,402
Number of Ordinary Shares used as the Denominator					
Number of Ordinary Shares (Note No. 10.2)		71,092,279	68,437,071	71,092,279	68,437,071
Earnings Per Share (Rs.) based on weighted average number of shares in 2012	EPS1	27.90	21.62	26.60	20.25
Earnings Per Share (Rs.) based on weighted average number of shares in 2011	EPS2	28.98	22.46	27.60	21.03

	Group		Company	
	2012	2011	2012	2011
10.2 Weighted Average number of shares				
Issued ordinary shares as at 1st January 2012	68,437,071	68,437,071	68,437,071	68,437,071
Effect of shares issued on 23rd March 2012	2,655,208	-	2,655,208	-
Weighted Average number of shares as at 31st December 2012	71,092,279	68,437,071	71,092,279	68,437,071

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

10.3 Dividend Per Share

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

	Group 2012	Group 2011	Company 2012	Company 2011
Dividend Authorized (Rs.'000)	574,871	410,622	574,871	410,622
Number of Ordinary Shares ('000)	71,859	68,437	71,859	68,437
Dividend Per Share (Rs.)	8.00	6.00	8.00	6.00

In accordance with Sri Lanka Accounting Standards - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2012.

Foreign Currency Translations

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

	Average Rate			Closing Rate					
	2012 (Rs.)	2011 (Rs.)	2010 (Rs.)	2012 (Rs.)		2011 (Rs.)		2010 (Rs.)	
				Selling	Buying	Selling	Buying	Selling	Buying
U. S. Dollar	127.3	110.6	113.5	128.8	125.8	114.8	113.0	112.4	110.6
Euro	168.3	154.9	150.7	171.5	165.1	149.6	145.2	150.5	146.0
Danish Kroners	22.6	19.9	20.3	23.1	22.0	20.2	19.4	20.3	19.5
Singapore Dollars	104.1	87.7	83.0	106.1	102.3	89.0	86.5	87.9	85.3
Japanese Yen	1.4	1.5	1.3	1.5	1.4	1.5	1.4	1.4	1.3

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	FREEHOLD													
	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Leasehold Motor vehicles	Capital Work In Progress	Total
COST	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
Balance as at 1st January 2011	1,073,915	43,123	8,019	708,265	2,532,183	240,937	115,925	38,564	243,189	218,841	2,717	4,335	51,706	5,281,719
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	56	-	-	-	-	56
Additions during the year	3,627	-	5,113	9,422	402,301	38,610	9,195	2,853	21,212	33,158	3,777	-	283,668	812,936
Disposals during the year	-	-	-	-	(205,299)	-	-	(182)	(2,810)	(12,893)	-	-	-	(221,184)
Transfers during the year	-	-	-		(2,703)	-	-	-	-	(84)	-	-	(246,607)	(249,394)
Balance as at 31st December 2011	1,077,542	43,123	13,132	717,687	2,726,482	279,547	125,120	41,235	261,647	239,022	6,494	4,335	88,767	5,624,133
Additions during the year	8,456		-	51,639	504,051	9,879	21,406	1,481	35,323	67,422	-	-	1,240,334	1,939,992
Disposals during the year	-	-	-	-	(15,547)	-	(9,791)	(93)	(19,377)	(18,829)	-	-		(63,637)
Transfers during the year	-	-	-	-	(7,907)	-	4,335	-	-	-	-	(4,335)	(187,291)	(195,198)
Exchange Gain /Loss	-	-	-	-	-	-	-	-	412	-	-	-	-	412
Balance as at 31st December 2012	1,085,998	43,123	13,132	769,326	3,207,081	289,426	141,070	42,623	278,005	287,615	6,494	-	1,141,810	7,305,702
ACCUMULATED DEPRECIATION														
Balance as at 1st January 2011	471,901	-	1,966	315,167	1,395,773	156,464	83,666	30,761	189,556	218,842	2,717	3,793	-	2,870,604
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	48	-	-	-	-	48
Charge for the year	21,523	-	787	27,690	165,995	13,737	11,419	1,918	15,340	33,157	189	542	-	292,297
Disposals during the year	-	-	-	-	(80,466)	-	-	(122)	(2,808)	(12,893)	-	-	-	(96,289)
Transfers during the year	-	-	-	-	(2,500)	-	-	-	-	(84)	-	-	-	(2,584)
Balance as at 31st December 2011	493,424	-	2,753	342,857	1,478,802	170,201	95,085	32,557	202,136	239,022	2,906	4,335	-	3,064,076
Charge for the year	21,736	-	826	28,108	199,839	15,603	14,829	2,148	18,889	14,503	567	-	-	317,049
Disposals	-	-	-	-	(15,301)	-	(9,142)	(45)	(19,246)	(18,829)	-	-	-	(62,563)
Transfer	-	-	-	-	(1,581)	-	4,335	-	-	-	-	(4,335)	-	(1,581)
Exchange Gain/Loss	-	-	-	-	-	-	-	-	379	-	-	-	-	379
Balance as at 31st December 2012	515,160	-	3,579	370,965	1,661,759	185,804	105,107	34,660	202,158	234,696	3,473	-	-	3,317,360
IMPAIRMENT														
Balance as at 1st January 2011	-	-	-	-	123,317	-	-	-	-	-	-	-	-	123,317
Reversal for the year	-	-	-	-	(123,317)	-	-	-	-	-	-	-	-	(123,317)
Balance as at 31st December 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	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
COST	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
CARRYING AMOUNT														
As at 31st December 2012	570,838	43,123	9,553	398,361	1,545,322	103,622	35,963	7,963	75,847	52,919	3,022	-	1,141,810	3,988,342
As at 31st December 2011	584,118	43,123	10,379	374,830	1,247,680	109,347	30,035	8,678	59,511	-	3,588	-	88,767	2,560,056
As at 31st December 2010	602,014	43,123	6,053	393,098	1,013,093	84,474	32,259	7,803	53,632	-	-	542	51,706	2,287,798

11.2 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/223 at Colombo Dockyard PLC,Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.
Extent of the Land - 5 Acres 1 Root and 12.5 Perches
Cost Rs. 20,931,444/-
Valuation Rs. 2,131,250,000/-

(b) Land depicted as allotment of land in Plan No.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.
Extent of the Land - 37.99 perches
Cost Rs. 1,807,000/-
Valuation Rs. 30,392,000/-

(c) Land depicted as Lot A in Plan No.1347 dated 6th June 1981 at Colombo 15. Executive quarters of the Company is built on this land.
Extent of the Land - 2 Roots and 9.62 Perches
Cost Rs. 3,219,000/-
Valuation Rs. 53,772,000/-

(d) Land depicted as Lot No.01 in Plan No. 250 at Colombo 14, this land is leased to Dockyard General Engineering Services (Private) Limited as an operating lease.
Extent of the Land - 2 Roots and 23.75 Perches
Cost Rs. 2,865,000/-
Valuation Rs. 31,125,000/-
Extent of the building is above freehold lands 25,134 sqm (2010- 25,134 sqm)

(e) Land depicted as Lot No. A in Plan No. 3247 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12.
Extent of the Land - 7.15 Perches
Cost Rs. 14,300,000/-
Valuation Rs. 14,300,000/-
Extent of the building is 178 sqm

The land of Dockyard General Engineering Services (Pvt) Ltd has been revalued at Rs. 14.3 million by Sunil Fernando & Associate (Pvt) Ltd, an Independent Chartered Valuer during 2010/11. The aforsaid amount has been considered as the Deemed cost as per the optional exemption provided under SLFRS-1 First time adoption of Sri Lanka Accounting Standards.

11. PROPERTY, PLANT AND EQUIPMENT

11.3 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
COST	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January 2011	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
Additions during the year	3,627	-	5,113	9,422	395,215	38,610	3,170	2,853	19,615	32,246	3,777	283,669	797,317
Disposals during the year	-	-	-	-	(205,299)	-	-	(182)	(2,062)	(12,880)	-	-	(220,423)
Transfers during the year	-	-	-	-	(2,703)	-	-	-	-	(84)	-	(246,607)	(249,394)
Balance as at 31st December 2011	1,077,542	25,958	13,132	699,533	2,705,621	279,547	107,157	41,235	251,895	223,135	6,494	88,767	5,520,017
Additions during the year	8,456	-	-	51,639	462,521	9,878	16,606	1,481	32,247	66,181	-	1,240,334	1,889,343
Disposals during the year	-	-	-	-	(15,547)	-	(9,791)	(93)	(18,971)	(18,821)	-	-	(63,223)
Transfers during the year	-	-	-	-	(7,907)	-	-	-	-	-	-	(187,291)	(195,198)
Balance as at 31st December 2012	1,085,998	25,958	13,132	751,172	3,144,689	289,425	113,972	42,623	265,171	270,495	6,494	1,141,810	7,150,939
ACCUMULATED DEPRECIATION													
Balance as at 1st January 2011	471,901	-	1,966	297,012	1,392,198	156,463	76,860	30,761	183,925	203,853	2,717	-	2,817,656
Charge for the year	21,523	-	787	27,690	164,462	13,737	9,771	1,918	14,493	32,246	189	-	286,816
Disposals	-	-	-	-	(80,466)	-	-	(122)	(2,060)	(12,880)	-	-	(95,528)
Transfer	-	-	-	-	(2,500)	-	-	-	-	(84)	-	-	(2,584)
Balance as at 31st December 2011	493,424	-	2,753	324,702	1,473,694	170,200	86,631	32,557	196,358	223,135	2,906	-	3,006,360
Charge for the year	21,736	-	826	28,108	196,169	15,603	11,069	2,144	17,624	14,125	567	-	307,971
Disposals	-	-	-	-	(15,301)	-	(9,142)	(45)	(18,840)	(18,821)	-	-	(62,149)
Transfer	-	-	-	-	(1,581)	-	-	-	-	-	-	-	(1,581)
Balance as at 31st December 2012	515,160	-	3,579	352,810	1,652,981	185,803	88,558	34,657	195,141	218,439	3,473	-	3,250,601
IMPAIRMENT													
Balance as at 1st January 2011	-	-	-	-	123,317	-	-	-	-	-	-	-	123,317
Reversal for the year					(123,317)								(123,317)
Balance as at 31st December 2011	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2012	-	-	-	-	-	-	-	-	-	-	-	-	-

	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
COST	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
CARRYING AMOUNT													
As at 31st December 2012	570,838	25,958	9,553	398,362	1,491,708	103,622	25,414	7,966	70,030	52,056	3,021	1,141,810	3,900,338
As at 31st December 2011	584,118	25,958	10,379	374,831	1,231,927	109,347	20,526	8,678	55,537	-	3,588	88,767	2,513,657
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	2,251,544

11.4 Details of Securities

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

11.5 Gross carrying amount of fully depreciated Property Plant and Equipment

	Group			Company		
As at 31st December	2012 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)	2012 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
Freehold Drydocks	**5,215**	5,215	5,215	**5,215**	5,215	5,215
Freehold Buildings	**97,347**	97,347	76,392	**7,912**	79,192	76,392
Road Ways	**147**	147	147	**147**	147	147
Plant, Machinery and Equipment	**901,187**	914,156	1,059,561	**898,572**	912,215	1,059,561
Electrical Installation	**123,528**	123,528	112,498	**123,528**	123,528	112,498
Motor Vehicles	**64,456**	69,271	56,007	**54,041**	58,857	56,007
Inventory Items	**27,384**	27,537	26,700	**27,384**	27,537	26,700
Office Equipment, Furniture and Fittings	**130,983**	152,161	145,595	**128,502**	149,806	145,366
Loose Tools	**220,264**	239,021	208,577	**204,314**	223,135	203,853
Boats / Launches	**2,717**	2,717	2,717	**2,717**	2,717	2,717
	1,573,227	1,631,100	1,693,409	**1,523,613**	1,582,350	1,688,456

	Group			Company		
As At,	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)

12. INVESTMENT PROPERTY

Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	-	2,865	2,865	2,865

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

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

	Group			Company		
As At,	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)

13. INTANGIBLE ASSETS

Cost						
Balance at the beginning of the year	23,558	22,228	21,456	23,558	22,228	21,456
Additions during the year	3,056	1,330	772	3,056	1,331	772
Balance at the end of the year	26,614	23,558	22,228	26,614	23,558	22,228
Amortisation						
Balance at the beginning of the year	20,383	16,220	12,273	20,383	16,220	12,273
Charge during the year	2,795	4,163	3,947	2,795	4,163	3,947
Balance at the end of the year	23,178	20,383	16,220	23,178	20,383	16,220
Carrying Amount	3,436	3,175	6,008	3,436	3,175	6,008

As At,	No. of Shares	Percentage Holding	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
14. INVESTMENTS IN SUBSIDIARIES					
Dockyard General Engineering Services (Private) Limited - Incorporated in Sri Lanka	49,999	100%	500	500	500
Fair Value of Financial Guarantees			406	250	94
Ceylon Shipping Agency (Private) Limited - Incorporated in Singapore	21,500	51%	357	357	357
			1,263	1,107	951

14.1 The Director's assessment of the fair value of investments.

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

	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
Dockyard General Engineering Services (Private) Limited	360,996	258,736	169,000
Ceylon Shipping Agency (Pte) Ltd	49,778	37,764	31,300
	410,775	296,500	200,300

As At,	No. of Shares	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
15. OTHER INVESTMENTS							
15.1 Investments in shares							
Sri Lanka Port Management and Consultancy Services Limited	1,002	813	813	813	813	813	813
Associated Newspapers of Ceylon Limited	10,000	9,374	8,778	7,317	9,379	8,778	7,317
		10,187	9,591	8,130	10,187	9,591	8,130
15.2 Investments in debentures							
Bank of Ceylon PLC - Debentures (Redeemable)		62,875	56,500	55,300	62,875	56,500	55,300
Investment in Bond		-	2,000	2,000		-	-
		62,875	58,500	57,300	62,875	56,500	55,300
		73,062	68,091	65,430	73,062	66,091	63,430

15.2.1 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.

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
16. DEFERRED TAXATION						
Balance at the beginning of the year	135,956	59,583	44,580	133,356	55,567	44,580
Impact on first time adoption of SLFRSs	-	-	(13,585)	-	-	(13,144)
Provision /(Reversal) during the year	(10,813)	76,404	28,588	(6,526)	77,789	24,131
Inter company adjustments	1,686	(31)	-	-	-	-
Balance at the end of the year	126,829	135,956	59,583	126,830	133,356	55,567
Impact on first time adoption of SLFRSs						
Temporary Difference on Property Plant & Equipment	(113,034)	(79,814)	(73,269)	(113,027)	(79,898)	(75,087)
Temporary Difference on Retirement Benefit Obligations	94,241	91,079	107,296	94,241	88,227	104,657
Temporary Difference on Voluntary Retirement Provision	-	-	21,104	-	-	21,104
Temporary Difference on Stock Provision	6,206	6,091	10,048	6,206	6,091	10,048
Temporary Difference on Forward Contracts	23,656	18,177	(10,006)	23,656	18,177	(10,006)
Temporary Difference on Other Provisions	-	8,020	4,410	-	8,534	4,852
Temporary Difference on Warranty Provision	9,704	10,294	-	9,704	10,294	-
Temporary Difference on Tax Losses carried forward	106,056	82,111	-	106,056	82,111	-
	126,836	135,956	59,583	126,830	133,536	55,567
17. INVENTORIES						
Raw Materials	1,215,755	707,492	747,278	1,101,151	671,344	716,510
Consumables	-	16,293	5,742	-	16,293	5,742
Goods in Transit	169,923	15,811	22,019	168,484	17,008	29,080
	1,385,678	739,596	775,039	1,269,636	704,645	751,332
Less: Provision for Inventories (Note:17.1)	(70,564)	(72,127)	(134,115)	(67,709)	(66,458)	(127,408)
	1,315,114	667,469	640,924	1,201,926	638,187	623,924
17.1 Movement in Provision for Inventories						
Balance at the beginning of the year	72,127	134,115	132,521	66,458	127,408	130,824
Provision/(Reversal) made during the year	(1,563)	(61,988)	1,594	1,252	(60,950)	(3,416)
Balance at the end of the year	70,564	72,127	134,115	67,709	66,458	127,408

	Group			Company		
As At,	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
18. TRADE AND OTHER RECEIVABLES						
Trade Receivables	**3,431,501**	3,675,274	1,327,967	**3,323,800**	3,610,401	1,288,788
Less: Provision for Bad and Doubtful Debts	**(37,737)**	(295,742)	(219,997)	**(36,533)**	(295,335)	(219,872)
	3,393,764	3,379,532	1,107,970	**3,287,267**	3,315,066	1,068,916
Accrued Revenue	**1,688,569**	386,190	1,573,206	**1,468,866**	297,733	1,534,769
VAT Recoverable	**242,321**	212,505	202,768	**242,321**	212,369	191,195
Deposits and Prepayments	**2,614,114**	2,372,458	1,910,376	**2,611,069**	2,367,133	1,908,070
Economic Service Charges	**104,278**	76,860	30,853	**104,278**	71,555	30,853
Other Receivables	**242,470**	179,195	130,993	**152,364**	134,936	114,936
	8,285,516	6,606,740	4,956,166	**7,866,165**	6,398,792	4,848,736
19 OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES						
Non Current						
Loans given to employees (Note No. 19.1)	**289,168**	259,052	240,359	**285,146**	255,904	236,624
Pre paid Staff Benefits (Note No. 19.2)	**38,278**	24,452	21,877	**37,945**	24,170	21,484
Derivatives	**-**	100	1,171	**-**	100	1,171
	327,446	283,604	263,407	**323,091**	280,174	259,279
Current						
Loans given to employees (Note No. 19.1)	**135,999**	122,731	119,572	**134,073**	121,374	118,145
Pre paid Staff Benefits (Note No. 19.2)	**17,819**	11,517	10,847	**17,840**	11,424	10,741
Derivatives	**-**	82,151	118,344	**-**	82,151	118,343
Short term investments	**38,000**	108,909	619,500	**-**	58,908	569,500
	191,818	325,308	868,263	**151,913**	273,857	816,729
	519,264	608,912	1,131,670	**475,004**	554,031	1,076,008

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
19.1 Loans given to employees						
Balance at the beginning of the year	417,752	392,656	386,048	412,871	386,994	382,610
Loans Granted during the year	197,900	155,733	127,261	196,522	155,433	123,845
Loans Recovered during the year	(134,388)	(130,637)	(120,654)	(134,389)	(129,555)	(119,461)
	481,264	417,752	392,655	475,004	412,872	386,994
Transfer to Prepaid staff benefits	(56,097)	(35,969)	(32,724)	(55,785)	(35,594)	(32,225)
Balance at the end of the year	425,167	381,783	359,931	419,219	377,278	354,769
19.2 Prepaid Staff Benefits						
Balance at the beginning of the year	35,969	32,724	-	35,594	32,225	-
Additions during the year	25,578	9,774	32,724	25,562	9,666	32,225
Amortization	(5,450)	(6,529)	-	(5,371)	(6,297)	-
Balance at the end of the year	56,097	35,969	32,724	55,785	35,594	32,225
Non Current	(44,878)	(28,775)	(26,179)	(44,628)	(28,475)	(25,780)
Current	11,219	7,194	6,545	11,157	7,119	6,445

The Group provides loans to employees at concessionary rates. These loans are fair valued at initial recognition using level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for the similar loans. The difference between the cost and fair value of employee loans is recognized as prepaid staff benefits. The employee loans are classified as loans and receivables and subsequently measured at amortized cost.

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

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

20. AMOUNTS DUE FROM RELATED PARTIES

Dockyard General Engineering Services (Private) Limited	Subsidiary	-	-	-	33,083	10,716	1,125
		-	-	-	33,083	10,716	1,125

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
21. CASH AND CASH EQUIVALENTS						
21.1 Favourable Balances						
Fixed Deposits	**3,809,658**	3,844,627	3,812,128	**3,701,512**	3,737,571	3,795,419
Repurchase Agreement	**63,251**	-	464,750		-	464,750
Call Deposits	**92,234**	366	1,041,848	**63251**	366	1,041,848
Cash at Bank	**66,806**	245,065	239,666	**92,234**	147,600	54,935
Cash in Hand	**7,721**	7,640	6,517	**6,589**	6,640	6,015
	4,033,080	4,097,698	5,564,909	**3,863,586**	3,892,177	5,362,967
21.2 Unfavourable Balances						
Bank Overdraft	**(27,043)**	(46,815)	(23,992)	**(7)**	(46,815)	(23,472)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	**4,006,038**	4,050,883	5,540,917	**3,863,579**	3,845,362	5,339,495
22. STATED CAPITAL						
Issued and Fully paid						
At the beginning of the year						
71,858,924 Ordinary Shares (2011 - 68,437,071 & 2010 - 68,437,071)	**684,370**	684,370	684,370	**684,370**	684,370	684,370
Capitalization of retained earnings by way of issuing Bonus shares	**34,219**	-	-	**34,219**	-	-
Stamp Duty on issue of Bonus shares	**(4,193)**	-	-	**(4,193)**	-	-
At the end of the year						
71,858,924 Ordinary Shares (2011 - 68,437,071 & 2010 - 68,437,071)	**714,396**	684,370	684,370	**714,396**	684,370	684,370

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

	Group 31.12.2012	Group 31.12.2011	Group 01.01.2011	Company 31.12.2012	Company 31.12.2011	Company 01.01.2011
23. INTEREST BEARING BORROWINGS						
Payable after one year						
Finance Lease Obligations (Note 23.2)	**-**	-	636	**-**	-	-
	-	-	636	**-**	-	-
Payable within one year						
Short Term Loans (Note 23.1)	**1,633,005**	349,007	872,644	**1,633,005**	349,007	872,644
Finance Lease Obligations (Note 23.2)	**-**	636	1,219	**-**	-	-
	1,633,005	349,643	873,863	**1,633,005**	349,007	872,644

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
23.1 Short Term Loans						
Balance at the beginning of the year	349,007	872,644	260,179	349,007	872,644	260,179
Loans obtained during the year	9,237,240	4,349,464	4,301,463	9,237,240	4,349,464	4,301,463
Loan Re-payments during the year	(8,363,780)	(4,941,163)	(3,677,947)	(8,363,780)	(4,941,163)	(3,677,947)
Adjustment in respect of Exchange Rate Fluctuations	410,538	68,062	(11,051)	410,538	68,062	(11,051)
Balance at the end of the year	1,633,005	349,007	872,644	1,633,005	349,007	872,644
23.2 Finance Lease Obligations						
Balance at the beginning of the year	671	2,125	3,355	-	-	-
Less: Payments made during the year	(671)	(1,454)	(1,230)	-	-	-
Gross Lease Obligation at the end of the year	-	671	2,125	-	-	-
Less: Interest in Suspense		(35)	(270)	-	-	-
Net Finance Lease Obligations		636	1,855			-
Payable within one year		636	1,219	-	-	-
Payable after one year		-	636	-	-	-
		636	1,855	-	-	-

24 OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

Non Current						
Grant	276	1,439	4,528	276	1,439	4,528
Danida Loan (Note 24.1)	13,068	34,629	56,130	13,068	34,629	56,130
Derivatives	39,338	126,208	17,334	39,338	126,208	17,334
	52,682	162,276	77,992	52,682	162,276	77,992
Current						
Grant	584	1,085	1,847	584	1,085	1,847
Danida Loan (Note 24.1)	27,689	23,567	22,881	27,689	23,567	22,881
Derivatives	218,713	164,678	11,214	218,713	164,678	11,214
Corporate Gurantees	-	-	-	156	156	94
	246,986	189,330	35,942	247,142	189,486	36,036
	299,668	351,606	113,934	299,824	351,762	114,028

As At,	Group 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
24.1 Movement in DANIDA Loan						
Balance at the beginning of the year	**60,720**	85,386	150,104	**60,720**	85,386	150,104
Effect of Exchange Fluctuations	**8,520**	(590)	(11,760)	**8,520**	(590)	(11,760)
	69,240	84,797	138,344	**69,240**	84,797	138,344
Loan Re-payments during the year	**(27,624)**	(24,077)	(52,958)	**(27,624)**	(24,077)	(52,958)
	41,616	60,720	85,386	**41,616**	60,720	85,386
Recognition of Fair Value of Grant	**(860)**	(2,524)	(6,375)	**(860)**	(2,524)	(6,375)
Balance at the end of the year	**40,756**	58,196	79,011	**40,756**	58,196	79,011
Payable within one year	**(27,689)**	(23,567)	(22,881)	**(27,689)**	(23,567)	(22,881)
Payable after one year	**13,068**	34,629	56,130	**13,068**	34,629	56,130
Balance at the beginning of the year	**2,524**	6375	-	**2,524**	6,375	-
Recognition of Fair Value of Grant	**(1,664)**	(3,851)	6,375	**(1,664)**	(3,851)	6,375
Balance at the end of the year	**860**	2,524	6375	**860**	2,524	6,375

24.2 Details of Securities

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

25. DEFERRED TAXATION

Balance at the beginning of the year	**15**	44	41	**-**	-	-
Provision/(Reversal) during the year	**1,353**	(32)	-	**-**	-	-
Effect of Exchange Fluctuation	**-**	-	3	**-**	-	-
Balance at the end of the year	**1,365**	12	44	**-**	-	-

Deferred Tax provision as at the year end is made up as follows:

Temporary Difference on Property Plant & Equipment	**1,365**	12	44	**-**	-	-
	1,365	12	44	**-**	-	-

As At,	Group 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
26. EMPLOYEE BENEFIT						
Balance at the beginning of the year	972,850	958,974	791,360	962,664	951,433	786,072
Provision made during the year (Note 26.3)	143,556	107,880	212,978	141,898	104,967	210,308
Payments made during the year	(76,274)	(94,006)	(45,364)	(76,274)	(93,736)	(44,947)
Balance at the end of the year (Note 26.1, 26.2)	1,040,132	972,848	958,974	1,028,288	962,664	951,433

Colombo Dockyard PLC

The actuarial valuations have been carried out by M/s Piyal S Goonetileke and Associates for retiring gratuity for employees as at 31st December 2011 amounts to Rs. 962.66 Mn used the following key assumptions.

	2012	2011	2010
Rate of Interest	10%	9.5%	9.5%
Rate of Salary Increment	12%	12%	10%
Rate of COLA Increment	8%	8%	8%
Staff Turnover Factor	1%	1%	1%
Retiring Age (Years)	55	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.

	2012	2011	2010
Rate of Interest	10%	9.5%	11%
Rate of Salary Increment	16%	16%	16%
Staff Turnover Factor	1%	1%	1%
Retiring Age (Years)	55	55	55

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
26.1 The amount recognised in the Balance Sheet are as follows						
Present value of unfunded obligations	**942,438**	888,202	778,003	**930,594**	878,017	770,462
Present value of funded obligations	**-**	-	-	**-**	-	
Total present value of obligations	**942,438**	888,202	778,003	**930,594**	878,017	770,462
Fair value of plan assets	**-**	-	-	**-**	-	
Present value of net obligations	**942,438**	888,202	778,003	**930,594**	878,017	770,462
Unrecognised net actuarial gains/ (losses)	**97,694**	84,647	180,971	**97,694**	84,647	180,971
Recognised liability for defined benefit obligations	**1,040,132**	972,850	958,974	**1,028,288**	962,664	951,433
26.2 Movement in the present value of defined benefit obligations						
Liability for defined benefit obligations at 1st January	**972,848**	958,974	791,360	**962,664**	951,433	786,072
Actuarial (gains)/ losses	**(1,115)**	(10,902)	14,388	**263**	(11,543)	14,388
Benefit paid by the plan	**(76,274)**	(94,007)	(45,364)	**(76,274)**	(93,736)	(44,947)
Current service costs	**55,228**	43,899	75,193	**53,172**	42,287	72,523
Interest Cost	**89,443**	74,884	123,397	**88,463**	74,223	123,397
Liability for defined benefit obligations at 31st December	**1,040,132**	972,850	958,974	**1,028,288**	962,664	951,433
26.3 Expense recognised in Profit or Loss						
Current service costs	**55,228**	43,899	75,193	**53,172**	42,287	72,523
Interest on obligation	**89,443**	74,884	123,397	**88,463**	74,223	123,397
Actuarial Loss/(Gain) recognized during the year	**(1,115)**	(10,902)	14,388	**263**	(11,543)	14,388
	143,556	107,881	212,978	**141,898**	104,967	210,308

As At,	Group 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
27. TRADE AND OTHER PAYABLES						
Trade Payables	505,412	382,402	775,455	314,166	260,493	618,012
Subcontract Payables	1,158,809	1,390,379	1,102,349	1,158,809	1,379,011	1,102,349
Progress Bills	2,203,064	1,642,048	1,802,270	2,203,064	1,642,048	1,802,270
Provision for Warranty Claims (Note 27.1)	106,588	112,326	196,820	106,587	112,324	196,820
Accrued Expenses and Other Provisions	484,477	393,581	605,921	448,933	359,125	567,674
Other Payables	346,991	152,877	370,411	165,740	115,757	346,778
ESC Payable	20,792	-	-	20,792	-	-
VAT Payable	539	539	6,048	539	539	5,999
	4,826,672	4,074,152	4,859,274	4,418,632	3,869,297	4,639,902
27.1 Provision for Warranty Claims						
Balance at the beginning of the year	**112,324**	196,820	198,490	**112,324**	196,820	198,490
Provision made during the year	**255,172**	97,754	194,379	**255,172**	97,754	194,379
Claims/ Reversal made during the year	**(260,908)**	(182,250)	(196,049)	**(260,908)**	(182,250)	(196,049)
Balance at the end of the year	**106,588**	112,324	196,820	**106,588**	112,324	196,820
28. AMOUNTS DUE TO RELATED PARTIES						
Ceylon Shipping Agency(Private) Limited	**-**	-	-	**105,640**	49,116	90,488
Dockyard general Engineering Services (Pvt) Ltd	**-**	-	-	**29,621**	-	-
	-	-	-	**135,261**	49,116	90,488

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)

29. INCOME TAX PAYABLE/ (REFUND)

	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Balance at the beginning of the year	66,707	(9,916)	319,338	46,175	(42,948)	304,682
Provision for Income Tax on current year's profits	37,975	49,703	86,229	7,391	14,553	44,766
Under/(Over) provision of Income Tax in respect of prior year	(2,193)	19,944	(213,870)	-	19,850	(213,870)
Tax paid during the year - Income Tax	(47,169)	(44,264)	(91,570)	(30,342)	-	(71,620)
- Value Added Tax	-	-	(94,660)	-	-	(94,660)
- Withholding Tax	(1,198)	(652)	(2,967)	(325)	7	(2,332)
- Dividend Tax	-	25,165	-	-	25,165	-
- Economic Service Charge	(10,709)	26,727	(12,416)	(7,066)	29,548	(9,914)
Balance at the end of the year	43,413	66,707	(9,916)	15,833	46,175	(42,948)

30. DIVIDENDS PAYABLE

	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Balance at the beginning of the year	16,757	14,912	13,037	16,757	14,912	13,037
Dividends declared during the year	410,622	547,497	547,497	410,622	547,497	547,497
Payments during the year	(408,330)	(545,652)	(545,622)	(408,330)	(545,652)	(545,622)
Balance at the end of the year	19,049	16,757	14,912	19,049	16,757	14,912

31. FINANCIAL INSTRUMENTS

31.1 Financial Instruments - Statement of Financial Position (SOFP)

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

As At, Financial Assets	Note	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Fair value through profit and loss							
SOFP Line Item:							
Other financial assets including derivatives - Non Current	19	-	100	1,171	-	100	1,171
Other financial assets including derivatives - Current	19	-	82,151	118,344	-	82,151	118,344
Total		-	82,251	119,515	-	82,251	119,515

As At, Financial Assets	Note	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Held-to-maturity							
SOFP Line Item:							
Other investments	15	62,875	58,500	57,300	62,875	56,500	55,300
Cash and cash equivalents	21	3,958,553	3,844,993	5,318,724	3,764,763	3,737,937	5,302,017
Total		4,021,428	3,903,493	5,376,024	3,827,638	3,794,437	5,357,317
Loans and receivables							
SOFP Line Item:							
Other financial assets including derivatives - Non Current	19	327,446	283,504	262,236	323,092	280,074	258,108
Trade and other receivables	18	3,562,259	3,606,315	1,213,200	3,391,882	3,498,789	1,187,877
Other financial assets including derivatives - Current	19	191,818	243,157	749,919	151,913	191,706	698,385
Amounts due from related parties	20	-	-	-	33,083	10,716	1,125
Income tax refunds	29	-	-	9,916	-	-	42,948
Total		3,754,077	3,849,472	1,973,035	3,576,878	3,701,211	1,930,335
Available-for-sale							
SOFP Line Item:							
Investment in subsidiaries	14	-	-	-	1,263	1,107	951
Other Investments	15	10,187	9,591	8,130	10,187	9,591	8,130
Total		10,187	9,591	8,130	11,450	10,698	9,081
Cash and cash equivalents	21	74,527	252,705	246,185	98,823	154,240	60,950
		7,860,219	8,097,512	7,722,889	7,514,789	7,742,837	7,477,198

As At, Financial Liabilities	Note	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Fair value through profit and loss							
SOFP Line Item:							
Other financial liabilities including derivatives - Non Current	24	39,338	126,208	17,334	39,338	126,208	17,334
Other financial liabilities including derivatives - Current	24	218,713	164,678	11,214	218,713	164,678	11,214
Total		258,051	290,886	28,548	258,051	290,886	28,548

As At, Financial Liabilities	Note	Group 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)
Other Financial Liabilities							
SOFP Line Item:							
Interest Bearing borrowings- Non Current	23	-	-	636	-	-	-
Other financial liabilities including derivatives - Non Current	24	13,344	36,068	60,658	13,344	36,068	60,658
Interest Bearing borrowings- Current	23	1,633,005	349,643	873,863	1,633,005	349,007	872,644
Trade and other Payables	27	2,225,981	949,334	1,631,615	1,012,498	816,057	1,474,172
Other financial liabilities including derivatives - Current	24	28,273	24,652	24,728	28,429	24,808	24,822
Amounts due to related parties	28	-	-	-	135,251	49,116	90,488
Income Tax payable	29	43,143	66,707	-	15,833	46,175	-
Dividend payable	30	19,049	16,757	14,912	19,049	16,757	14,912
Total		3,962,795	1,443,161	2,606,412	2,857,409	1,337,988	2,537,696
Bank Overdrafts	21	27,043	46,815	23,992	7	46,815	23,472
		4,247,889	1,780,862	2,658,952	3,115,467	1,675,689	2,589,716

31.2 Financial Instruments - Statement of Comprehensive Income (SCI)

Gains and losses from Financial Instruments recognised in Statement of Comprehensive Income are as follows:

	31.12.2012 Gains / Income (Rs.'000)	Losses / Expenses (Rs.'000)	31.12.2011 Gains / Income (Rs.'000)	Losses / Expenses (Rs.'000)
Group				
Financial Assets and Liabilities at fair value through profit or loss	-	49,416	-	299,598
Available-for sale financial Assets (Included in OCI)	-	-	-	-
Held-to maturity Investments	209,410	-	219,334	-
Loans and receivables	40,668	-	40,471	-
Other financial liabilities	41,136	33,859		
Total (Note 07)	250,078	90,552	259,805	333,457
Company				
Financial Assets and Liabilities at fair value through profit or loss	-	49,416	-	299,598
Available-for sale financial Assets (Included in OCI)	-	-	-	-
Held-to maturity Investments	193,484	-	209,977	-
Loans and receivables	40,588	-	39,776	-
Other financial liabilities	-	41,076	-	33,568
Total (Note 07)	234,072	90,492	249,753	333,166

31.3 Financial Instruments Carried at Fair Value

31.3.1 Carrying value of Financial Instrument Carried at Fair Value

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Financial Assets						
Forward Contracts	-	82,251	90,964	-	82,251	90,264
Un quoted equity instruments	10,077	9,482	8,020	10,077	9,482	8,020
	10,077	91,733	98,984	10,077	91,733	98,284
Financial Liabilities						
Forward Contracts	258,056	290,886	-	258,056	290,886	
	258,056	290,886	-	258,056	290,886	-
	(247,979)	(199,153)	98,984	(247,979)	(199,153)	98,284

31.3.2 Fair Values

* The fair value of unquoted equity investment was determined with reference to the net asset value basis.
* The interest rates used to discount estimated cash flows, when applicable, are significantly based on Sri Lanka Inter Bank Borrowing rates. (SLIBOR) and Average weighted Prime Lending Rate (AWPLR) at the reporting dates plus an adequate credit spread, were as follows:

As At,	Group 31.12.2012 (Rs.'000)	Group 31.12.2011 (Rs.'000)	Group 01.01.2011 (Rs.'000)	Company 31.12.2012 (Rs.'000)	Company 31.12.2011 (Rs.'000)	Company 01.01.2011 (Rs.'000)
Forward contracts	N/A	N/A	8 % - 9 %	N/A	N/A	8 % - 9 %
Staff Loans	13.5% - 19.5%	12 % - 14 %	12 % - 14 %	13.5% - 19.5%	12 % - 14 %	12 % - 14 %
Loans received at zero Interest	4 % - 5 %	4 % - 5 %	4 % - 5 %	4 % - 5 %	4 % - 5 %	4 % - 5 %

31.3.3 Fair Value Hierarchy

As at 31.12.2012	Group Level 01 (Rs.'000)	Group Level 02 (Rs.'000)	Group Level 03 (Rs.'000)	Company Level 01 (Rs.'000)	Company Level 02 (Rs.'000)	Company Level 03 (Rs.'000)
Derivative Financial assets						
Available -for-sale Financial Assets			10,077			10,077
	-	-	10,077	-	-	10,077
Derivative Financial Liabilities	-	258,056	-	-	258,056	-
	-	258,056	-	-	258,056	-

As at 31.12.2011	Group Level 01 (Rs.'000)	Level 02 (Rs.'000)	Level 03 (Rs.'000)	Company Level 01 (Rs.'000)	Level 02 (Rs.'000)	Level 03 (Rs.'000)
Derivative Financial assets	-	82,251	-	-	82,251	-
Available -for-sale Financial Assets	-		9,482	-		9,482
	-	82,251	9,482	-	82,251	9,482
Derivative Financial Liabilities	-	290,886	-	-	290,886	-
	-	290,886	-	-	290,886	-

Level 01 : Quoted prices (Unadjusted) in active markets for identical assets or liabilities.
Level 02 : Inputs other than quoted prices included within level 01 that are observable for the assets or liabilities either directly or indirectly.
Level 03 : Inputs for the assets or liabilities that are not based on observable market data.

31.4 Financial Risk Management

Overview

The Group has exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risks (Including currency risk and interest rate risk)

This note present qualitative and quantitative information about the Group's exposure to each of the above risks, The Group's objectives, policies and procedures for measuring and managing risk.

Risk Management Framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

31.4.1 Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the group's receivables from customers ,investments and forward contracts.

Group's credit exposure is closely monitored. Credit given is reviewed with the pre-determine approval procedures and contractual agreement made for every high value transactions.

The carrying amount of Financial assets represent the maximum credit exposure. The maximum exposure to the credit risk at 31.12.2012 is:

Financial Assets	Carrying Amount Group (Rs.'000)	Carrying Amount Company (Rs.'000)
Available-for-sale financial assets	10,187	11,450
Held to maturity investments	4,021,428	3,827,638
Loans and receivables	3,754,077	3,576,878
Cash and cash equivalents	74,527	98,823
	7,860,219	7,514,789

	Group		Company	
As At,	Carrying Amount 31.12.2012 (Rs.'000)	Impairment 31.12.2012 (Rs.'000)	Carrying Amount 31.12.2012 (Rs.'000)	Impairment 31.12.2012 (Rs.'000)
Loans and receivable	3,754,077	37,737	3,576,878	36,533
	3,754,077	37,737	3,576,878	36,533

31.4.2 Liquidity Risk

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

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

Group	Carrying Value (Rs.'000)	Contractual Cash Flow (Rs.'000)	Less Than one year (Rs.'000)	More Than one Year (Rs.'000)
Financial Liability				
Fair value through profit or loss	258,051	258,051	218,713	39,338
Other financial liabilities	3,962,795	3,962,795	3,949,451	13,344
Bank overdrafts	27,043	27,043	27,043	-
	4,247,899	4,247,899	4,195,217	52,682

Company	Carrying Value (Rs.'000)	Contractual Cash Flow (Rs.'000)	Less Than one year (Rs.'000)	More Than one Year (Rs.'000)
Financial Liability				
Fair value through profit or loss	258,051	258,051	218,713	39,338
Other financial liabilities	2,857,409	2,857,409	2,844,065	13,344
Bank overdrafts	7	7	7	-
	3,115,467	3,115,467	3,062,785	52,682

31.4.3 Market Risk

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

31.4.3.1 Currency Risk

The group is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

This risk is minimised by hedging the currency' either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts. Where feasible, contracts are executed on a basket of currencies, minimising the potential risks.

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year ended 31.12.2012 are as follows:

		Closing Rate	
	Average rate	Buying	Selling
U.S Dollar	127.3	125.8	128.8
Euro	168.3	165.1	171.5
Danish Kroners	22.6	22	23.1
Singapore Dollars	104.1	102.3	106.1
Japanese Yen	1.1	1.4	1.5

31.4.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The group exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligation and Investments with floating Interest rates.

However the company does not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

The Group's utilise various financial instruments to manage exposures to interest rate risks arising due to Financial instruments.

32. CONTINGENT LIABILITIES

(a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 3,673,005,059/- (31-12-11 - Rs. 3,907,333,905/-) 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	140,292	27,617	2,365,324	14,204	2,547,437
Commercial Bank of Ceylon PLC	296,807	330,887	-	-	627,694
National Development Bank PLC	-	-	-	10,600	10,600
Sampath Bank PLC	3,376	1,313	-	678	5,367
Hongkong & Shanghai Banking Corp.	481,908	-	-	-	481,908
	440,473	359,817	2,365,324	25,482	3,673,006

(b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of followings amounting to Rs. 2,979,500,000 /- (2011 - Rs. 2,675,280,000/-) 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	-	-	250,000	250,000
True Champion Pte Ltd	Customer	682,375	-	-	682,375
Abundant Assets Pte Ltd	Customer	682,375	-	-	682,375
High Fortune Pte Ltd	Customer	682,375	-	-	682,375
Blue Castle Pte Ltd	Customer	682,375	-	-	682,375
		2,729,500	-	250,000	2,979,500

(c) (i) An arbitration between Nautical Lines Ltd and Colombo Dockyard PLC
The case bearing No. HC (ARB) 1515/2003 filled in respect of the Arbitration Award made against Colombo Dockyard PLC (CDPLC), on a claim of US$ 3,027,493/- together with interest at 9% per annum from 26th November 2002 for violating the copyrights and sum of US$ 316,440/- as the cost of arbitration made by Nautical Lines Ltd. It was concluded in June 2004 in favour of 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 said Supreme Court appeal has been listed for hearing on 28th May 2013 (SC Appeal CHC - 05/2008)

(ii) A case filed by the Company against bonded employee to recovery of bond in District Court: DC Colombo 39481/MR.
(iii) High Court appeals filed against the LT orders: HCALT 35/2010, HCALT 37/2010, HCALT 40/2010,HCALT 29/2011, HCALT 101/2011.
(iv) In District Court case No. 14762/MR which was filed by the Company against two parties to recover payments due to the Company on ship repairs carried out, judgment was made in favour of the Company. One party has appealed against the said judgment.
The said Appeal filed in the Court of Appeal has been fixed for hearing on 4th April 2013. [CA 590/2000 (F)].
(v) Leave to Appeal application filed against the judgment made in HCALT 11/2009 in which the judgment made in favour of the Company upholding the LT order in LT 2512/2003. No Order was made by the Court as the Petitioner was not present and represented. (SC/SPL/LA/204/2011).

(d) The Company has entered into the forward rate agreements to purchase currency as follows:

The total value of the transactions are Rs.2,453,852,381/- (2011- Rs.6,218,855,443/-) as at the Balance Sheet date.

Sales Contract		Rs.
USD	19,059,048	2,453,852,381
		2,453,852,381

33. CAPITAL COMMITMENTS
There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2012.

34. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Paticulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering	Mangala P.B. Yapa	Subsidiary	Purchase of Material	1,466
Services (Pvt) Ltd	A. Nakauchi		Management Services	918
	Y. Kijima		Lease Rental Received	1,224
			Subcontractor Services	166,625
			Heavy Engineering	31,468
			Dividend Received	8,100
			Bond Handling	8,307
			Transportation	8,053
Ceylon Shipping Agency (Pvt) Ltd	A. Nakauchi	Subsidiary	Purchase of Material	990,119
	Mangala P.B. Yapa		Services	3,625
	Sarath De Costa			
Onomichi Dockyard Company Ltd	T. Nakabe	Parent	Technical services	77,155

This note should be read in conjunction with Note Nos. 8, 14, 20, 28, and 34(A) to these Financial Statements.

(A) Transactions with Key Managerial Personnel

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

(i) Loans to the Directors

No loans have been granted to the Directors of the Company.

(ii) Compensation paid to Key Management Personnel

	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000
Short Term Employment Benefit	63,753	62,392	61,894
Long Term Employee Benefit	34,593	30,599	29,334

(iii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 34(A) to these Financial Statements.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors have authorized the payment of Rs. 8.00 per share as first and final dividend for the year ended 31st December 2012 (Rs. 6.00 - 2011).
In accordance with Sri Lanka Accounting Standards - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2012.

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.

36. COMPARATIVE INFORMATION

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

37. EXPLANATION OF TRANSITION TO SLFRSs

As stated in Note 2(1), these are the Group's first consolidated financial statements prepared in accordance with SLFRSs. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of an opening SLFRS statement of financial position at 1 January 2011 (the Group's date of transition).

In preparing its opening SLFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with SLASs (Previous GAAP). An explanation of how the transition from previous SLASs to SLFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

37.1 Reconciliation of comprehensive income for the year ended 31 December 2011

		Group 2011			Company 2011		
Description	**Notes**	**SLAS Rs.'000**	**Adj Rs.'000**	**SLFRS Rs.'000**	**SLAS Rs.'000**	**Adj Rs.'000**	**SLFRS Rs.'000**
Revenue		12,803,164	-	12,803,164	12,195,368	-	12,195,368
Cost of Sales	a	(10,491,764)	(43,710)	(10,535,474)	(10,120,527)	(43,710)	(10,164,237)
Gross Profit		2,311,400	(43,710)	2,267,690	2,074,841	(43,710)	2,031,131
Other Income	e/g	631,907	3,851	635,758	637,100	3,945	641,045
Distribution Expenses		(26,655)	-	(26,655)	(19,724)	-	(19,724)
Administrative Expenses	c/d	(1,321,833)	(2,620)	(1,324,453)	(1,229,084)	(2,327)	(1,231,411)
Other (Expenses)/Reversal		58,389	-	58,389	58,389	-	58,389
Net Finance Income/ (Expense)	a/d/e/f	179,558	(253,210)	(73,652)	170,029	(253,442)	(83,413)
Profit before Tax		1,832,766	(295,689)	1,537,077	1,691,551	(295,534)	1,396,017
Income Tax (Expense)/ Reversal	c/f	(21,774)	28,531	6,757	14,959	28,426	43,385
Profit for the period		1,810,992	(267,158)	1,543,834	1,706,510	(267,108)	1,439,402
Other comprehensive income							
Change in fair value of available-for-sale financial assets	h	-	1,462	1,462	-	1,462	1,462
Foreign currency translation differences		(5,017)	-	(5,017)	-	-	-
Other comprehensive income for the period (Net of tax)		(5,017)	1,462	(3,555)	-	1,462	1,462
Total comprehensive income for the period		1,805,975	(265,696)	1,540,279	1,706,510	(265,646)	1,440,864

37.2 Reconciliation of equity

As at		Group						Company					
		January 01, 2011			31 December 2011			January 01, 2011			31 December 2011		
		SLAS	Adj	SLFRS	SLAS	Adj	SLFRS	SLAS	Adj	SLFRS	SLAS	Adj	SLFRS
Description	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS													
Non-Current Assets													
Property, Plant and Equipment	b	2,273,498	14,300	2,287,798	2,545,757	14,300	2,560,056	2,251,544	-	2,251,544	2,513,657	-	2,513,657
Investment Property		-	-	-	-	-	-	2,865	-	2,865	2,865	-	2,865
Intangible Assets		6,008	-	6,008	3,175	-	3,175	6,008	-	6,008	3,175	-	3,175
Investment in Subsidiaries	g	-	-	-	-	-	-	857	94	951	857	250	1,107
Other Investments	h	57,410	8,020	65,430	58,610	9,481	68,091	55,410	8,020	63,430	56,610	9,481	66,091
Deferred Tax Assets	j	73,168	(13,585)	59,583	121,010	14,946	135,956	68,711	(13,144)	55,567	118,074	15,282	133,356
Other Financial Assets including Derivatives	d/f/i	-	263,407	263,407	-	283,604	283,604	-	259,279	259,279	-	280,174	280,174
Total Non-Current Assets		2,410,084	272,142	2,682,226	2,728,552	322,331	3,050,882	2,385,395	254,249	2,639,644	2,695,238	305,187	3,000,425
Current Assets													
Inventories		640,924	-	640,924	667,469	-	667,469	623,924	-	623,924	638,187	-	638,187
Trade and Other Receivables	c/d/i	5,319,034	(362,870)	4,956,164	6,990,795	(384,055)	6,606,740	5,207,209	(358,468)	4,848,736	6,779,166	(380,373)	6,398,792
Other Financial Assets including Derivatives	d/f/i	-	868,263	868,263	-	325,308	325,308	-	816,729	816,729	-	273,857	273,857
Amounts due from Related Parties		-	-	-	-	-	-	1,125	-	1,125	10,716	-	10,716
Income Tax Refund		9,916	-	9,916	-	-	-	42,948	-	42,948	-	-	-
Short Term Investment	i	619,500	(619,500)	-	108,908	(108,908)	-	569,500	(569,500)	-	58,908	(58,908)	-
Cash and Cash Equivalents		5,564,909	-	5,564,909	4,097,698	-	4,097,698	5,362,967	-	5,362,967	3,892,177	-	3,892,177
Total Current Assets		12,154,283	(114,107)	12,040,178	11,864,870	(167,655)	11,697,215	11,807,673	(111,239)	11,696,429	11,379,154	(165,424)	11,213,730
Total Assets		14,564,367	158,035	14,722,404	14,593,422	154,677	14,748,097	14,193,068	143,010	14,336,073	14,074,392	139,762	14,214,154
EQUITY AND LIABILITIES													
Stated Capital		684,370	-	684,370	684,370	-	684,370	684,370	-	684,370	684,370	-	684,370
Foreign Exchange Equalisation Reserve	k	6,313	(6,313)	-	(2,988)	-	(2,987)	-	-	-	-	-	-
Available-for-sale reserves	h	-	8,020	8,020	-	9,481	9,482	-	8,020	8,020	-	9,481	9,482
Retained Earnings	k	7,025,279	127,780	7,153,059	8,288,099	(145,691)	8,142,408	6,830,455	106,348	6,936,804	7,989,469	(160,761)	7,828,709
Equity Attributable to Equity holders of the Parent		7,715,962	129,487	7,845,449	8,969,481	(136,210)	8,833,273	7,514,825	114,368	7,629,194	8,673,839	(151,280)	8,522,561
Minority Interest		31,326	-	31,326	36,284	-	36,284	-	-	-	-	-	-
Total Equity		7,747,288	129,487	7,876,775	9,005,765	(136,210)	8,869,557	7,514,825	114,368	7,629,194	8,673,839	(151,280)	8,522,561

37.2 Reconciliation of equity Contd.

As at		Group						Company					
		January 01, 2011			31 December 2011			January 01, 2011			31 December 2011		
		SLAS	Adj	SLFRS	SLAS	Adj	SLFRS	SLAS	Adj	SLFRS	SLAS	Adj	SLFRS
Description	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-Current Liabilities													
Interest Bearing Borrowings	e/i	61,320	(60,684)	636	36,432	(36,432)	-	60,684	(60,684)	-	36,432	(36,432)	-
Deferred Tax Liability		44	-	44	12	-	12	-	-	-	-	-	-
Employee Benefit		958,974	-	958,974	972,848	-	972,848	951,433	-	951,433	962,664	-	962,664
Other Financial Liabilities including Derivatives	e/f/i	-	77,992	77,992	-	162,276	162,276	-	77,992	77,992	-	162,276	162,276
Total Non-Current Liabilities		1,020,338	17,308	1,037,646	1,009,295	125,844	1,135,136	1,012,117	17,308	1,029,425	999,096	125,844	1,124,940
Current Liabilities													
Interest Bearing Borrowings	e/i	898,565	(24,702)	873,863	373,931	(24,288)	349,643	897,346	(24,702)	872,644	373,295	(24,288)	349,007
Trade and Other Payables		4,859,274	-	4,859,274	4,074,152	-	4,074,152	4,639,902	-	4,639,902	3,869,297	-	3,869,297
Other Financial Liabilities including Derivatives	e/f/g/i	-	35,942	35,942	-	189,330	189,330	-	36,036	36,036	-	189,486	189,486
Amounts due to Related Parties		-	-	-	-	-	-	90,488	-	90,488	49,116	-	49,116
Income Tax Payable		-	-	-	66,707	-	66,707	-	-	-	46,175	-	46,175
Dividends Payable		14,912	-	14,912	16,757	-	16,757	14,912	-	14,912	16,757	-	16,757
Bank Overdraft		23,992	-	23,992	46,815	-	46,815	23,472	-	23,472	46,815	-	46,815
Total Current Liabilities		5,796,741	11,240	5,807,983	4,578,361	165,042	4,743,404	5,666,125	11,333	5,677,454	4,401,457	165,198	4,566,653
Total Equity, Liabilities		14,564,367	158,035	14,722,404	14,593,422	154,676	14,748,097	14,193,067	143,010	14,336,073	14,074,392	139,762	14,214,154

(a) Under SLASs, Group expensed borrowing cost as incurred. At the date of transition the Group elected to capitalise borrowing cost only in respect of qualifying assets for which the commencement date of capitalisation was on or after January 01, 2010. The borrowing cost incurred in respect of the qualifying assets, constructed for sale, is identified as a direct cost of inventory and charge to the cost of sales when recognises sales.

	Group		Company	
	01.01.2011	31.12.2011	01.01.2011	31.12.2011
Consolidated statement of comprehensive income				
Cost of Sales	-	43,710	-	43,710
Net Finance Income / (Expenses)	-	(43,710)	-	(43,710)
Adjustment Before Income tax	-	-	-	-
Consolidated statement of financial position				
Adjustment to retained earnings	-	-	-	-

(b) The Group has elected to measure it's Land at the fair value at the date of transition and use that fair value as its deemed cost at that date.
The company determine the fair value with reference to the valuation made by chartered valuation firm, Sunil Fernando & Associate (pvt) LTD, on 13 December 2010, since it is broadly comparable to the fair value as at the transition date. This figure has been recognised against retained earnings.

	Group		Company	
	01.01.2011 (Rs.'000)	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Consolidated statement of comprehensive income				
Adjustment Before Income tax	-	-	-	-
Consolidated statement of financial position				
Property, Plant and Equipment	14,300	14,300		
Adjustment to retained earnings	14,300	14,300	-	-

(c) Under SLASs, the provision for trade receivables consists of both specific amount for incurred losses and general amount for expected future losses. SLFRSs does not permit recognition of provision for expected future losses and this amount has been eliminated against retained earnings at January 01, 2011 (Transition date). The effect on earnings for the year ended December 31, 2011 is also recognised in profit for the year under SLFRSs.

	Group		Company	
	01.01.2011 (Rs.'000)	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Consolidated statement of comprehensive income				
Administrative Expenses	-	(3,910)	-	(3,970)
Adjustment Before Income tax	-	(3,910)	-	(3,970)
Taxation	-	252	-	357
Adjustment After Income tax	-	(3,657)	-	(3,613)
Consolidated statement of financial position				
Trade and Other Receivables	29,788	33,698	28,529	32,499
Related Taxation Effect	(3,579)	(3,831)	(3,138)	(3,495)
Adjustment to retained earnings	26,209	29,867	25,390	29,003

(d) The company grants loans at concessionary rates to It's employees. Under SLASs the capital outstanding is recognised as a receivable and interest income is recognised at concessionary rates. Under SLFRSs these loans have been initially measured at Fair value and subsequently at the amortised cost. Interest income is recognised using effective interest rate (EIR) method. Employment cost is recognised to the extend of the concession granted ,relates to the employment.

	Group		Company	
	01.01.2011 (Rs.'000)	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Consolidated statement of comprehensive income				
Net Finance Income / (Expenses)	-	(6,530)	-	(6,297)
Administrative Expenses	-	6,530	-	6,297
Adjustment Before Income tax	-	-	-	-
Consolidated statement of financial position				
Trade and Other Receivables - Staff loans	(32,725)	(35,970)	(32,225)	(35,594)
Other Financial Assets including Derivatives - Non current	21,877	24,452	21,484	24,170
Other Financial Assets including Derivatives - Current	10,848	11,518	10,741	11,424
Adjustment to retained earnings	-	-	-	-

(e) The company has obtained a loan in interest free terms. Under SLASs the company recognise principal outstanding as a liability and no interest expense was recognised. Under SLFRSs the loan is to be initially recognised at Fair value at the date of transition and subsequently measured at amortised cost. Interest expense is recognised using effective interest rate (EIR) method.

	Group		Company	
	01.01.2011 (Rs.'000)	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Consolidated statement of comprehensive income				
Other Income	-	(3,851)	-	(3,851)
Net Finance (Income) / Expenses	-	3,851	-	3,851
Adjustment Before Income tax	-	-	-	-
Consolidated statement of financial position				
Interest Bearing Borrowings - Non Current	4,554	1,803	4,554	1,803
Interest Bearing Borrowings - Current	1,821	721	1,821	721
Other financial liabilities including derivatives - Non Current	(4,528)	(1,439)	(4,528)	(1,439)
Other financial liabilities including derivatives - Current	(1,847)	(1,085)	(1,847)	(1,085)
Adjustment to retained earnings	-	-	-	-

(f) Under SLASs, company recognised profit or loss arisen from forward contracts at the settlement dates, directly in the profit or loss. SLFRSs requires the company to recognised forward contracts at it fair value at each reporting date and recognised fair value changes in the profit or loss accordingly.

	Group		Company	
	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)
Consolidated statement of comprehensive income				
Net Finance Income / Expense	-	299,599	-	299,599
Adjustment Before Income tax	-	299,599	-	299,599
Taxation	-	(28,783)	-	(28,783)
Adjustment After Income tax	-	270,816	-	(28,783)
Consolidated statement of financial position				
Other financial assets including derivatives - Non Current	1,171	100	1,171	100
Other financial assets including derivatives - Current	118,344	82,151	118,344	82,151
Other financial liabilities including derivatives - Non Current	(17,334)	(126,208)	(17,334)	(126,208)
Other financial liabilities including derivatives - Current	(11,217)	(164,678)	(11,217)	(164,678)
Related Taxation Effect	(10,006)	18,777	(10,006)	18,777
Adjustment to Retained Earnings	80,958	(189,858)	80,958	(189,858)

(g) Colombo Dockyard PLC (parent) has issued corporate guarantees to it's subsidiary, Dockyard General Engineering Services (Pvt) Ltd. These guarantee's fall within the definition of financial guarantee contracts. Under SLFRSs these guarantees to be recognised as financial liability and amortised during the period of guarantee.

	Group		Company	
	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)
Consolidated statement of comprehensive income				
Net Finance Income / Expense				
Other Income	-	-	-	(94)
Adjustment Before Income tax	-	-	-	(94)
Consolidated statement of financial position				
Investments in subsidiaries	-	-	94	250
Other financial liabilities including derivatives - Current	-	-	(94)	(156)
Adjustment to Retained Earnings	-	-	-	94

(h) Under SLASs, the Group accounted investment in unquoted equity shares at cost. Under SLFRSs the Group has designated such as available-for-sale financial assets, measured at fair value. Differences has been recognised as a separate component of equity.

	Group		Company	
	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)
Consolidated statement of comprehensive income				
Adjustment Before Income tax	-	-	-	-
Consolidated statement of financial position				
Non current assets - other Investments	8,020	9,481	8,020	9,481
Available-for-sale Reserves	(8,020)	(8,020)	(8,020)	(8,020)
Other comprehensive income	-	(1,461)	-	(1,461)
Related tax effect	-	-	-	-
Adjustment to retained earnings	-	-	-	-

(i) The following re-classifications have been made on the date of transition

- Loans given to employees, which was classified under trade and other receivables reclassified to other financial assets including derivatives, with a recognition of current and non current elements.
- Short term investments which were in the face of SOFP were reclassified to other financial assets including derivatives
- "Danida" loan (Note - 24.1) which was categorised under interest bearing borrowings reclassified to other current liabilities including derivatives, with a recognition of current and non current elements.

		Group		Company	
		01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)	01.01.2011 (Rs.'000)	31.12.2011 (Rs.'000)
Other Financial Assets including Derivatives - Non current	Inc / (Dec)	240,359	259,052	236,624	255,904
Trade and Other Receivables	Inc / (Dec)	(359,933)	(381,783)	(354,771)	(377,278)
Other Financial Assets including Derivatives - current	Inc / (Dec)	739,071	231,639	687,644	180,282
Short Term Investment	Inc / (Dec)	(619,500)	(108,908)	(569,500)	(58,908)
Interest Bearing Borrowings - Non current	(Inc) / Dec	56,130	34,629	56,130	34,629
Other Financial Liabilities including Derivatives - Non current	(Inc) / Dec	(56,130)	(34,629)	(56,130)	(34,629)
Interest Bearing Borrowings - Current	(Inc) / Dec	22,881	23,567	22,881	23,567
Other Financial Liabilities including Derivatives - current	(Inc) / Dec	(22,881)	(23,567)	(22,881)	(23,567)
Adjustment to Retained Earnings		-	-	-	-

The above changes do not have any impact on Group's financial position, financial performance and cash flows as at each reporting dates.

(j) The above changes increase / (Decrease) the differed tax assets as follows:

		Group		Company	
	Note	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Bad debt general provision	c	(3,579)	(3,831)	(3,138)	(3,495)
Forward contracts	f	(10,006)	18,777	(10,006)	18,777
Increase / (Decrease) differed Tax asset		(13,585)	14,946	(13,144)	15,282

(k) The above changes (Increase) / (Decrease) retained earnings as follows:

		Group		Company	
		01.01.2011 (Rs.'000)	**31.12.2011 (Rs.'000)**	**01.01.2011 (Rs.'000)**	**31.12.2011 (Rs.'000)**
Property plant and equipment	b	14,300	14,300	-	-
Bad debt general provision	c	26,209	29,867	25,390	29,003
Forward contracts	f	80,958	(189,858)	80,958	(189,858)
Financial guarantees	g	-	-	-	94
Elimination of foreign currency translation reserves		6,313	-	-	-
		127,780	(145,691)	106,348	(160,761)

Ten Years Financial Summary

For the year ended 31st December	2012 Rs. Mn (SLFRS)	2011 Rs. Mn (SLFRS)	2010 Rs. Mn (SLAS)	2009 Rs. Mn (SLAS)	2008 Rs. Mn (SLAS)	2007 Rs. Mn (SLAS)	2006 Rs. Mn (SLAS)	2005 Rs. Mn (SLAS)	2004 Rs. Mn (SLAS)	2003 Rs. Mn (SLAS)
Income Statement										
Revenue	**15,728**	12,195	14,057	13,160	10,929	8,621	7,333	5,916	4,749	2,683
Cost of Production	**(13,028)**	(10,164)	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)	(4,075)	(2,129)
Gross Profit	**2,700**	2,031	3,079	3,362	2,501	2,125	1,502	666	674	554
Other Expenses	**(1,411)**	(1,193)	(1,579)	(1,349)	(1,110)	(1,029)	(832)	(669)	(548)	(556)
Profit before Other Income	**1,289**	838	1,500	2,013	1,391	1,096	670	(3)	126	(2)
Other Operating Income	**470**	641	147	128	123	195	209	91	71	44
PROFIT FROM OPERATION	**1,759**	1,479	1,647	2,141	1,514	1,291	879	88	197	42
Net Interest Costs	**144**	(83)	174	183	161	(5)	(57)	(52)	(8)	(24)
Profit before Tax	**1,903**	1,396	1,821	2,324	1,675	1,286	822	36	189	18
Taxation	**(14)**	43	193	(199)	(252)	(203)	(215)	21	(4)	37
NET PROFIT FOR THE YEAR	**1,889**	1,439	2,014	2,125	1,423	1,083	607	57	185	55
Retained Profit b/f	**7,829**	6,937	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122
Profit available for Appropriation	**9,718**	8,376	7,377	5,842	3,945	2,718	1,716	1,233	1,269	1,177
Issue of Bonus Shares	**(34)**	-	-	-	(32)		(31)			
Final Dividends	**(411)**	(547)	(547)	(479)	(196)	(196)	(50)	(124)	(93)	(93)
	9,273	7,829	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084

Balance Sheet

As at 31st December	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS										
Property Plant & Equipment	**3,900**	2,514	2,254	2,051	2,146	1,826	1,607	1,363	1,109	1,158
Investments & Other Financial Assets/Derivatives	**530**	486	131	112	77	1	1	1	1	1
	4,430	3,000	2,385	2,163	2,223	1,827	1,608	1,364	1,110	1,159
Current Assets										
Inventories	**1,202**	638	624	754	937	887	486	546	285	324
Trade & Other Receivables	**8,383**	6,684	5,251	6,893	5,642	7,175	2,007	1,791	1,549	1,110
Cash & Short -term funds	**3,864**	3,892	5,933	3,880	3,606	1,683	1,740	1,678	1,395	550
	13,449	11,214	11,808	11,527	10,185	9,745	4,233	4,015	3,229	1,984
TOTAL ASSETS	**17,547**	14,214	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143

For the year ended 31st December	2012 Rs. Mn (SLFRS)	2011 Rs. Mn (SLFRS)	2010 Rs. Mn (SLAS)	2009 Rs. Mn (SLAS)	2008 Rs. Mn (SLAS)	2007 Rs. Mn (SLAS)	2006 Rs. Mn (SLAS)	2005 Rs. Mn (SLAS)	2004 Rs. Mn (SLAS)	2003 Rs. Mn (SLAS)
EQUITY & LIABILITIES										
Stated Capital	**714**	684	684	684	684	652	652	621	621	621
Available for Re-sale Reserves	10	9	-	-	-	-	-	-	-	-
Revenue Reserves	**9,273**	7,829	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084
Share Holders Fund (Net Worth)	**9,997**	8,522	7,514	6,047	4,401	3,174	2,287	1,730	1,797	1,705
Non-Current Liabilities										
Interest bearing Borrowings /Other Financial Liabilities	**52**	161	61	94	148	227	253	286	217	209
Deferred Taxation	**-**	-	-	-	62	103	119	155	203	
Retirement benefit Obligation	**1,028**	963	951	786	689	468	393	334	279	220
	1,080	1,124	1,012	880	837	757	749	739	651	632
Current Liabilities										
Trade & Other Payables	**4,547**	4,128	4,732	6,048	5,435	5,341	1,147	981	734	453
Interest bearing Borrowings /Other Financial Liabilities	**1,880**	538	897	315	1,246	1,676	1,102	1,472	500	179
Income Tax Payable	**16**	46	-	305	329	319	193	4	(2)	(48)
Dividends Payable	**19**	17	15	13	7	6	5	4	3	3
Bank Overdraft	**7**	47	23	82	153	299	358	449	656	219
	6,469	4,566	5,667	6,763	7,170	7,641	2,805	2,910	1,891	806
	17,547	14,214	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143
Key Indicators										
Earnings per Share (basic) Rs.	**26.60**	21.03	29.44	31.05	20.80	16.60	9.31	0.94	2.98	0.86
Net Assets per Share (Rs.)	**139.01**	124.40	109.81	88.37	64.31	48.69	35.10	27.87	28.97	27.45
Market Price per Shares (Rs.)	**224.00**	238.80	275.00	244.75	50.00	53.00	36.00	22.25	22.50	21.00
Return on Capital Employed (%)	**17.6%**	17.3%	21.7%	35.0%	33.3	37.9	34.6	4.4	9.8	2.2
Dividend Paid per Share (Rs.)	**8.00**	6.00	8.00	7.00	3.00	3.00	0.80	1.50	1.50	1.50
Current Ratio (Times)	**2.07**	2.45	2.08	1.70	1.43	1.28	1.51	1.38	1.31	2.46
Interest Cover (Times)	**22.2**	20.1	29.78	31.2	21.66	10.65	8.34	1.06	6.37	1.03

Notes

COLOMBO DOCKYARD PLC
(Company Registration No. PQ 50)
P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Colombo Dockyard PLC will be held at the Grand Ballroom, Galadari Hotel, No.64, Lotus Road, Colombo 1, Sri Lanka at 10.00 a.m. on the 27th day of March 2013 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 2012 and the Report of the Auditors.

2. To re-elect Mr. Lalith Ganlath in terms of Article 87 of the Articles of Association of the Company.

3. To re-elect Mr. H. A. R. K. Wickramathilake in terms of Article 87 of the Articles of Association of the Company.

4. To re-appoint Messrs. KPMG, the retiring Auditors and authorize the Directors to fix their remuneration.

5. To authorize the Directors to determine donations for the year 2013 and up to the date of the next Annual General Meeting.

By order of the Board
COLOMBO DOCKYARD PLC

Manori P. Mallikarachchi
Company Secretary

22nd February 2013
Colombo, Sri Lanka

Notes

01) Any member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.

02) A proxy need not be a member of the Company.

03) The Form of Proxy is enclosed for this purpose.

04) The completed Form of Proxy must be deposited at the Registered Office of the Company, Graving Docks, Port of Colombo, Colombo 15, Sri Lanka, not later than 45 hours prior to the time appointed for the holding of the meeting.

Please bring your National Identity Card when attending the meeting.

Form of Proxy

COLOMBO DOCKYARD PLC
(Company Registration No. PQ 50)
P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

I/We ....

(NIC No.) .... of ....

....

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

.... of ....

.... (or failing him/her)

A. Nakauchi	of Colombo (or failing him)
Sarath De Costa	of Colombo (or failing him)
Mangala P. B. Yapa	of Colombo (or failing him)
T. Nakabe	of Colombo (or failing him)
Y. Kijima	of Colombo (or failing him)
Lalith Ganlath	of Colombo (or failing him)
H. A. R. K. Wickramathilake	of Colombo (or failing him)
Janaki Kuruppu	of Colombo (or failing her)
P. Kudabalage	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on 27th March 2013 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 Thirteen.

....
Signature

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

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company, Graving Docks, Port of Colombo, Colombo 15, Sri Lanka on or before forty five hours before the time appointed for the meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. If the appointor is a Company/incorporated body, this Form must be executed in accordance with the Articles of Association/Statute.

Please fill the details :

Share Certificate No./CDS Account No. : ....

Name : ....

Address : ....

Jointly with : ....

Corporate Information

Name of Company
Colombo Dockyard PLC

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

Company Registration Number
PQ 50 Founded 1974

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

Tax Registration Numbers

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

Directors

A. Nakauchi	-	Chairman
Sarath De Costa	-	Vice-Chairman
Mangala P. B. Yapa	-	Managing Director/CEO
Lalith Ganlath		
H. A. R. K. Wickramathilake		
Y. Kijima		
T. Nakabe		
Janaki Kuruppu		
P. Kudabalage		
Y. Imai	-	Alternate Director
N. Nishida	-	Alternate Director

Audit & Remuneration Committee
H. A. R. K. Wickramathilake - Chairman
Lalith Ganlath
Sarath De Costa

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

General Management

Mangala P. B. Yapa	-	Managing Director/CEO
D. V. Abeysinghe	-	General Manager (Projects & Engineering)
R. Wijegunawardana	-	General Manager (Finance)
N.M.K.B. Nayakarathna	-	General Manager (Commercial)
H.S. Perera	-	General Manager (Production)
Mangala De Silva	-	General Manager (Human Recourse Redevelopment & Administration)
T.G. Weerasinghe	-	General Manager (Dockyard General Engineering Services (Pvt) Ltd.)

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. Tel: 0112 527980

Ceylon Shipping Agency (Pte) Ltd
No. 35, Selegie Road # 09-16, Parklane Shopping Mall
Singapore - 188307. Tel: 0065 63377751

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

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, Colombo 1

Sampath Bank PLC
No 110, Sir James Pieris Mawatha, Colombo 2

National Development Bank PLC
103 A, Dharmapala Mawatha, Colombo 7

The Hongkong & Shanghai Banking Corporation Limited
24, Sir Baron Jayathilake Mawatha, Colombo1, Sri Lanka

Hatton National Bank PLC
Level 17 - HNB Towers,
479, T. B. Jayah Mawatha, Colombo 10, Sri Lanka.

Contact Details
P.O. Box 906 Port of Colombo,
Colombo 15, Sri Lanka

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Fax	:	94 11 2446441, 94 11 2471335
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Internet	:	www.cdl.lk

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Annual Report 2012

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