

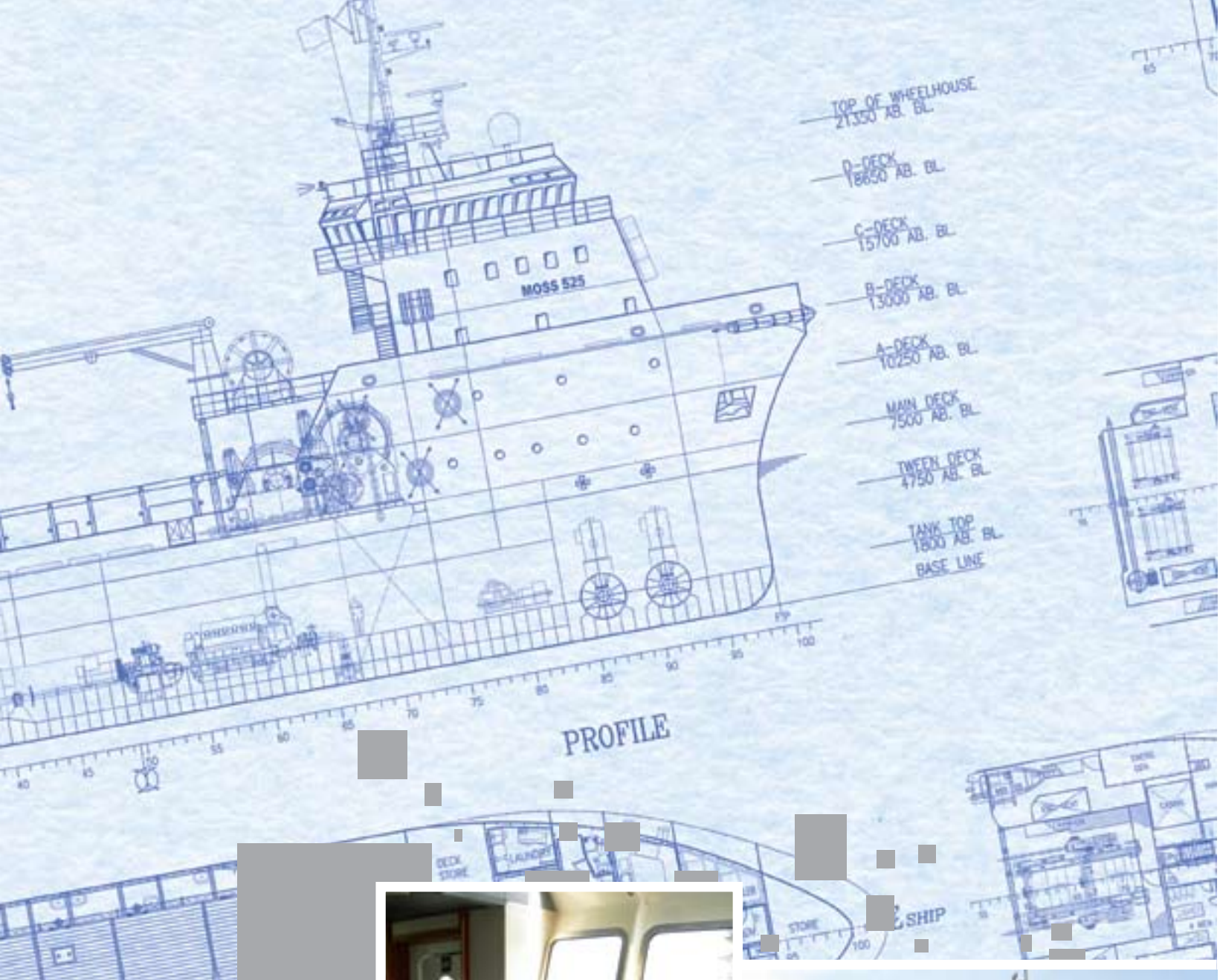
Colombo Dockyard PLC



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



Annual Report 2011



C-DECK

A hand-drawn floor plan of the B-Deck of the Titanic. The drawing shows a complex arrangement of rooms, corridors, and structural elements. Key areas include several large rectangular spaces, likely passenger or crew quarters, and smaller, more irregularly shaped rooms. Corridors connect these various spaces throughout the deck. The drawing is done in blue ink on a light-colored background.

Made in Sri Lanka



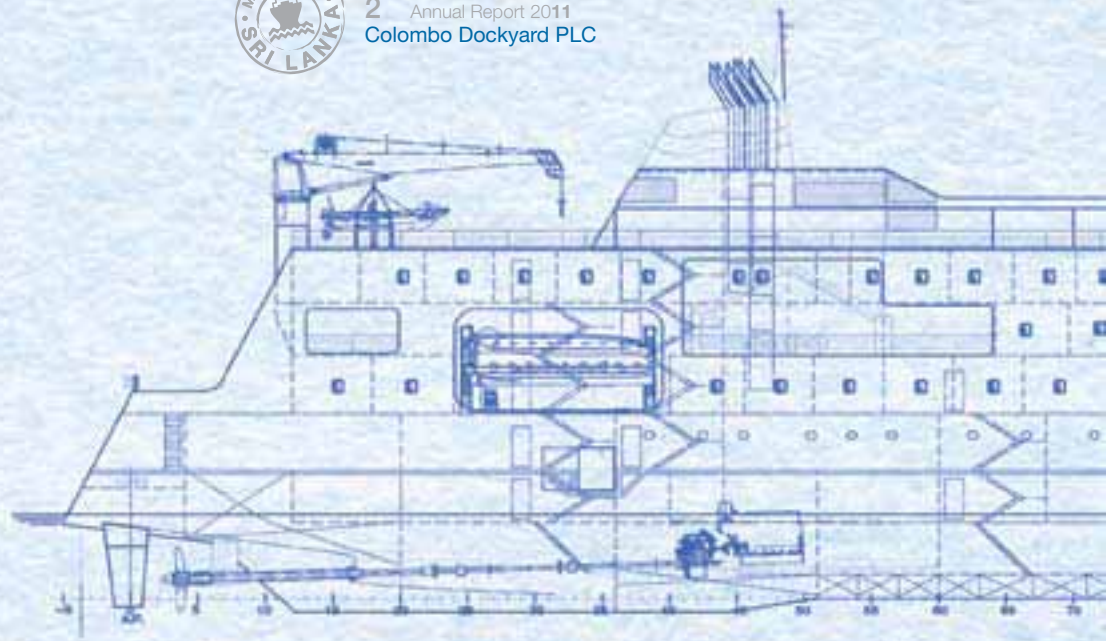
PRINCIPAL DIMENSIONS

PRINCIPAL DIMENSIONS	
LENGTH OVER ALL	approx. 67.40 M
LENGTH BETWEEN P.P	59.40 M
BREADTH MOULDED	16.00 M
DEPTH MOULDED	7.50 M
draught scantling	6.50 M

CLASS

CLASS
Del Norske Veritas #1A1, Tug/Supply Vessel
SF, ED, HL(2B), DK(+), FI-FI 1, Dympos ALF

6	UP DATED IN THE SHIPING CHARTER & READY FOR DISCHARGING	09/01/2012
7	ISSUE FOR DISCHARGING	11/01/2010
8	DATE	09/01/2012
9	DESCRIPTION	DATE
10	<p>SHIP CHARTER TO THE SHIPMENT OF UNPACKED SHIPMENT FOR A BULK AND BE IMMEDIATELY ON DISCHARGING IN THE SHIP WITHOUT DISCHARGING UNPACKED FOR</p>	<p>Colombo SHIPPING AGENT</p> <p>GENERAL 1201 HOLLAND PULL AND FOR BA</p>



Content

Vision & Mission **2** Quality Policy, Environment Policy & Safety Policy **3** Financial Highlights **6** Corporate Profile **7** Chairman's Review **8** Managing Director/CEO's Review **16** Board of Directors **26** Group Senior Management **28** A Snapshot on the Global Economy and Shipping Environment **32** Management Discussion & Analysis **35** Financial Review **48** Corporate Governance **54** Risk Management **60** Corporate Milestones **64** Achievements 2011 **66** The Operational Impact of 365 days **68** Sustainability Report **72** Financial Calendar 2011/2012 **112** Annual Report of the Board of Directors on the Affairs of the Company **114** Statement of Directors' Responsibilities **119** Chief Executive Officer's and Chief Financial Officer's Responsibility Statement **120** Independent Auditors' Report **121** Income Statement **122** Balance Sheet **123** Statement of Changes in Equity **124** Cash Flow Statement **125** Accounting Policies **126** Notes to the Financial Statements **136** Ten Years Financial Highlights **156** Notice of Annual General Meeting **157** Form of Proxy **159**

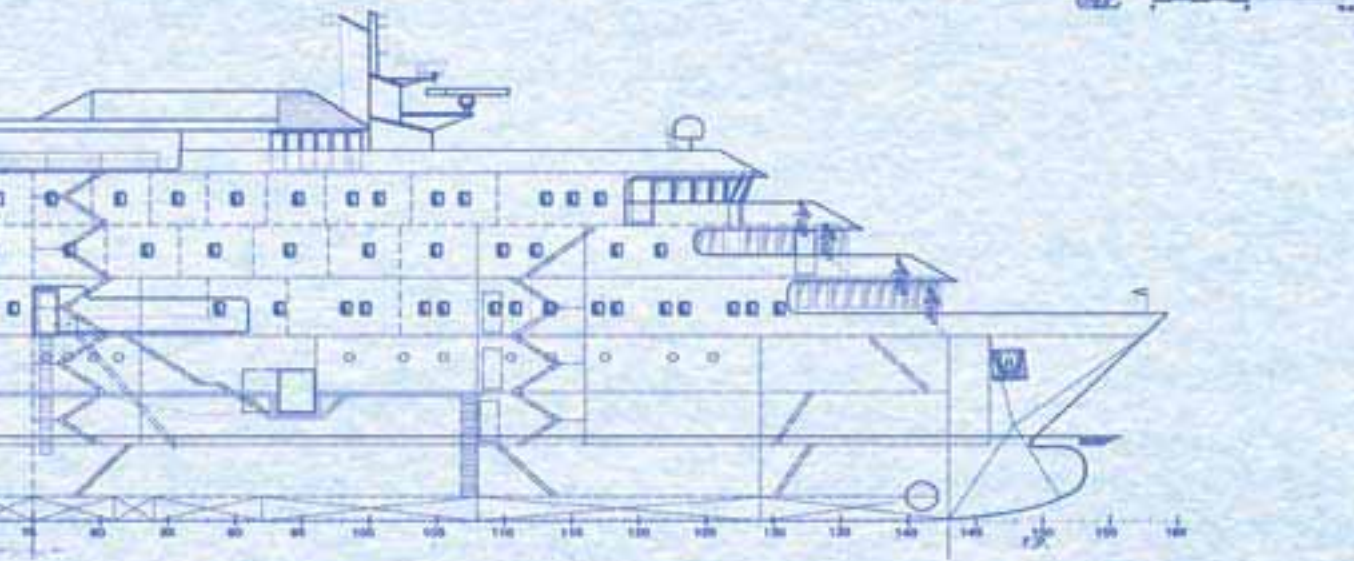
Vision

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

Mission

We strive:

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



Quality Policy

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

Environment Policy

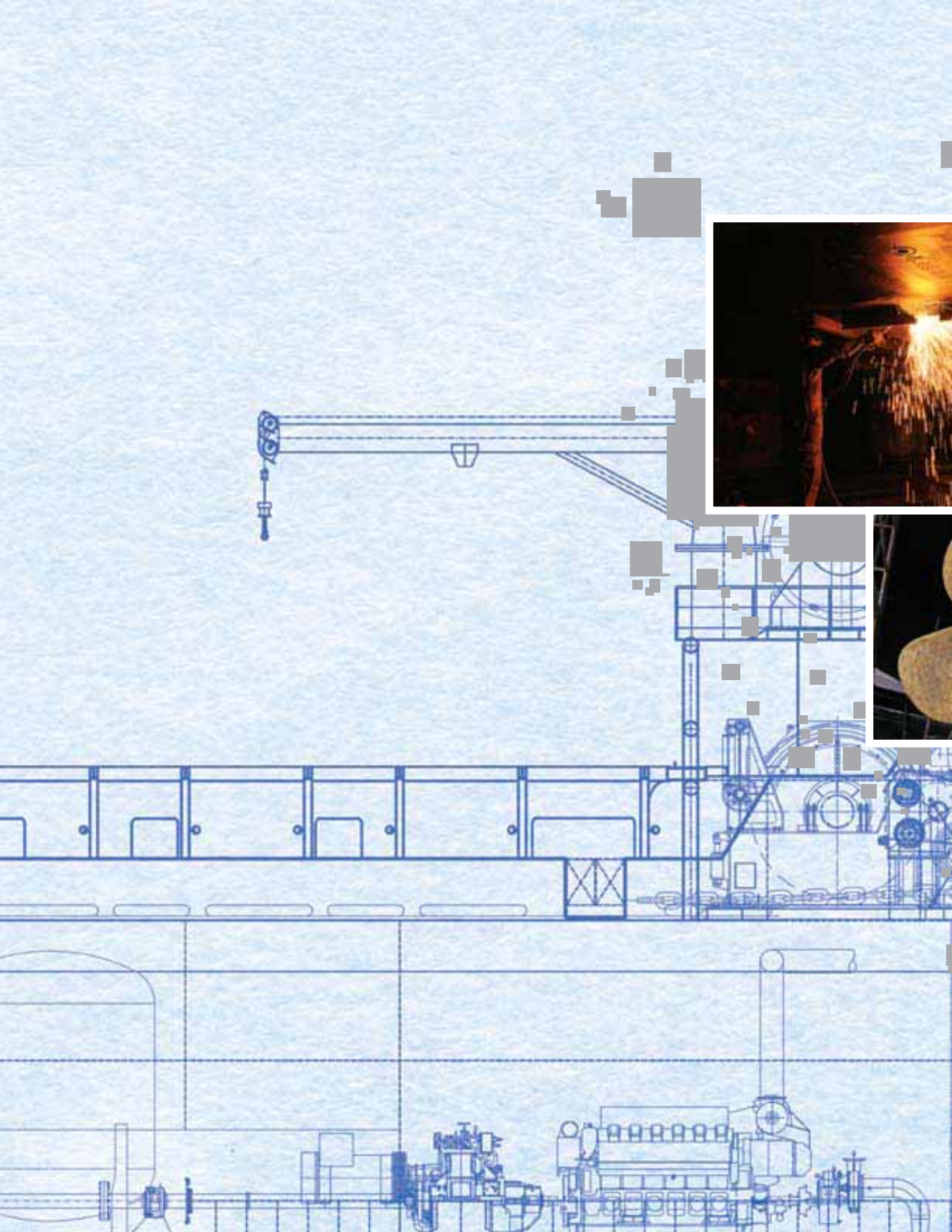
- Our policy is to conduct our present and future operations in an environmentally friendly manner as befitting a good corporate neighbor and citizen, through the implementation of an Environmental Management System.
- To meet our commitment, we shall:
- Meet or exceed applicable legislation and regulations 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 and regulatory requirements; and
- Provide procedures, information, instructions, training and supervision to employees, contractors, customers and visitors to ensure their safety.

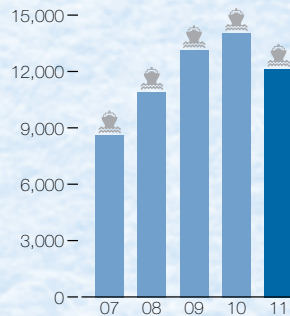




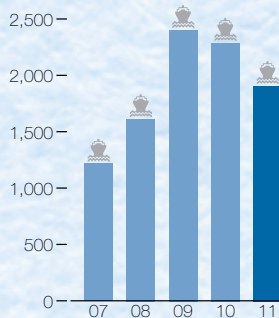


Financial Highlights (Company)

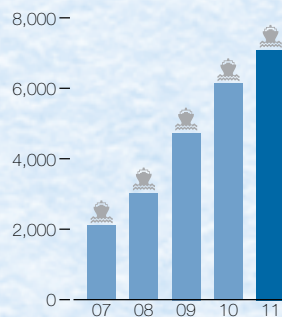
Total Revenue (Rs. Mn)



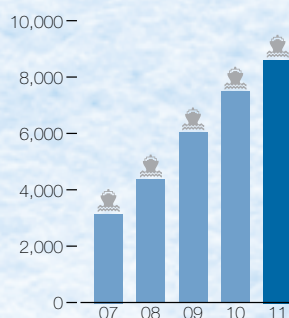
Profit After Tax (Rs. Mn)



Net Working Capital (Rs. Mn)



Shareholders Funds (Rs. Mn)



	2011	2010	Change	
	Rs. Mn	Rs. Mn	Rs. Mn	%

Results for the Year

Revenue

Shiprepairs	4,406	4,217	189	4.48
Ship Buildings	7,682	9,566	(1,884)	(19.69)
Heavy Engineering	107	274	(167)	(60.95)
	12,195	14,057	(1,862)	(13.25)

Export Revenue	11,464	13,419	(1,955)	(14.57)
Local Revenue	731	637	94	14.76
Gross Profit	2,075	3,079	(1,004)	(32.61)
Net Finance Income	170	174	(4)	(2.30)
Operating Profit	1,692	1,822	(130)	(7.14)
Tax (Expense)/ Reversal	15	193	(178)	(92.23)
Net Profit after Tax	1,707	2,015	(308)	(15.29)
Profit Available for Appropriation	7,989	6,810	1,179	17.31
Company Value Addition	5,130	5,385	(255)	(4.73)
Company Value Addition %	40	37	3	8.10
Local Value Addition	6,327	7,324	(997)	(13.61)
Employees Salaries & Benefits	2,886	2,717	(169)	(6.22)
Interest Costs	(73)	(55)	(18)	(32.73)

Balance Sheet

Total Assets	14,074	14,193	(119)	(0.84)
Total Liabilities	5,400	6,678	(1,278)	(19.14)
Share Holders' Fund	8,674	7,515	1,159	15.42
Net Cash & Cash Equivalent	3,845	5,339	(1,494)	(27.98)

Information Per Ordinary Share

Earnings (Rs.)	24.94	29.44	(5)	(15.29)
Net Assets (Rs.)	126.74	109.81	17	15.42
Market Value (Rs.)	238.80	275.00	(36)	(13.18)
Dividends Approved (Rs.)	6.00	8.00	(2)	(25.00)

Market Capitalization Rs. Mn	16,343	18,820	(2,477)	(13.16)
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Financial Ratios

Net Profit after Tax (%)	14.0	14.3	(0.3)	(2.12)
Return On Investment (%)	12.1	14.2	(2.1)	(14.59)
Return On Assets (%)	11.0	11.7	(0.7)	(5.98)
Interest Cover (Times)	20.7	29.8	(9.1)	(30.54)
Return On Equity (%)	19.7	26.8	(7.1)	(26.60)
Gearing Ratio (%)	0.4	0.8	0.4	50.00



Corporate Profile

Colombo Dockyard PLC (CDPLC) established its operations way back in 1974 and at present operates as the Sri Lanka's largest engineering facility leading in the business of 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 in Colombo Stock Exchange. It is also a licensed enterprise of the Board of Investment of Sri Lanka.

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

Colombo Dockyard, in existence for over three decades, continues to keep its eyes on the horizon, pre-empting trends and preparing for transformation. While the Company remains relatively small in size compared to competitors in the Asian region, our differentiation lies in the way we do business. Five core values that have helped Colombo Dockyard in its odyssey,

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

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

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





8 Annual Report 2011
Colombo Dockyard PLC



Chairman's Review

Akihiko Nakauchi
Chairman





It is a lofty ambition, but we intend growing our presence which we strongly believe we can do. The odyssey of excellence we have in mind will have a permanent stamping of 'Made in Sri Lanka' in everything we do.

The Eurozone crisis continues to rage, while the United States battles its own economic woes; around the world the crises cascading from these nations have affected commerce and trade, which in turn has created stormy waves for the shipbuilding and ship repair industry to travel on. The global shipbuilding industry primarily centered in Asia but which for years, had to contend with the west's trade and commerce paradigms, is today seeing massive transformation not only in competition but in revenue sources as well, ensuring that it stays afloat and able to weather the storms brewing continents away.

Colombo Dockyard PLC is a company that remains reliant on global paradigms, as in any company involved in this industry and the world events of 2011 have been challenging as well as opportunistic. Being a Company that has always ensured that challenges would create a path of opportunity, while 2011 itself was a year of average growth, it was an year that enabled us to consolidate our position, work on the ensuing opportunities in these times of global crises and ready ourselves to compete in a transforming international milieu. It is not an easy task but it is one that has clearly made us think differently in order to ensure that the Company continues as a key player within the industry in this region.

It is in this backdrop that I present to you Colombo Dockyard PLC's Annual Report and Statement of Account for the year ended December 31st 2011, wherein, the Company



Chairman's Review Contd.

In this backdrop, both our ship building and ship repair business did considerably well posting a profit for the year, although neither achieved the forecasted targets at the beginning of the year. This is primarily due to the global downturn affecting not only CDPLC business, but the industry overall. Less traffic cascading to less repairs and need for new ships, had a permeating effect on the industry the world over, although CDPLC used these challenges to work on a differentiated strategy focused on emerging areas of business.

continued to remain aligned to its targets albeit in a very challenging environment.

The world continues to chart stormy waters

It was expected at the beginning of the year that the world's downward spiral would stem and 2011 would be an year



that will see the global economy improve. However, this was not to be as the year brought with it more troubles, not only in the deepening Eurozone crisis which put a number of predominant EU countries on a credit watch, but with the onset of the Arab Spring with Middle Eastern and African countries having prolonged periods of unrest which negatively affected the overall business milieu. There was increasing fiscal belt-tightening by many developed countries seeing a cascading effect on international trade as well as credit, augmented by the sovereign debt crisis in the Eurozone, while the US and Canada averaged less than 2% in pace of activity.

According to the World Economic Outlook Report, global growth this year is estimated at 3.3%, slowed from a 4% prediction. China and India remained the most resilient in this environment, although they too have felt the global ills, seeing



China reducing its growth rate to 8.2% from 9% and India to 7% from its estimated 7.5%. Japan is seeing growth of 1.7%, which is 0.6% slower than in mid-2011.

The Bloomberg World Shipbuilding Index saw a fall of 32% this year due to a decrease in orders for vessels to carry

the Baltic Index's low, which is reflective of the ship repair industry's non-improvement stance in the last year.

Sri Lanka changes course

Despite the world economy looking bleak, in the aftermath to the end to the war and onset of peace, Sri Lanka's growth



containers, commodities and oil and a slump in freight rates caused by overcapacity. According to the Review of Maritime Transport which details the UNCTAD Liner Shipping Connectivity Index, China remains the leader as the single most connected country, followed by Hong Kong, Singapore and Germany, maintaining the lead in the shipbuilding industry. This was previously dominated by Korea and Japan, but China scores due to lower costs of material and labour.

Meanwhile, the European Union, which saw its main sea freight index the Baltic Exchange fall 14% the last year, unveiled new rules to assess aid to its shipbuilding industry in a bid to foster innovation for the over 300 shipyards employing half a million and sees a combined turnover of 30 billion euros annually. The ship repair industry globally has remained extremely fickle and predictions are that there will be no turnaround in the foreseeable future. This also echoes

continued unabated. With a vision to transform the country into an economic hub within the South Asian region, the ambitious Key Performance Indicators have been met. The vision is built on a five pronged hub strategy which includes the concept of a maritime hub. The Colombo Port will be positioned as a container mega hub, the Galle Port being currently developed will be billeted as a cruise shipping enter, Trincomalee will deal with port related industries, Oluvil Port (billed for completion by 2012) dedicated to commercial and fisheries, Kankesanthurai and Point Pedro ports positioned as regional ports and the envisaged Hambantota Port committed to free port services, industrial and multipurpose areas, in which Phase 1 is already complete.

As forecasted, the country emerged with a GDP of 8.3% recording over 8% growth for two consecutive years for the first time in history, adding to yet another record of having the



Chairman's Review Contd.

lowest unemployment rate standing at 4.3%, which naturally saw a significant reduction in poverty levels as well. GDP is estimated to exceed US \$59 billion and GDP Per Capita to reach US \$2,830 this year, milestones indeed considering that Sri Lanka intends to reach US \$ 4,500 Per Capita GDP in the next four years. Inflation remained in check, steady at mid-single digits at 4.9%, while the comparatively low interest rate environment boosted trade and industry to some extent. The stable exchange rate, though seeing a Sri Lankan Rupee depreciation of 3% in December 2011 post the Fiscal Budget for 2012, for the most part remained stable. The country's various strategies and policies were well rewarded when sovereign credit ratings, FDIs, the Global Competitiveness and the Ease of Doing Business Indices all saw improvement.

Colombo Dockyard is a primary contributor to the Industry Sector, which recorded the highest sectoral growth for the year at 10.1%. With increased demand from both domestic and external sectors and the manufacturing industry showcasing 8.4% growth despite the global economic downturn, the industry sector contributed US \$18 billion, which is 30% of GDP. With the Company being one of the most significant contributors to export earnings, which saw an increase of over 23% in the year and summed up as 17.7% of GDP, the improvement seen in export diversification and value addition is extremely reflective of the strategy that Colombo Dockyard followed throughout the year as a means of allaying the challenges and the unfavourable trends seen in the global shipbuilding industry.

Growing in the current milieu

We have now seen the canvas of gloom and doom spreading across the west and the competition that has ensued thereafter within the shipbuilding industry. Undoubtedly China will continue as the market leader primarily due to size and cheaper resources, although, there is little need for new ships to be built in the short term. In this milieu, Colombo Dockyard must build solid strategies that will keep our business sustainable, not getting over ambitious but analysing the trends and working accordingly to ensure that we continue gaining the ship building and ship repair business we envisage.

We have been fortunate in the immediate term, as having a sufficiently buttressed Order Book ensures that we can maintain our revenues and profit this year. However, business will be challenging, as there is a significant reduction in

container carrier and tanker traffic, while ship repairs too will be less. We intend being very prudent in our expenditure, introducing strategies that will infuse waste and cost management, while increasing productivity and efficiency. The increased activity in offshore business is one area that Colombo Dockyard will be emphasizing on in the coming year.

Geographically, Colombo Dockyard couldn't be positioned in a better place than in Sri Lanka. It truly is an imperative in global sea routes and with this advantage, we know we can consolidate our strengths and direct it towards advantages. We have had very good relationships with European ship owners but given the downturn, very few ship owners remain active at present. However, we have turned toward the opportunity of offshore business as well as some very aggressive new market ventures, which has seen a definite increase and has filled in our order books until 2014.

Performance among challenges

In this backdrop, both our ship building and ship repair business did considerably well posting a profit for the year, although neither achieved the forecasted targets at the beginning of the year. This is primarily due to the global downturn affecting not only CDPLC business, but the industry overall. Less traffic cascading to less repairs and need for new ships, had a permeating effect on the industry the world over, although CDPLC used these challenges to work on a differentiated strategy focused on emerging areas of business. We began to aggressively market our strengths, which by far have been the positives that the company has built its solid reputation on. An unswerving emphasis on quality, specialty competencies in building unique vessels are the tenets we used to market our business aggressively to regain our market share.

Group profits therefore stood at Rs 1,811 Mn a decrease of 13% compared to that of 2010, adding Rs 12,803 Mn to the top line. Ship building continued a relatively high workload over the last year and trend we observed last year of ship building making up 66% of our business portfolio and ship repair the balance. We were kept busy over the year, delivering three vessels including the Greatship Rashi for Brazilian oil industry giant Petrobras, the 140 ton Bollard Pull Anchor Handling Tug Supply vessel and a 100 passenger launch for the Road Development Authority of Sri Lanka. The second 140 ton Bollard Pull Anchor Handling Tug Supply vessel planned to deliver in 2011 December was delivered



in early 2012. The order books remain somewhat afloat until 2014 with deliveries of at least nine new vessels for shipowners in Singapore and India.

The first half of the year did not augur well in the ship repair business, but due to an increased work volume in the second half of 2011, ship repair did post a revenue of Rs 4,406 Mn, compared to Rs 4,217 Mn last year, though having to battle increasingly reduced rates from our competitors. 4% growth on revenue Year on Year has been posted in the ship repair sector, despite trying marketing conditions. 91 vessels were repaired in drydock conditions, while 74 were repaired afloat.

The infrastructure nexus

Sri Lanka is in rapid acceleration mode in infrastructure development which bodes well for the country's future prospects and eventual hub status. There is marked activity in all parts of the country and Dockyard General Engineering possesses considerable experience in heavy engineering, collating immense talent and expertise from among the engineering industry to be a proactive feature in the infrastructure development activities currently underway.

The Central Bank of Sri Lanka is continuing to maintain a GDP above 8% for 2012 and is urging the private sector to assist in achieving the country's aggressive and ambitious goals. There are new industries and infrastructure envisaged. For example the US\$500 million new terminal at the Colombo South Port, which would increase marine traffic and hence would augment both ship building and ship repair business for CDPLC; petroleum exploration in the Mannar basin enabling CDPLC the opportunity of working on our specialty offshore vessels; the positioning of the Galle Port as a leisure/cruise destination which would obviously give us the opportunity to pursue the design and building of luxury craft and the emergence of new industries on the completion of the Hambantota Port. These are all among the multi-pronged development avenues that CDPLC can become a cog within, in addition to using our engineering skills for heavy engineering projects.

Infusing strategic imperatives

Being optimistic, we do realise that the Eurozone crisis coupled with all other negativities will not be a lasting phenomenon, but rather will see an end to it sooner rather than later. It is this that spurs us to make changes and transformations aligned to the opportunities we envisage in that new era. We have already invested in expanding our

capacity in the No 1 dock, adding equipment including the commissioning of a new crane which will be in place by 2013. This will increase our loading and lifting capacity.

In tandem, initiatives are being implemented to increase productivity and efficiency, streamlining processes and ensuring that quality standards are maintained to the stringent expectations we have always espoused. These initiatives are being augmented, especially in these down times due to our emphatic focus of ensuring that we continue to be regarded by our peers and competitors as a reputed ship building and ship repairing company, where quality standards are surpassed at all times.

Our marketing strategies took on added vigour as we pursued markets in the Far East and Europe, emphasizing on the 'Colombo Dockyard' branding, penetrating markets in other part of world. The efforts bore fruition as we did entice new shipowners to our shores for ship repair.

Our ship building portfolio is being completed on schedule and we intend maintaining our unbroken record of timely delivery of quality vessels. This also entails the upgrading and continuous development of skills and knowledge among our team, which we recognise as the catalyst in our future course, as we ready for at least two more years of operating in a challenging environment.

While being very cognizant of the role China, Korea and India are playing in our industry, we are closely monitoring future competitors including Vietnam, Bangladesh, Indonesia and Myanmar, all countries aiming to grow within this industry. We are presently analysing their business models and with a SWOT analysis should be able to work on a strategic plan of business to ensure we maintain and eventually grow our market share.

Appreciations

The year has been one of transformation for us, one that has made us look inwards and work on initiatives that are unique and different to keep our company on track. While it has not been an easy year, I'm most grateful to my Board of Directors who supported me with immense confidence and trust, empowering me to give leadership to the company in these trying times.

I take this opportunity to bid a warm welcome to two erudite and distinguished personalities, whose input to the policy and



Chairman's Review Contd.

strategy of the company has been invaluable, Chairperson of the Regional Development Bank and Sri Lanka Tea Board Janaki Kuruppu and Managing Director/CEO of Litro Gas Lanka and Executive Director of Sri Lanka Insurance Piyadasa Kudabalage.

I'm also appreciative to our shareholders who have been an invaluable strength in our journey and to the management who have envisioned our journey ahead to ensure that we align ourselves with our vision and goals. Our valued business partners, both customers and suppliers have been most committed to strengthening the relationships we have forged with you.

Made in Sri Lanka on the Oceans

It is a lofty ambition, but we intend growing our presence which we strongly believe we can do. The odyssey of excellence we have in mind will have a permanent stamping of 'Made in Sri Lanka' in everything we do and by 2015, we intend to become a prominent ship builder and ship repair company for this region. This will be further buoyed with diversification, which would include the manufacture of equipment and plant infrastructure and maintenance. We intend using the synergies of our parent company Onomichi Dockyard Co, Ltd in Japan, a nation that introduced the true meaning of industrialisation into the world together with systems and practices that induce higher productivity and an unwavering quest for quality excellence.

This unwavering quest for excellence saw us also win numerous awards throughout 2011, winning three Gold awards including the Most Value Added Exporter at the NCE Export Awards, named a Best Corporate Citizen by the Ceylon Chamber of Commerce, an Engineering Excellence Awards presented by the Institute of Engineers Sri Lanka, ranked among the Top Twenty Business Organisations in the country by Business Today and win a National Business Excellence Award for the Manufacturing and Engineering Sector awarded by the National Chamber of Commerce. Given our thrust for green and eco friendly initiatives, we were amply rewarded by Geocycle-Holcim (Lanka) Limited with a Bronze award at the Geo Responsibility Awards in Total Waste Management.

These awards form the foundation for CDPLC to build a journey of partnership with Sri Lanka's economic and development vision. Even though as a country, Sri Lanka is looking towards growing the manufacturing industry in

an industrialisation milieu, it is only CDPLC that could be categorized as a large scale player and hence, to be an economic force there needs to be more encouragement for companies in this arena. There has to be an industrialisation policy that needs to be mooted by the Government which includes the development of the country's human resources as well. CDPLC can contribute immensely towards skill development, which will spur the development of a fully fledged manufacturing sector and augur opportunities, confidence and prosperity for the country.

Akihiko Nakauchi
Chairman

22nd February 2012
Colombo







Managing Director/CEO's Review

Mangala P. B. Yapa
Managing Director/CEO



The challenges have been many but these have not deterred us from meeting our set targets and goals. Having always been an organisation that has been very successful in transforming challenges into opportunity, our forward march will continue aligned with external trends and internal competencies.

As we look back at 2011, what emerges very strongly is that the world was unable to work itself out of the economic quagmire of two years ago and continues to struggle for recovery, continuing to precipitate numerous crises in various industries, including ours. The ship repair and ship building industries around the world saw a continuing decline, although in contrast to this, the Sri Lankan industry posted a growth albeit marginal, but one that showcased that the strategies employed by us in the past, were apt for the challenging times. It is in this landscape that I present your company's review of operations, reiterating that Colombo Dockyard PLC (CDPLC) did face its most challenging year in recent times. However, treating these challenges as opportunities, we ensured that the growth momentum remained consistent and our unique 'Made in Sri Lanka' phenomenon continues as the foundation to that growth.

Financial Overview

Shiprepair denoted a marginal 4% growth, a converse trend to global and regional shiprepair paradigms which experienced negative growth. Recovering from the setbacks experienced in 2010, the positive trend continued until October 2011 after which the situation unprecedentedly aggravated with the onset of the Eurozone crisis. There remains a serious concern however that the negativity we observe will continue globally and hence have a longer term impact on our Company. While charter rates continue to ebb lower, the Baltic Dry Bulk Index is showing very low levels as well and during 2012 is



Managing Director/CEO's Review Contd.

The company did perform reasonably well, compared to other shipyards in the region. In a nutshell, our salient achievements could be denoted as:

Shiprepair turnover showcased growth despite dire market conditions and were devoid of any settlement defaults.

Despite a financial crisis and cash crunch being experienced in the shipping industry worldwide, existing ship building orders were executed and further orders secured.

Operating levels improved albeit marginally, despite a negative trend worldwide.

Supply chain management remained commendable working on a win-win platform.

anticipated to record its lowest. Based on this, experts believe the Indian shipping industry too will contract in the foreseeable future, presenting greater challenges for us to sustain business levels in the immediate. These movements now make it imperative for our company to enhance productivity at all levels, improve efficiencies and maintain consistency, while



differentiating ourselves to create both tangible and intangible value to our products and services.

While the ship building Order Book maintained its optimistic profile, the last two vessels planned for delivery this year, saw an unplanned delay due to the negative impacts of the global economic crisis impacting a supplier of critical equipment, negatively. This cascaded on our entire shipbuilding schedule, permeating to making unfavourable impacts on anticipated revenues in this sector. However, as is characteristic of CDPLC, we managed the situation pragmatically and delivered the vessels to our customers.

Total Turnover and Net Profit therefore fell below levels recorded in previous years, although I hasten to add that despite all external challenges, the company did perform



reasonably well, compared to other shipyards in the region. In a nutshell, our salient achievements could be denoted as:

- Shiprepair turnover showcased growth despite dire market conditions and were devoid of any settlement defaults.

requesting greater discounts to be more competitive in price and supply infusing pressure on appreciating currency and rising costs.

Foreign currency vulnerability was also observed in currencies we deal in including the US dollar, Euro, Singapore dollar and Japanese Yen adding further pressure on our business.



- Despite a financial crisis and cash crunch being experienced in the shipping industry worldwide, existing ship building orders were executed and further orders secured.
- Operating levels improved albeit marginally, despite a negative trend worldwide.
- Supply chain management remained commendable working on a win-win platform.

Challenges and Threats

Growing our ship repair business in this severely contracted market while also dealing with stringent competition from China, Vietnam and the Philippines remained extremely challenging. This was further exacerbated with a appreciating Sri Lankan Rupee and rising local costs. Managing both sides required amazing balancing of the scales, with the demand

Innovation & Expansion

With space within the Port of Colombo being limited, we initiated our most important developments for the year with the installation of the Kelani River Yard (KRY) site, in close proximity but outside the port premises. This state of the art facility became an imperative as we have been compelled to work with numerous constraints including lack of space which limited us from expanding due to new business areas emerging and being in a high security zone making operations expensive and cost prohibitive.

This site actions non-mission critical activities, stores and pre-processes large quantities of steel raw material, enables some areas of component fabrication and overall increases production capacity. Given that we have also moved out of the HSZ area, suppliers and other valued business partners have direct access to us and hence, operational costs are



Managing Director/CEO's Review Contd.

comparatively lower. This also enables us to have freer access to labour to support efficient production and decrease overhead costs. This BOI approved extended operational site of Colombo Dockyard PLC also incorporates a critical area of business in ongoing fabrication work pertaining to our subsidiary Dockyard Engineering Services (Pvt) Limited (DGES), which has in the last few years consistently grown in business scope and volumes.

Designed as an ultra efficient, highly productive environmentally friendly site, this location will ultimately uphold the entire process of storage and corrosion protection of steel material i.e. shot-blasting and priming, galvanizing and acid pickling neutralising fabricated pipe materials and some aspects of pre-fabrication (smaller hull units, panels for larger units and pipe fabrication). Transportation of material is being implemented by DGES, thus ensuring a stable, seamless integrated work process, which prompts the KRY site to become a value adding cost efficient capacity enhancement exercise for both CDPLC and DGES, adding competencies to both entities that will actuate business expansion.

Having shifted materials and the shot blasting facility to the KRY site, the available space that ensued at the Port of Colombo is now been transformed to accommodate mission critical production activities. This too has ensured that we use our space productively and re-strategize our processes and operations to gain maximum advantage with our resources.

In accordance with the International Marine Organisation (IMO) Resolution that became effective in 2011/12, we are now

fully compliant to the Performance Standard for Protective Coatings (PSPC). This standard requires pre-fabricated hull units, especially those that have ballast water tanks to be coated with a special coating, providing 15 to 20 year performance guarantees. This standard is challenging and we are indeed very proud of achieving compliance, by the due date.

The IMO have also declared new rules on emission control and ballast water treatment. In anticipation of these rules coming into the fray soon, CDPLC is currently pursuing partnerships that would assist us in meeting those prescripts and perceive a breakthrough in 2012 in this sphere.

Given our constant focus on being a step ahead to ensure that every challenge ultimately transforms into an opportunity, another achievement this year was the commissioning of our state of the art BP Test Facility with a capacity to handle BP tests of upto 250 tons pulling capacity within the Port of Trincomalee. This facility, was initiated with the explicit permission of the Ministry of Defense and the Sri Lanka Ports Authority, with its uniqueness now gaining recognition among international data bases. Sri Lanka is the ideal location for such testing and our shipbuilding projects, NC 0219 and NC 0220, designed for 130T Bollard Pull Tests were successfully tested in the newly created facility, with the tests validating the suitability of the new facility for such crucial testing purposes. The need for this facility was mooted due to larger tug boats, especially the Anchor Handling Tugs requiring facilities to perform Bollard Pull tests. With such facilities where BP Tests exceeding 100 tons being minimal in this region, we





positioned the Port of Trincomalee as the ideal location due to its unlimited depth and enclosed calm water. This has opened up a new area of business for us, giving us a competitive edge.

Yet another noteworthy development begun in 2011 and due for completion by the first quarter of 2012 was the subdivision of Dock No 1. Built in 1906, the drydock was too long for current purposes and as such, a portion of the dock remained closed and unused. To make the dock more productive, Dock No 1 was subdivided, allowing the unutilised part of the dock to be used independently, operating as an additional drydock with a beam of 23meters and a length of 55 meters. Currently this additional dock, now named as Dock No 1B, is used for the assembly of hull blocks and thus, has increased the yard's shipbuilding capacity.

With a continuous lacuna observed in Sri Lanka's capacity to cater to afloat repair requirements with the security situation being a primary reason for the lack of development in this area, CDPLC Afloat Repair Unit which was launched in 2009, was further enhanced to extend to repairs in the Port of Trincomalee, with capacity to extend it to the Port of Hambantota. This enables the Afloat Repair Unit to work in all ports of Sri Lanka, which undoubtedly will be an added impetus to creating the apt environment for Sri Lanka's goal of becoming the Marine Hub of South Asia.

With the dawn of peace and infrastructure being implemented at a rapid pace to achieve national growth objectives, we see immense opportunity for growth for the Company. However, there remain areas that require urgent attention from the authorities if the country is to move on the envisaged growth curve. For example, archaic, cumbersome and bureaucratic procedures and mindset which were a natural phenomenon of the war remains unaltered. Moving personnel, equipment and access to vessels in afloat condition within an outside the Ports is imperative to capturing, sustaining and growing our business. We continue to pursue discussion with the relevant authorities, primarily the Sri Lanka Ports Authority and the Sri Lanka Customs, which we hope will see more understanding of the business and the need to move forward away from the mindset of war.

Internal Department Operations

Grappling with a regional and global market that continued a downward spiral, the Marketing and Sales Department rose to the challenge and continued to secure reasonable

volumes of business. The acquisition of four additional MPSVs from Singapore and the securing of a tender for two Passenger Vessels with 400 pax and 250 T cargo capacities were noteworthy achievements. Similarly, in ship repair, sufficient business volumes were secured in a milieu of stiff competition and customers having access to new markets. The Department also focused emphatically on reaping the accelerated development environment prevailing within Sri Lanka, launching marketing activities in the Far East and Europe, most often in hitherto untapped markets, in a bid to attract reputed ship owners facing challenging times. Our efforts were rewarded with encouraging responses and helped us secure new customers in these new markets. We also began customising packages for our existing client portfolio, keeping in mind the external environment and working on pricing, payment terms and other astute strategies that will demand added loyalty from our customer, to position us among their most preferred ship repairer and ship builder in the region.

The Design & Engineering Department significantly enhanced overall capacity with the acquisition of state-of-the art modelling software and engaging in 3-D modelling of ship blocks with integrated systems and equipment, thus reducing the over-dependency on specialised subcontractors. By acquiring such capacity and requisite software, we improved the quality of detailed designs and addressed changes needed, more efficiently, which resulted in higher productivity due to reduction in re-working, waste and delays. The two passenger vessels billed as the largest shipbuilding projects undertaken by us, are being designed with GL Noble Denton, a reputed design firm in Norway, now functioning under Germanischer Lloyd. Our Engineers are working jointly with the Norwegians in fulfilling this most challenging and crucial task.

Production demands were well met by the Production Division and integrated Departments in Shiprepair and Shipbuilding. A total of 5,310 tons were processed, while four newly built ships were delivered and over 165 ships repaired during the year. The consistent challenge for improving efficiency and productivity without impacting safety, quality and other value propositions remained topmost and successful, given that further initiatives added to operational systems and processes during the year.

While the Safety, Quality Control and Quality Assurance Departments did continue to address and implement



Managing Director/CEO's Review Contd.

systematic approaches to quality, safety, health and environmental management aspects to infuse a gradual transformational culture into our Company, despite the comprehensive initiatives, a fatal accident was reported during the year under review. Post an all-encompassing investigation that analysed all aspects of the accident which resulted in death, the probe revealed personal negligence by the deceased as the main contributing factory. However, to prevent any recurrence, the Department speedily enhanced further safety rudiments including awareness and education on personal safety in the workplace. A campaign was launched to improve awareness amongst employees on safe codes of conduct, establishment of effective signage, and even physical restrictions were introduced to identify dangerous working areas, especially those under cranes or such locations. Employees continue to be urged to pay stringent attention to personal safety when entering and engaged in work in such areas.

Given the challenging and volatile external milieu, the Material Procurement Department performed a crucial role to play in procuring material and services at the lowest possible cost and in a timely manner. While in most instances the department performed admirably, the situation wherein a supplier failed delivery due to being impacted by the global scenario which resulted in two shipbuilding projects getting delayed. The department remains very cognizant of the vital role it plays in continuing to improve the supply chain management process and capability, while pragmatically managing stock holding time and stock levels.

As mentioned prior in this review, the Yard Development Department was kept busy throughout the year, tasked as they are to envisage future needs, develop infrastructure in time and add technological imperatives to ensure productive and efficient capacity building. The development of the KRY site, the sub-division of Dock No 1, construction of the BP Test Facility in Trincomalee and the PSPC facility within the Yard were major achievements by this department. There are further plans to enhance capacity and development work to meet future requirements.

With a rapidly changing organisational culture that imbues a performance based one, the HR Development and Administration Division works very closely not only with the team, but also with creating an empowering environment through the enhancement of employee services, security and prompting better industrial relations. It also moots a concerted effort in pursuing an environment that will prompt the team to

be more effective, productive and efficient, adding leadership skills and motivational dynamics into the everyday workplace. However, one of the challenges faced by the HR department is the lack of maturity and prudence within the local HR milieu at recruitment level. It continues therefore to gradually transform those recruited to fit into the current environment through various training and development initiatives that we hope will eventually bear fruit in seeing a highly productive and skilled workforce.

The Finance Division is to be commended for excelling in the management of the company's finances and treasury activities, earning a considerable exchange gain by managing currencies and cash-flows judiciously. The gap analysis for transformation of the preparation of accounts in compliance with IFRS was initiated in 2011 making us confident of a seamless transit to IFRS in 2012, which is when we must comply with the standards. In addition, we were also able to internally fund our total capital expansion requirements, whilst managing operational expenditure with the support of banks.

The cohesiveness displayed by each department showcased great unity and a need to work towards a singular goal of ensuring the sustainability of the company. There continues an underlying premise to implement a 'lean & mean organisation', which remains a priority at this point of time due to global industry features not looking at a growth momentum. Our performance goals therefore must be directed towards ensuring that each process, system and decision is taken and implemented with a long term growth paradigm in perspective, and which therefore will become the underlying facet in ensuring a consistent growth pattern in both the short and medium terms.

Information and Communication Technologies (ICT) to Gain & Sustain Competitive Advantage

ICT remains the underlying driver in our bid to enhance productivity and efficiency throughout the organization. Our focus in the past has been to streamline existing business processes, while adding to the improvements with our unique internally developed ERP system. This year, we focused primarily on developing an integrated system for automated comprehensive tendering, commercial and production control and progress monitoring for the ship repair sector.

Having piloted the package through trials, 2012 will see this in full implementation, billed to improve the tendering process, capacity planning, project-cost monitoring, controlling and disseminating information for timely and astute decision



making. This package also enables owners as well as attending superintendents to progressively monitor and evaluate cost and other critical factors of ongoing repair, which obviously will enhance yard capacity and position us as one of the most efficient and value adding shipyards in this region.

We have also fully integrated the KRY site into the CDPLC ICT system to ensure that all operations, initiatives and processes are reflected in the system real-time, while the Design Department, as mentioned earlier, augmented their capacities by introducing the 3-D modelling software to design and prudently manage its resources.

Building a Productive Team

We continue to infuse improvement initiatives to create an empowering and productive milieu into the working environment. This is further augmented with a continuous engagement process to fuel further dynamism and motivation into our team. Given that CDPLC is a substantive contributor of extremely high domestic value addition, averaging 55% primarily due to labour inputs; i.e. skill and competencies, our HR becomes the clearly differentiating factor in our products and services and consequently the continuity of our business.

However, to maintain a competitive edge, we continuously analyse and study our external environment, engagement and HR development initiatives and have identified numerous gaps and deficiencies that must be addressed. Externally, we are saddled with an education system that produces young people who are unemployable with productivity not a priority, little awareness on features required to operate a sustainable business, a mindset that works on salaries rather performance and quick to gain political agendas and agitate to the detriment of their own survival if the above is not met. Add inherent negative work values, archaic labour regulations and a system that works in favour of promotions and reward based on seniority or political clout than meritocracy and we remain dogged in an milieu of non-productive non-competent human capital. The challenge therefore is to transform mindset and culture, making performance, work values and a positive ethos the framework for business sustenance.

Having infused continuous imperatives that would lead us to this culture, CDPLC has been quite successful in creating the productive workplace. Similar to the Japanese work culture where labour is expensive but productive, at CDPLC we are encouraging our team to achieve high productivity and be

rewarded appropriately. We encourage them to possess a mindset that will enable them to meet their individual career aspirations, achieve company goals and vision and become high value assets within the company, all pointing towards the making of a sustainable organisation.

This is a difficult task to ingratiate considering that from a country perspective, very little has changed in the HR milieu. However, we are continuing to infuse best practices and aim to be a vanguard and role model for other similar organisations and thereby the country in this sphere.

Industrial Relations

Industrial harmony is a priority at CDPLC and we encourage the rights of employees and collective bargaining tenets instituted through trade unions to ensure that our team enjoys good work/life balance. Trade unions remain an integral facet of our business and we consistently engage and discuss HR development strategies and the people transformation process. We have seen a positive mindset gradually permeate the trade unions which have ultimately resulted in a successful partnership working on common vision, goals and objectives for the furtherance of team members and the company.

However, we do not promote nor encourage trade unions involved in national politics, as most agendas then become affiliated to the political environment rather than business sustainability. We are extremely proud of having trade unions who are not affiliated to any national political ideology or party, which in a positive sense, has gained significant support from the majority of the team.

Our Social Responsibility Ethos

We remain a strong proponent of social intervention in ensuring sustainable development for all our social stakeholders. CSR is fully interwoven into the everyday operations of our business, making it an integral part of the way we work. Whether in interaction, intervention or integration of business policies, we ensure that we impact our community positively and sustainably with our presence and actions. We are extremely conscious of our role as a corporate steward and ensure that processes and practices are constantly reviewed to be beyond compliance to accepted norms.

Our CSR ethos is built on the strong foundation of 'CSR begins at home', where we permeate our positive actions and initiatives to our immediate family of our team and



Managing Director/CEO's Review Contd.

subcontractors. The best practices and positive tenets introduced from within, have cascaded to these stakeholder segments, inducing them to imbue these into their own everyday work practices and also work in partnership with us to continuously add value to our relationships.

With the success observed, we are now working with selected community projects, which however must be driven by employees and valued business partners including subcontractors and suppliers. The Company augments the projects through its stewardship and is extremely glad to see extraordinary ownership being displayed by our stakeholders to the projects we have embarked on, with employee volunteerism reaching an all time high. By making our CSR culture a cohesive one, we have constructed solid foundations for long-term relationships, greater cooperation and built a framework that will enhance societal values, while seeing upward movement in overall growth.

Heading Towards the Future

The challenges have been many, but these have not deterred us from meeting our set targets and goals. Having always been an organisation that has been very successful in transforming challenges into opportunity, our forward march will continue aligned with external trends and internal competencies.

One of our biggest advantages is the country's return to peace and the accelerated vista of infrastructure development in various sectors, including ports and shipping. As a country, we are focusing unequivocally on achieving the national goal of becoming South Asia's maritime hub with the pragmatic development seen of the entire ports sector, primarily in the positioning of the Port of Hambantota and Port of Trincomalee. The envisaged road network including a comprehensive network of expressways will add value to this imperative. Capital expenditure however will be high as the country needs to create efficient facilities and complimenting HR capacity to meet these emerging needs. The development initiatives also need to be expertly timed, taking into account the global and local economic environment and emerging trends.

From an operational perspective, CDPLC will continue to work towards improving productivity and capacity enhancement, transforming our competencies to attract shipbuilding projects and building internal capacities to manage the complexities of such projects in a timely well executed manner. We remain cognizant of prudent productivity management, maintaining

environmental compliance standards and transforming the culture in which our people work with, to ensure that the human capital we possess and will need, will be equipped with the apt knowledge and skills to become employable and productive.

In conclusion

I have been supported and guided with enlightened leadership given by the Chairman and Board of Directors to continue leading CDPLC to newer heights, for which I am extremely appreciative of. In addition, I'm most thankful to my management and team, who have unreservedly added immense value to all our initiatives, keeping firm focus on our vision and goals to make this company succeed and sustainable even in a challenging year. To our valued business partners and customers, your continued loyalty and confidence placed in us throughout the years remains a strong foundation to a winning scenario for both of us and I remain appreciative of the partnerships we have nurtured through the years and hope it will continue to strengthen.



Mangala P. B. Yapa
Managing Director/CEO

22nd February 2012
Colombo







Board of Directors



Akihiko Nakauchi

*Bachelor of Science,
Civil Engineering – Kobe
University*

Chairman

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

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

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



Mangala P. B. Yapa

*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 27 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.,

Member of South Asia Advisory Committee of Lloyds Register of Shipping, South Asian Committee of the Det Norske Veritas (DNV), Technical Committee for Naval Shipbuilding of Germanischer Lloyd (GL), and the American Bureau of Shipping (ABS).

Vice President of the National Chamber of Exporters (NCE) Sri Lanka and a Member of the Council of the National Chamber of Commerce of Sri Lanka.

Chairman of the National Committee on Engineering and Manufacturing of National Science Foundation of Sri Lanka, Member of the Board of Governors of Vocational University, Sri Lanka, Governing Council of the proposed Ocean University of Sri Lanka, Registration Board for Professional Engineers of The Institution of Engineers of Sri Lanka and the Advisory Board of Colombo International Nautical Engineering College (CINEC), Sri Lanka.



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.

Appointed Director of Asahi Sangyo, subsidiary of Onomichi Dockyard Co, Ltd. Japan.

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



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.



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.



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.



H. A. R. K. Wickramathilake

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

Director

Appointed to the CDPLC Board in 1995. Chairman, Mercantile Marine Management Ltd., Mercantile Emerald Shipping (Pvt) Ltd., Royall Power (Pvt) Ltd, Royali Homes (Pvt) Ltd and Board Member of the Companies of Mercantile Shipping Group.



Janaki Kuruppu

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

Director

Appointed to the CDPLC Board in August 2010. Chairman, Regional Development Bank (up to 20th December 2011), 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.

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.



P. Kudabalage

B.Com (Hons) University of Kelaniya, FCA, FCMA, FCPM

Director

Appointed to the CDPLC Board in May 2011. Executive Director of Sri Lanka Insurance Corporation Ltd and the Managing Director/ Chief Executive Officer of Litro Gas Lanka Limited, Litro Gas Terminal Lanka (Pvt) Ltd, Canwill Holding (Pvt) Ltd, Helanco Hotels & Spas (Pvt) Ltd, Taprobane Hotels & Spa (Pvt) Ltd and Sinolanka Hotels & Spa (Pvt) Ltd. He is the Chairman of the Board of E-channelling PLC also on the Board of Seylan Bank PLC, Ceylon Asset Management Co, Ltd and a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants. He has well over 25 years experience in the mercantile sector. He held several senior positions in Kahawatta Plantations Ltd, Janatha Estate Development Board and Jay Cey Group of Companies and a Director in Malwatte Valley Plantation Ltd.



Group Senior Management



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 27 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.



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

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

Over 26 years have been at CDPLC experienced in both Shiprepair and Shipbuilding sectors and 1 year has been in Japan for undergoing training on shipbuilding, shiprepair and maintenance.



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

BSc Engineering (Hon) from University of Moratuwa.

He has more than 27 years experienced in the related field of which 24 years have been at CDPLC and 2 years overseas.



Ranil Wijegunawardane
General Manager (Finance)

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

Overlook finance affairs of
Dockyard General Engineering
Services (Pvt) Ltd and Ceylon
Shipping Agency (Pte) Ltd, Acting
General Manager (Logistic).

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).
Over 30 years of experience in
the field of which 17 years have
been at CDPLC.



Mangala De Silva
*General Manager (Human
Recourse Development &
Administration)*

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

Has over 21 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.



Shantha Perera
General Manager (Production)

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

Over 26 years experience in the
field of Shiprepair, Shipbuilding
and Heavy engineering, of
which 22 years at CDPLC
and 4 years overseas holding
managerial level positions
in Quality Control, Training
Development, Project
Management and Production
Management.



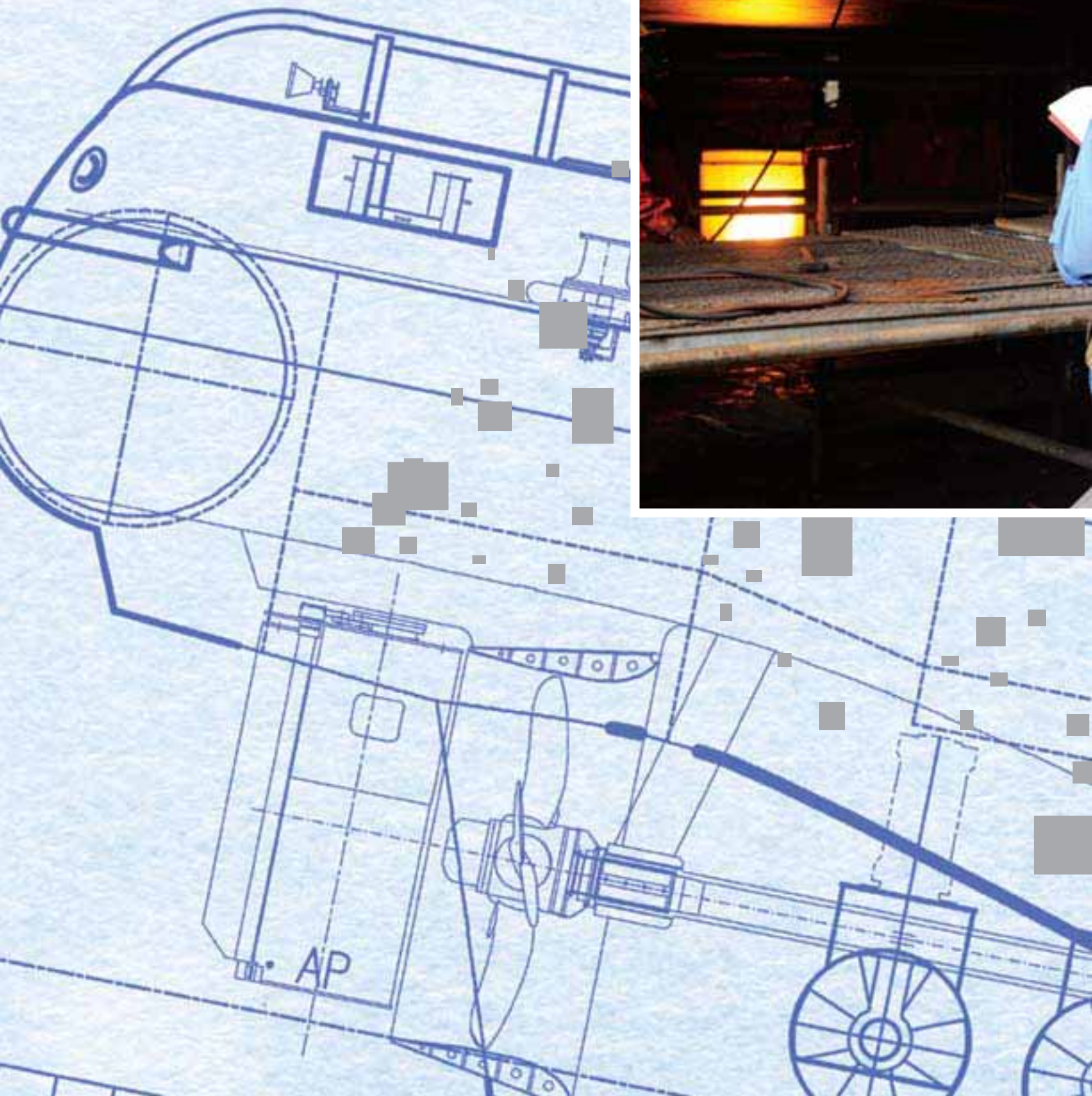
T G Weerasinghe
General Manager (DGES)

BSc Eng. University of Peradeniya.

Over 18 years have been at
CDPLC and 3 years at DGES
experienced in Shiprepair,
Shipbuilding and Heavy
Engineering sectors. Training
in Japan for 3 months in Ship
Building Management.

Member of the Ceylon National
Chamber of Industries.

President of the Peradeniya
Engineering Faculty Alumni
Association (PEFAA).







A Snapshot on the Global Economy and Shipping Environment

Global Economy Outlook 2011-2012

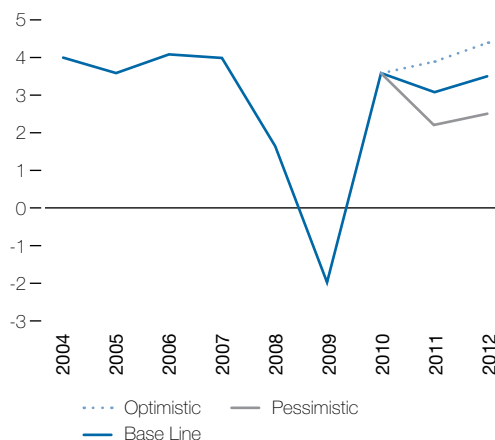
The European debt crisis has made the 2011 outlook for the world economy and the shipping industry more uncertain. The World Trade Organization cut its 2011 trade growth forecast to 5.8 percent from 6.5 percent predicted earlier.

The sovereign debt crisis in Europe, which took a turn for the worse in August 2011, coincides with slowing growth in several major developing countries (Brazil, India and, to a lesser extent, Russia, South Africa and Turkey), mainly reflecting policy tightening begun in late 2010 and early 2011 to combat rising inflationary pressures from overly-fast growth.

The IMF cut its global economic growth forecast to 4 percent for both 2011 and 2012 in September from 4.3 percent and 4.5 percent, respectively.

The world economy in 2012 is set to grow by just 2.5 percent, weighed down by ripple effects from the 2008 financial crisis, says the World Bank's latest Global Economic Prospects (GEP) 2012.

Percentage Change in World Gross Production



Source: World Economic Situation & Prospectus UN-2011

As a result, developing country growth for 2012 is now forecast at 5.4 percent, the second lowest over the past 10 years. The Bank has also lowered its growth forecast for high-income countries in 2012 to 1.4 percent and -0.3 percent for the high-income Euro Area.

Reflecting the growth slowdown, world trade, which expanded by an estimated 6.6 percent in 2011, will grow by only 4.7 percent in 2012, before strengthening to 6.8 percent in 2013.

- The global economy is now expected to expand 2.5 and 3.1 percent in 2012 and 2013 (3.4 and 4.0 percent when calculated using purchasing power parity weights), versus the 3.6 percent projected in June for both years.
- High-income country growth is now expected to come in at 1.4 percent in 2012 (-0.3 percent for Euro Area countries, and 2.1 percent for the remainder) and 2.0 percent in 2013, versus June forecasts of 2.7 and 2.6 percent for 2012 and 2013 respectively.
- Developing country growth has been revised down to 5.4 and 6.0 percent versus 6.2 and 6.3 percent in the June projections.
- Reflecting the growth slowdown, world trade, which expanded by an estimated 6.6 percent in 2011, will grow only 4.7 percent in 2012, before strengthening to 6.8 percent in 2013.

SHIPPING MARKET

Around 90% of world trade is carried by the international shipping industry. Without shipping the import and export of goods on the scale necessary for the modern world would not be possible.

Seaborne trade continues to expand, bringing benefits for consumers across the world through competitive freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalisation, the prospects for the industry's further growth continue to be strong.

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



Global shipping downturn worse than 2008

Global shipping is in a downturn even worse than during the 2008 financial crisis, with the outlook for the industry made increasingly uncertain by the European debt crisis.

The shipping industry, a bellwether of economic activity because of its role in world trade, saw freight rates plummet from mid-2008 to the end of that year.

Activity has since been volatile with spurts of recovery in 2009 and 2010 and came to a grinding halt this year as the European debt crisis threatened to snuff out nascent economic growth and as vessels ordered during the boom started to arrive on the market.

Baltic Dry Index and Global Weakening

A few years ago the sky-high level of the Baltic Dry Index was widely quoted as a sign of the surge in global trade and the rising cost of shipping products across the world. The index is back in the news today but for more pessimistic reasons; a steep decline in the index is being taken as a harbinger of weaker demand and activity in the world economy.

The Baltic Dry Index is a shipping and trade index created by the London-based Baltic Exchange that measures changes in the cost to transport raw materials such as metals and grain by sea. The Baltic Exchange directly contacts shipping brokers to assess price levels for a given route, product to transport and time to delivery (speed).

The fall in the Dry Index also reflects a huge rise in shipping capacity - the world supply of ships of all sizes has consistently outstripped demand - and this excess supply has driven down freight shipping rates.

Shipping industry going through a very lean phase

Shipping is going through a very very lean phase because of the oversupply of tonnage. 2004-2008 was absolutely boom years in shipping which induced ship-owners all over the world to order very large number of vessels and they have been delivered in 2009-2010 and now getting delivered in 2011 with still a substantial order book for 2012. Hence, there is a glut of ships. The rates definitely have come down, but having said that, shipping is a cyclic industry. So ups and down are there and I reckon sometime end of 2012 onwards we hope the situation to improve unless of course there is a double dip. S Hajra, CMD, Shipping Corporation of India (SCI),

Shipbuilding

Production hits all-time record but falls way short of meeting the order book requirement. Last year the world's shipyards completed a record number of orders but overall deliveries were 36% down on schedule.

Owing to major slippage, the problem of major over-capacity in the global fleet has been partly averted. At least in the short term. The orderbook has shrunk but large volumes of new tonnage are scheduled for delivery across most fleet sectors in the next two years.

In the short term, fleet owners should be thankful for the breathing space allowing freight rates to recover a little as markets recover from recession. Yet over-capacity will be an ongoing problem for many years to come as current shipyard order books remain way ahead of projected market requirements. The downturn has already created problems for countries that have recently added shipbuilding capacity. More rationalization and re-structuring amongst both shipyards and the fleet owners need to take place if more business failures are to be avoided.

Ship repairs

The boom times have past, the burning question now is, will the gloom times be avoided? Certainly, the market has shifted from the 2008 position, when yards could pick and choose, to one which is far more competitive.

Early 2011 brought reports of some startlingly low quotes for steelwork replacement. Is this a sign of desperation? Such moves look unsustainable. The difficult fact for the shipyards is that owners have not recovered from the trauma of late 2008's freight market collapse. Since then, many have gone into minimum maintenance mode. They will only commit to doing what is absolutely necessary. This could be storing up problems for the future. It is also a concern if owners are prioritizing cost over quality.

This makes it an unfortunate time for an influx of new capacity to come on to the market. China has completed much of its expansion - though a few more yards still appear to be in the pipeline. The immediate portents look to be a slowdown for at least the next 2-3 years. Consolidations cannot be wholly discounted. However, the big question lies with what happens when a number of China's shipbuilders see their order books finally dry up. They might add to repair capacity. However, the

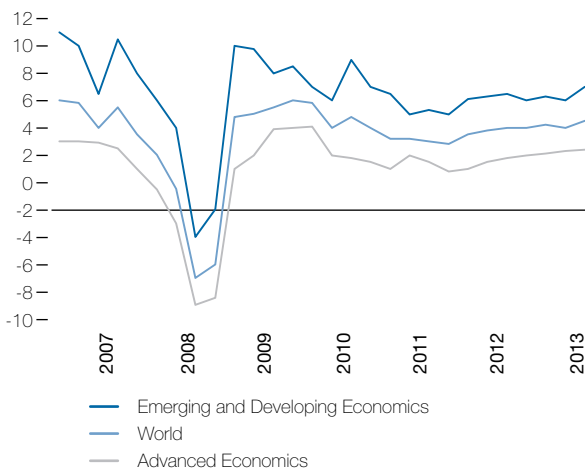


A snapshot on the Global Economy and Shipping Environment Contd.

shiprepair industry - not surprisingly - believes that builders do not necessarily make good repairers. Meanwhile, two major new sites (in Qatar and Oman) have opened in the Middle East. Also seeing expansion is the repair sector in Turkey. Very little repair capacity has been lost. Markets are always vulnerable when the building of market share is a priority for some.

One positive for the repair market is that the global fleet continues to grow. This should continue even if not all of the recent shipbuilding order glut sees the light of day. However, shiprepairers also need shipowners to thrive. Shiprepair is a service industry. The traditional view is that shiprepairers' fortunes mirror those of their ship owner clients – but with a time lag. Rising freight rates, therefore, would be in everyone's best interests. So could the current conditions mark a through in the industry, allowing both owners and repairers to be cautiously optimistic about the future rebounds.

Global GDP Growth





Management Discussion & Analysis

We have worked through one of the most difficult years since inception, having to contend with a global recession that continues unabated. As we began this year, hopes were optimistic that a turnaround in the two year long economic recession would begin looking upward. However, as the year progressed, there were concrete signs of the recession continuing to spiral downwards, while some countries in the Eurozone stood on the brink of bankruptcy, some on a credit watch and the US did not seem to have any hope on the horizon either. Add the negative economic permeation of the Arab Spring and the world seem to be teetering on the brink of an economic time bomb. Global trade and commerce suffered considerably which naturally cascaded to the shipping industry including ship building and ship repair posting a dismal year from an industry perspective.

The paradigm was redeemed to some extent with the 'Chindian' influence on global commerce. Both China and India and thereby the Asian region, took the reigns to showcase better than average growth all around, propping the world economy to better levels. However, for the ship building and ship repair industry here in Sri Lanka, this influence by China and India became extremely challenging as both possess greater economies of scale due to large amounts of resources, state benefits and working on a principle of growing volumes of business to capture the market. This has also brought with it an uneven playing field for smaller shipyards who struggle to keep themselves afloat.

Colombo Dockyard PLC has ridden many a storm and the last year was no exception. We are extremely proud to fly the 'Made in Sri Lanka' title on the high seas, having designed and built vessels that are best in class, been able to capture niche markets and earned the confidence of customers and stakeholders as a committed quality ship builder that delivers on time, every time. It is these strengths therefore that gave us the impetus to ride these uneven waves this year, where our odyssey of excellence though marred by world events, remained afloat. We may not have met our forecasts but we certainly showcased growth, against the odds and for this we are proud; proud that our team remained motivated, infusing lessons from last year when in anticipation of future challenges we reverted to our fundamentals and constructed a business plan that will take us through crises.

It is this commitment to remain above board, uncompromising on our values and ethics and ensuring that the customer always gets quality service and a world class product that

sees us contribute 1% to the country's total export revenue. These founding tenets keep us and Sri Lanka ahead of competition and proved to be the features that continued to win us kudos this year too.

- Gold awards as the Most Value Added Exporter, Most Outstanding Exporter (Exporter of Business and Professional Services Sector), Exporter of Business and Professional Services Sector (Extra Large Category) at the NCE Export Awards 2010 organised by the National Chamber of Exporters.
- CNCI Top Ten Award in the Extra Large Category and a Merit award at National Level - Manufacturing Sector, Extra Large Category at the CNCI Achiever Awards 2011 for Industrial & Service Excellence awarded by the Ceylon National Chamber of Industries.
- Bronze award at the Geo Responsibility Awards 2011 in the Total Waste Management Category conferred by Geocycle - Holcim (Lanka) Limited.
- Outstanding Export Performance in the Non-traditional Products and Service Category at the Presidential Export Awards for 2007 and 2008 organised by the Export Development Board of Sri Lanka, held in 2011.
- Adjudged among the Top Ten Corporate Citizens of Sri Lanka and Runner Up (Less than Rs 1.5 Bn Turnover category) at the Best Corporate Citizens Awards 2011 presented by the Ceylon Chamber of Commerce.
- Excellence in Engineering Award conferred by the Institution of Engineers of Sri Lanka at the Engineering Excellence Awards 2011.
- Winner of the Manufacturing and Engineering Sector presented by the National Chamber of Commerce at the National Business Excellence Awards 2011.
- Ranked among the Top Twenty Business Organisations in Sri Lanka at the Business Today Top Twenty Awards.
- Gold award as the best Annual Report 2010 on service sector organised by the Institute of Chartered Accountants of Sri Lanka.

Echoing these accolades, it is pertinent to proclaim that we are one of Sri Lanka's most unique business entities in that the value addition infused by us creates a significant 56% of domestic value addition in ship building and ship repair. This is done through indigenous expertise, skills and competence geared totally to an international clientele.

We also saw an interesting trend that echoed the general trend worldwide, that of the scales tilting towards shipbuilding



Management Discussion & Analysis Contd.

from ship repair. This percentage now remains balanced to 36% towards ship repair and 64% to ship building. Given that ship repair and ship building sectors share common resources in most ship yards, the trend is to release prime drydock slots to accommodate newly built hulls for assembly and final docking work scope. As a result, at CDPLC, Docks No 1 and 2 remained ready to accommodate vessels being built, enabling them to be delivered on schedule.

While the ship repair sector creates almost 85% domestic value addition, the ship building sector creates 32%, which we believe can be considerably increased if the support industries are encouraged and aligned to international levels of competence and quality. However, export revenue within the ship repair industry saw a slight decline of 2% this year, while shipbuilding decreased by 20%. Total export revenue therefore dropped Rs 1,955 Mn, attributed to the recession cascading to a reduction in new vessels being built and a reduction in ship repair activities in the international market.

SHIPREPAIR

Operating in extremely tough conditions with global volatility affecting our business areas considerably, the ship repair industry saw little traffic, due to vessels traveling less as a result of decreasing global trade and sea traffic. There were continuous instances of ship owners differing dry docking repairs, resorting to postponing scheduled docking due to economic factors. As would be prudent, ship owners adopted the strategy of minimizing expenditure and delaying repairs for as long as possible, (within statutory regulations), as a means of survival. This also led to owners focusing on the mandatory classification society identified repairs. We also observed bigger tanker owners laying off their non-performing fleets to minimize losses, with the intention of re-activation when markets return to some normalcy.

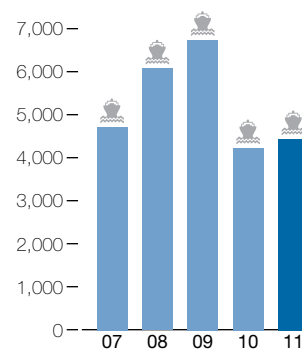
From a historical perspective, the shipping industry is a cyclical one. The industry saw a boom in the late 1970s and again from 2004 to 2007, while sliding down during the recessions. We remain optimistic that the downward spiral will eventually make way for a boom and are currently working on numerous initiatives that will ready us for that era.

Performance Review

Despite the trying market conditions, the ship repair sector performed well, showcasing 4% growth on YOY revenue, from Rs 4,217 Mn to Rs 4,406 Mn this year.

The number of vessels repaired during 2011 was 165, a slight increase from the 149 repaired last year. The Dead Weight handled for this year also increased to 1,723,556 tons from 1,667,325 tons in 2010, while the total number of vessels in drydock repairs increased from 76 in 2010 to 91.

Shiprepair Revenue (Rs. Mn)



Given the milieu we were operating in, some strategies were infused to manage our infrastructure and resources more prudently. The 125,000 DWT drydock No.04 which usually accommodates tankers was utilized to accommodate multiple vessels this year as a part of this strategy. High revenue generating vessel genres continue to be tankers but with the reduction perceived in the tankers due to market conditions and size restrictions, we focused on other vessels to buoy our bottom line. These included tugs, general cargo, container carriers, dredgers and passenger and cement carriers which helped us assuage some of our challenges. However, the market milieu continued its diktat of being a buyer's market, instilling the buyer to dictate terms which saw prices being pressurized. This is a trend we anticipate into the next year or two at least.

Dock No.01-30,000 DWT drydock handled a total of 25 vessels (22 vessels were handled last year) with total of 120,783 Dwt (103,521); Dock No.04-125,000 DWT Drydock handled 36 vessels with a total of 589,371 DWT (645,705) compared to last year's 34 and Dock No.03-9,000 DWT drydock handled 30 vessels with a total DWT of 27,137 (14,971 DWT showcased last year), an increase from 20 in the last year. The number of tankers calling in for repairs remained on similar trends, 16 in 2010 and 15 in 2011, although the tankers were smaller in size and the expenditure by owners on repairs seeing a significant decrease.





Management Discussion & Analysis Contd.

Afloat repairs worked on 74 vessels with a total 986,265 DWT in 2011, a very slight increase from the 73 vessels collating 903,128 DWT in 2010.

	2011	2010
Repaired in Drydocks		
Total No. of Vessels	91	76
Total DWT	737,291	764,197
Total GRT	590,697	530,806
Afloat Repairs		
Total No. of Vessels Repaired	74	73
Total DWT	986,265	903,128
Total GRT	746,544	642,437
Total No. of Vessels Repaired	165	149
Total DWT	1,723,556	1,667,325
Total GRT	1,337,241	1,173,243

New Markets and Strategies

The challenging environment called for strategies that would help us strengthen our presence and our bottom line. Continuing from a strategy begun last year, we worked on our relationship building techniques with our existing customers and also pursued untapped markets in the Far East and Europe that showed potential. These efforts were successful and has seen the 'Colombo Dockyard' brand and reputation further etched in the region.

The European market operations were more aggressively pursued with marketing campaigns in Germany, Greece, Norway and France, augmented with a brand and image building exercise which included participation at the Nor-Shipping International Shipping Exhibition. We also penetrated the Far East and Singapore with greater intensity, strengthening relationships with appointed agents, which were later followed up with visits and campaigns that would ingrain the Colombo Dockyard presence further in this region. Our efforts successfully positioned us as a reliable and reputed international ship yard that meets quality standards, with our extremely strategic location on the marine map augmenting our competitive edge.

We also pragmatically enhanced our resources, increasing our capabilities to work on repairs of LPG carriers, considered a niche skill and competency, while also repairing the Indian vessels MT. Anapurna and MT. Nangaparat, MT. Norgas

Chief from Norway and MT. Oriental Oki from Japan. DND Management Inc., Cyprus Marine Company Limited and Tasaviris Salvage were some of the Greek owners that patronized the yard during the year.

Our strength in dredger repairs continued to gain momentum when Hyundai Engineering placed the Goryo 4 for emergency repairs and India's Dharati Dredging and Infrastructure Limited and Norse Offshore India Limited as well as Dredging International, Belgium sent vessels for repairs in 2011.

Establishment of the Afloat Repair Unit

One of our most pragmatic initiatives was the structuring of the dedicated Afloat Repair Unit in 2009 which added capabilities to assisting voyage and port stay repairs. This unit continued its upward momentum handling repairs in both the Colombo and Trincomalee ports this year. The afloat repair vessel DWT increased from 903,128 tons in 2010 to 986,265 tons in 2011 and has in the past handled offshore support vessels mobilized by Bourbon in the oil drilling fields off the coast of Mannar.

New Clientele Portfolio

Given our aggressive marketing and brand building strategies employed during the year, we made significant inroads in buoying our clientele portfolio. The following ship owners/managers obtained our services for the first time during the period under review:

- Global Offshore Services Ltd. India
- Norse Offshore India Ltd., India
- Rarefield Shipping PVT Ltd., India
- AMET Shipping, India
- DND Management Inc. Greece
- Cyprus Marine Co. Ltd. Greece
- Tasaviris Salvage Greece
- Thome Ship Management, Singapore
- Dharati Dredging and Infrastructure Ltd. India
- Tinjin Cetrans Ship Management Co., China
- Saag Shipping (M) SDN BHD. Malaysia
- PIL, UK
- Bernhard Schulte Ship Management (HK) Ltd. Hong Kong

Opportunities and Threats

What was observed throughout this year of volatility was that offshore support vessels were the most affected sector, especially for Sri Lanka. Due to some internal factors involving customs issues at the Indian end, a considerable number of Indian vessels were unable to call into Colombo. In the



meanwhile, regional offshore players too were affected due to the economic slowdown, while the oil industry, which forms a considerable segment of the business, had fewer vessels deployed, extending to postponements of scheduled repairs unless absolutely necessary.

The Hambantota Port Development project is currently on schedule and once completed will add further capacity to Sri Lanka's marine industry. Our geographic advantage together with the strengths we have collated over the years, will see the country eventually achieve its national vision of becoming the marine hub for South Asia. The Hambantota Port will also be an avenue to ease the congestion currently prevalent in the Colombo port, adding imperative berth space for repairs and adding greater scope for afloat repair work within the Colombo Port.

Having analysed and studied the industry for many years, we are now able to prudently examine the rudimentary facets of shipowners and the relevant industry segments. This year specifically showcased trends and paradigms with greater clarity, enabling us to select the better more sustainable ship owners from our large network of contacts, to continue building relationships with.

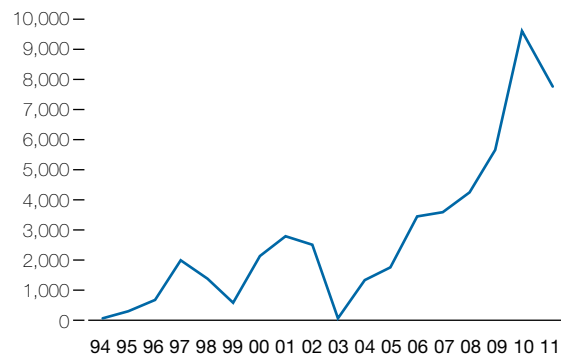
SHIPBUILDING

This is our flagship business, the driving force that has been the key thrust in flying the quality focused 'Made in Sri Lanka' vessel across the oceans. The revenue trajectory over the years has remained consistent even though, the challenges from a global economic perspective, have been many. One of our most pragmatic decisions however, was, in anticipation of such quagmires; to strategically align and diversify our business to meet such challenges that may erupt. These strategies came into being in 2005/06 and we have been building on them since, etching our presence in niche areas in the marine industry, carving a strong and reputable status as a quality shipbuilder in the Offshore Supply Vessel (OSV) market.

This year saw us build four vessels, namely the 78 m Multipurpose Platform Supply Vessel 'Greatship Rashi' which met the stringent requirements forwarded by Petrobras - a leader in the Brazilian oil industry and the third largest energy company in the world Petrobras, the 140 Ton Bollard Pull Anchor Handling Tug Supply Vessel 'Executive Honour' for a Singaporean based owner chartering within oil fields worldwide and its sister vessel 'Executive Pride', scheduled for delivery in January 2012. These are vessels operating

in the OSV Sector. In addition, we also delivered a 100 Passenger Launch commissioned by the Road Development Authority in Sri Lanka to be operated in the northern peninsula of Sri Lanka.

Shipbuilding Revenue (Rs. Mn)





Management Discussion & Analysis Contd.





Listed below are the vessels delivered and those considered as work in progress scheduled for delivery in 2012/2013/2014.

Vessels delivered in 2011

Project Name	Yard No.	Customer	Delivered	Country
Multi Purpose Platform Supply Vessel – Greatship Rashi	NC/0218	Greatship (India) Limited	March 2011	India
140 T BP Anchor Handling Tug Supply Vessel - Executive Honour	NC/0219	Eagle High Pte Ltd	October 2011	Singapore
140 T BP Anchor Handling Tug Supply Vessel - Executive Pride	NC/0220	True Wisdom Pte Ltd	February 2012	Singapore
100 Passenger Launch – Vada Tharakai II	NC/0221	Road Development Authority	February 2011	Sri Lanka

Source: Company Data

Work in Progress - Delivery in 2012/2013/2014

Project Name	Yard No.	Customer	Scheduled Delivery	Country
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	June 2012	Singapore
Multi Purpose Platform Supply Vessel - Greatship Ragini	NC/0224	Greatship Global Offshore Services (Pte) Ltd	September 2012	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.	August 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



Management Discussion & Analysis Contd.

In general, over the three years of 2007, 2008 and 2009, ship building contributed a revenue of 40% on average, while ship repair added about 60% into the top line. However, in 2010, this trend transformed with ship building revenue showing an upward trend to achieve a remarkable 70% contribution, while ship repair slipped to nearly 30% in contribution to the top line. This is a trend that continued throughout 2011 and will be further augmented in 2012 and for a few years beyond, given the global economic downturn and ensuing challenges.

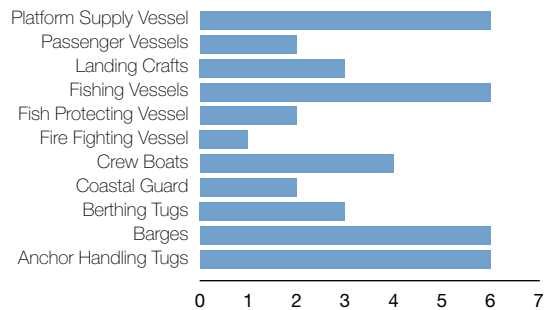
The OSV market which we entered into not long ago has given us the enviable reputation of being one of the most sought after shipbuilders in the South Asian region for offshore and medium range vessels. While in general, the ship building milieu did see a decline, some owners did strategically invest in expanding their shipping assets and given the positive and pragmatic economic and political stability prevalent in Sri Lanka, Colombo Dockyard secured four shipbuilding contracts in the OSV segment. This totaled US \$106 million and was certainly a welcome change to the downward trend being experienced by other shipyards. We attribute this capture of business to the fact that we have relentlessly pursued our marketing strategies over the last few years in a quest to capture new markets, a strategy that has certainly paid rich dividends.

Our reputation in on-time delivery and quality excellence has also held us in good stead. We strongly believe that post the successful delivery of the two 250 passenger cum 100 ton cargo vessels for the Government of India, the company was able to wade off stiff competition from China, Thailand and Germany to secure the two 400 Passenger cum 250 T Cargo Vessels for the Government of India at an approx. contract price of US\$ 59 Mn.

The significance of this success is further proven, when just one year after delivery of these two epoch making vessels, the Arabian Sea and Lakshadweep Sea, the Government of India placed yet another order with us. We are most honoured to be considered in such high esteem by the Government of India, which has confidently used our 37 years of experience and proven competencies to create a strong partnership in shipbuilding between our two countries.

Our Order Book therefore remains strong until 2014, which despite the gloomy outlook in the industry, positions us in an enviable position both regionally and globally.

Foreign Vessels Undertaken 1974-2012



Key Initiatives

The investment we have infused into our shipbuilding business has been manifold and has been invested in order to gain maximum advantage of the changing marine landscape. Over SLR 3 Bn has been infused since 2006 to improve our yard facilities, adding capacity and initiating features that would in tandem, increase productivity as well.

Some of the initiatives implemented over the last year has also increased our steel processing capacity. For example the relocation of the current Shot Blasting operation and Steel Storage Yard to our Kelani River Yard (KRY) added 1,750 sqm fabrication area into our yard operations. The installation of a new Plasma Cutting machine and the commissioning of a Component Fabrication workshop as well as instituting an open fabrication area at the KRY site also increased steel processing capabilities. Similarly electrical work capacity also saw gain when the large quantity of steel material was shifted out and that area was converted into an Electrical Outfitting Workshop.

We also commissioned a 250 Ton Bollard Pull Test Facility at China Bay Trincomalee, which is the first of its kind for high capacity in the country. This was constructed primarily to check and confirm the pulling capacity of ships, which include Tugs and Anchor Handling Tug Supply Vessels of up to 250 tonnes. The natural deep water conditions prevalent in Trincomalee optimises conditions, while also providing the necessary depth to achieve accuracy in the bollard pull test results. Although used mainly for ships under construction, the test facility which retains environmentally friendly features and is designed to minimize damage to the natural eco-system, can be hired by external shipowners and shipyards at a nominal fee for their use.



Relationship nurturing and strengthening continues unabated as we do believe strongly that the success we have achieved despite a trying year, is primarily reliant on the mutually beneficial relationships we have gained and maintained over the years. These strategic relationships extend to classification societies and have even prompted surveyors within these societies to be our unbiased brand ambassadors, as they remain confident of the quality, best practices and superior product that we deliver continuously on time.

Continuing our Green Ethos

Our industry is resource intensive and being 'green' becomes doubly challenging in a shipyard that uses copious quantities of the earth's resources, while trying to maintain an ecological balance. However, we have developed a 'green conscience' and for many years now, began instituting best practices in being an environmentally friendly business. Into this equation, rules and regulations also became applicable which however, given our pragmatic thinking, kept us somewhat ahead of compliance.

The new environmental regulations require single hull tankers to be eliminated and the introduction of double hull tankers has created strong demand for new ships. Due to these new regulations, the industry globally rushed to cater to the demand and also positioned an imbalance in the scales, with demand exceeding capacity. These regulations, naturally provided great opportunities for the shipbuilding sector, although, in the converse, it threatened the ship repair sector, which saw a decline in revenue due to the phasing out of the single hull tankers.

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

Another new regulation namely the SPS Code (Special Personnel Code) which dictated for stability requirements to be provided for special personnel on-board, were adopted seamlessly, with our shipyard geared to cater to future market diktats, while remaining aligned to comply with safety requirements as well.

The IMO has also implemented the Ballast Water Management Programme, which reduces the transfer of harmful marine species and aquatic organisms in the ships' ballast water. New ships being built by us will conform to these regulations and have added opportunities for us, given that we are now competent in retro-fitting ballast water treatment systems on-board older vessels.

It is pertinent to state that Colombo Dockyard remains beyond compliant, with all technological advancements already adopted by us ensuring that we can and will meet any further stipulations in these areas.

Opportunities maximised

The establishment of new ports in the region and deep water offshore oil and natural gas explorations has undoubtedly and will in the future, create demand for AHTSVs, PSVs, Drilling Rigs and Harbour Tugs. This remains our primary focus in marketing, as we realise that even in lower market demand scenarios, these are genres that will continue being active and will pose opportunities for us to work in.

Within this region, India for example has impressive plans for the development of infrastructure, which includes improving passenger transportation fleets operating around its coastline. From our experience in the recent past, we have already reaped dividends from the relationships we have maintained with the Indian shipping fraternity, amply exemplified in the awarding of the two high end 400 Passenger cum 250 T Cargo Vessels for the Government of India. This therefore for us is a competitive edge and we intend to capitalise on the confidence and trust that the Indian industry has built with us.

As in any industry functioning in a macro vista of a global meltdown, there are significant threats and risks that do arise. These are not unique nor are they unequaled. Rather, to us they remain opportunities that should be grasped. We have observed the industry transforming, cutting its edges to conform to a tightening economic environment, but at the same time, it has given smaller shipyards like us an opportunity to look at niche products and build on our competitive edge of high quality workmanship, best practices infusion and an unbroken record of on time delivery.

Statutory burdens, financing costs and high cost of production inputs including water, electricity and labor makes us vulnerable in these times, especially given that a majority of the inputs are sourced from abroad. This sector contributes



Management Discussion & Analysis Contd.

significantly to the local economy via massive export revenue, but receives no incentives or state support, unlike our regional competitors. This remains a major concern to us as one of our biggest threats is being unable to remain competitive in the global market.

Apart from the financial threats that are omnipresent, there is a major threat of increasing competition from large shipbuilding yards, which were hitherto focusing on larger shipbuilding projects now shifting their focus towards the medium and small size shipbuilding market. However, this may serve as a further impetus for us to hone our skills and look for newer markets and newer areas, building on our professional capacities and unique skills.

The Future of Shipbuilding for Us

The strong demand for energy as a result of industrialization in the Asian markets has increased demand for offshore support vessels, probably the only sector billed to recover speedily from the global recession. In addition, the discovery of new deep water offshore oil reserves in Brazilian waters has also augmented the need exponentially for OSVs, and this we have observed especially in Brazilian Petrobras, which has developed an aggressive requirement for newer tonnage.

The Hambantota Port too brings with it new opportunities and new business avenues. Establishing a ship repair and ship building facility would require considerable investment and we are currently prudently studying both the global and regional economic vista, for the justification of such investment. The current focus is on the construction of large offshore steel structures such as rigs and platforms.

We strongly believe that the shipbuilding sector can positively impact the growth of the national economy, infusing a positive socio-economic influences via generating employment, prompting higher productivity and emphasis on quality, better managed resources and overall development. This however needs to be honed and for the sector to achieve real growth potential, more capacity must be invested in, where competencies and capabilities are enhanced.

Dockyard General Engineering Services (Pvt) Ltd

The Dynamic & Prime youthful, that would aptly describe Dockyard General Engineering Services, the flagship subsidiary under Colombo Dockyard PLC, geared to design, engineer, architect, procure, construct and maintain engineering feats that are sophisticated, state of the art and

futuristic. In a short span of period, we have collated the reputation of being among the leading engineering companies in the South Asian region equipped with the appropriate skills, talent and professional mastery in both technical and technological engineering capabilities.

With the ability to work on entire project management undertakings with readiness to take challenges to face “Uncontrollables” which is part and parcel of Today’s project at its reality, it is assuring to note that our Local and International Clientele always have their undisputed Confidence in us to cater to their large spectrum of engineering needs and this is true also for Industrial, Foreign Funded commercial and government sponsored projects across multiple markets in South Asia. Our expertise and core specialties span infrastructure, buildings, renewable energy primarily in mini hydro-power, irrigation, petrochemical (oil and gas), power as well as material procurement geared for specialization in marine products.

One of our key strengths and a definite competitive edge is the strategic alliances we have inherited from earned customer confidence in Long years of marine Engineering within the Group, which enables us to leverage on the synergies infused by our parent Colombo Dockyard PLC and Onomichi Dockyard Co. Ltd. Japan. This alliance adds core values, strengths, cost effective waste minimizing management practices, considerable resources including financial stability, cutting edge-technology and quality consciousness, with the overarching positive of the world renowned Japanese work ethic prompting us to assuredly promise on time delivery and an uninterrupted supply chain fueled by a professional team. The strong and transparent financial fundamentals and consistent growth in bottom line also enables the company to implement projects of large value involving high working capital.

Key Projects Undertaken during 2011

6MW Kirkoswald Mini Hydro-Power Project, Bogowanthalawa

A project undertaken for Bogo Power Private Limited, DGES successfully implemented and completed the entire gamut of civil engineering work, the construction of headwork and penstock civil work for this mini hydro-power project. By erecting and painting of Penstock of the project, DGES contribute its mechanical experience as well. The total project value was Rs. 230 Mn.



Workshop Building at Kelani River Yard

Also undertaken for Colombo Dockyard PLC. DGES undertook the construction of the workshop building at the Kelani River Yard at a project value of Rs 52mn. The steel building stands at 32m x 49m x 12.5m in size.

Painting of Kala-oya bridge

DGES have a unique specialty to provide technical advice to any engineering issue and to carry out the blasting and painting work at any location. Hence DGES has getting many inquiries for surface preparation and painting solution.

Air Separation Plant (Colombo ASU) and Erection of Tank

This project was commissioned by Ceylon Oxygen Limited and is estimated at a project value of Rs 70 mn. The project is currently ongoing and involves civil and structural works for 64 TPD Air Separation Plant at Sapugaskanda and a steel and Stainless steel cylindrical tank.



Fabrication, supply and installation of Post Lime Saturator

DGES specialized to fabricate any type of complex steel units with precise dimensions; hence DGES has getting special request for complex structures.

Building for Shot Blasting Unit at Kelani River Yard

The design and construction of the building housing the shot blasting unit for Colombo Dockyard's Kelani River Yard was successfully completed this year. This 18m x 42m x 11m building is at a project value of Rs 43 Mn.



Performance Review

The confidence and trust that our customers and other stakeholders have shown, permeates to our bottom line, which this year, has seen growth of 76%, a significant increase from Rs 446.2 mn showcased last year to this year's Rs 786.6 mn. Our project books remain full and consistent, which is



Management Discussion & Analysis Contd.

augmented with the fact that we remain a trusted supplier for certified engineering and materials as well as related services. Another competitive advantage is our highly qualified and experienced management team, whose knowledge and skill in project management ensures optimisation of all resources topped with extraordinary innovation, maintenance of high quality and productivity and commitment to sustainability. This commitment to imbuing best practices also saw us honored with a Techno 2011 Award by receiving Gold award for stall with highest Technological Impact in National Engineering & Technology Exhibition held on 2011.

DGES specialty is to provide its service or product with values added services with the vision of supplying total Solution. Marine Hardware Division of the company has organized In house Technical Training to Sri Lanka Navy, major customer.



Given that the work purview we engage in remains labour intensive, we strive to create a healthy and safe working environment in all our project premises, cascading the importance of prevention of accidents and striving towards a 'zero lost work day' accident milieu. We are extremely conscious of the responsibility we have towards preserving and conserving the earth's natural resources and cascade this message to our team, who all work diligently towards maintaining high occupational health and safety standards, while retaining a strong environmental consciousness on utilisation and waste management.

Yard Infrastructure Development from 2005 to 2011

After laps of several numbers of years from the development of 125,000 dwt Dry Dock in early 80s, as a result of ever increasing operational cost, heavy market fluctuation of Ship Repair Business, etc in early 2000, company identifies the need for improvements for the betterment of the company growth.

Alternatively medium scale Shipbuilding and Off-shore marine sector were focused and phased out necessary infrastructure developments.

The development phases were continued over the years from 2005 and the company has been proved continuous substantial growth thereafter.

In year 2005;

Major breakthrough reached with the concept of developing step put forward by converting one of the Dry Dock (Dry Dock-2); inner Dry Dock of Dry Dock-1 for medium scale as Shipbuilding facility.

The initiative was taken with the investment of close to LKR 800 million during 2005 & 2006 for the areas necessary for the medium scale Shipbuilding activities. Namely Dry Dock-2 entrance expansion, installation of higher capacity Dockside Crane (50 Ton) and setting up common utility building to acquire more yard space.

Important and essential machinery other works related to steel forming activities such as CNC conversion of flame cutting machine, 500 ton capacity bending press, adequate fabrication yards etc.

In 2007/2008:

Further enhancement of Shipbuilding sector by increasing productivity through introducing new technology and other means were progressed. The plasma cutting technology for steel cutting with Computer Numerical Control (CNC) technology was adapted. It was dramatically changed in steel cutting process and increases the productivity by 75% with a reduction of waste in considerable amount.

Expansion of Shipbuilding capacity by introducing working platform barge without affecting Ship repair works was another strategically planned approach. It was increased the capacity by 50% with a nominal investment.

Productivity enhancement through improving the working environment was focused and introduced weather protection movable kind of shelters in total covered area is approximately 6300 square meters including 85% of the Dry Dock-2 area and 50% of the working Platform Barge where major Ship assembly is taking placed.



In 2009/2010:

While continuing with the continual improvement of productivity, CDPLC has initiated and launched with the avenues for environment protections and managing scarcity resources as responsible corporate citizen.

Complying with IMO regulation while protecting environment:

Under the requirement of implementing of International Maritime Organization (IMO) new regulation for Shipbuilding and their Operations and sea-water ballast tanks & void spaces (some of the vessel types) are essentially prepared & coated with paint schemes to guardant for 15 year life span. It is identified as PSPC (Performance Standard for Protective Coating) requirements in new rule.

CDPLC has set up two numbers of Combined Blasting & Painting halls to comply with the requirements and has been benefited with below advantages.

- a) Quality guaranteed under the application of protective coating in controlled environment conditions (dust, temperature & humidity)
- b) Productivity under the working in controlled environment conditions (temperature & humidity)
- c) Economical operation by using Steel Grit blast media instead of Copper Slag which cannot recycle due to breakage to smaller particles
- d) Emitting dust & fumes free air to the environment

Ship Repair Sector improvements

Effectiveness, efficiency & productivity improvements too on Ship Repair sector looked at during this period. A fully pledged new compressor station was set up at 125,000 dwt Dry Dock-4 which is the largest Dry Dock at CDPLC and the highest revenue generation is taking place in Ship Repair.

Refurbishment of aging & abundant jetty No. 17 is improved the berthing requirements of ships up to 60m in length and efficient erection type scaffolding system too helps in great deal in repair sector.

Water harvesting and initiating of Hydro Blasting as a pilot project to protect environment, improve safety & health, efficiency gain through continuing with parallel activities etc. are some of the achievements focused & reached.

In 2011/2012:

Beginning of another new era of Colombo Dockyard PLC, worked out in this period and a solution to the one of biggest constrain easy up to some extent by setting up another extension to CDPLC at 3 acer land plot in Mattakkuliya. The CDPLC has created facility at new location Kelani River Yard (KRY) in Mattakkuliya by shifting steel storage, steel processing and processed steel ready for unit fabrications only deliver to CDPLC main Yard.

A 0.3 Hectare (3000m²) valuable Yard space has been released for the direct higher value addition production process and it has supported to win the hart of customer's and manage to secured ever large Shipbuilding order in the history.

160 Ton Level Luffing Shipyard Crane:

Design & supplying of 160 Ton Level Luffing Shipyard Crane to CDPLC requirements to cater present and future Shipbuilding is in processes. This will be a largest in this type in South Asia and the service will be available in 1st quarter of 2013. The lifting capacity of 160 Ton at 26m radius and 90 Ton at 40m radius is ideal requirement of medium & larger scale shipbuilding.

Securing the order with leading German manufacturer with shorter delivery is tremendously support the ongoing Shipbuilding projects.

Another Koike-Japan Plasma Cutting Machine

Second machine in this nature will be in service from mid of 2012 will be and another important facility which support the increased productivity & efficiency after commissioning of 160 Ton Shipyard Crane.

CDPLC is happily announced with the ongoing infrastructure development a building of lager scale Ship will not be a miracle in near future.

Intermediate gate for Dry Dock-1:

Although the Shipbuilding facility was expanded by introducing Working Platform Barge as speedy & short term requirements and same has been further studied and reviewed in a way of further improve the productivity, efficiency and more importantly safe & economical operational aspects.

The Stop Logs type construction of Intermediate Gate divide the Dry Dock-1 forward 55m clear space for Shipbuilding & rest 150m length for Ship repair with a flexibility of using the Dry Dock-1 same as original.



Financial Review

Colombo Dockyard PLC (CDPLC), is in the shiprepairs, ship building and heavy engineering business to deliver sustainable performance. With total assets of Rs. 14,074 Mn as at end 2011, 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)	2011	2010	Change	%
Income Statement				
Revenue	12,803.1	14,505.7	(1,702.6)	(12)
Gross Operating Profit	2,311.4	3,281.7	(970.3)	(30)
Profit after Tax	1,810.9	2,085.0	(274.1)	(13)
Balance Sheet				
Total Assets	14,593.4	14,564.4	29.0	-
Total Liabilities	5,587.5	6,817.0	1,229.5	18
Shareholders' Funds	9,005.7	7,747.2	1,258.5	16
Net Cash & Cash Equivalent	4,050.8	5,540.9	(1,490.1)	(27)
Interest bearing borrowings	457.1	983.7	526.6	53
Financial Ratios				
Earning Per Share (Rs.)	26.36	30.40	(4.0)	(13)
Dividend Per Share (Rs.)	6.00	8.00	(2.00)	(25)
Net Assets Per Share (Rs.)	131.59	113.30	18.3	16
Gearing Ration (%)	0.40	0.80	(0.4)	(50)
Return on Total Assets (%)	11.0	11.6	(0.6)	(5)
Working Capital to Assets (%)	50.0	43.0	7.0	16



FINANCIAL PERFORMANCE

Group Revenue

The Group achieved a total revenue of Rs. 12,803 Mn for the financial year 2011 showing reduction of 12% (Rs. 1,703 Mn) as against last year recorded Rs. 14,506 Mn owing to less number of new ships delivered during 2011 with 3 larger vessels compared to 5 larger vessels in 2010. Further, approximately 24% (Rs. 2,068 Mn) of the current year completed 3 vessels have been accounted under 2010 financial year as work in progress revenue.

Segmental Contribution to the Group Revenue

Group revenue includes Company's core activity shiprepairs, ship buildings, heavy engineering, and offshore engineering and materials sales from subsidiary companies. The major revenue contributor for group has become shipbuilding with 60% compared to 66% recorded for last year.

Export Revenue

The group's export revenue includes the revenue generated mainly from and shipbuilding ship repairs operations. Total export revenue has decreased by 15% (Rs. 1,955 Mn) compared to last year. The major overseas market of the Group continues to be India up to last year accounting for 61% (Rs. 8,188 Mn) of the total export revenue. The, major overseas market during the year under review record as the Government of Samoa with 44% (Rs. 5,018) contribution of the total export revenue of Rs. 11,464 Mn. followed by the India with a revenue of 38%.

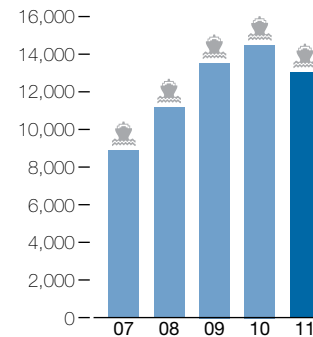
However, the Indian market continued to be the major overseas market for the Shiprepair sector, with a contribution of 68% of the total export Shiprepair revenue under 2011,

The dominant currency for export continued be the US dollar, accounting for 79% of total exports, balance followed by the Euro with 21%. The depreciation of the Sri Lanka Rupee continued to impact on the conversion of US dollar proceeds.

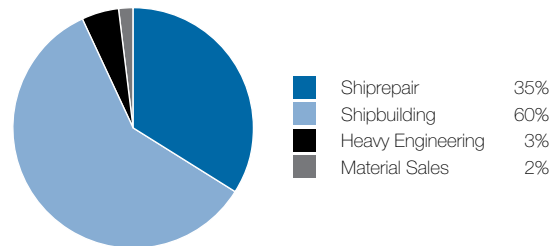
Earnings Before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as Rs. 2,125 Mn during the year with marginal reduction of 3% from last year figure of Rs. 2,191 Mn. The reduction was primarily due to the reduction on shipbuilding revenue during the year compared to 2010.

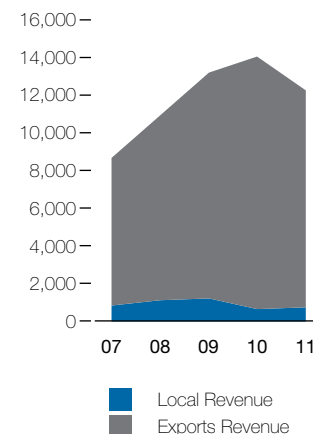
Group Revenue (Rs. Mn)



2011 - Group Revenue Composition



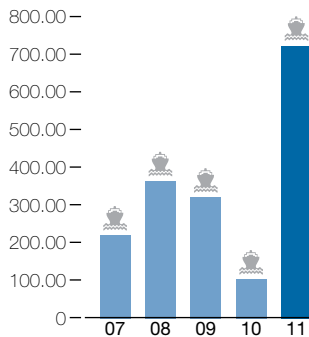
Total Export & Local Revenue Composition - (Rs. Mn)





Financial Review Contd.

Other Operating Income - (Rs. Mn)



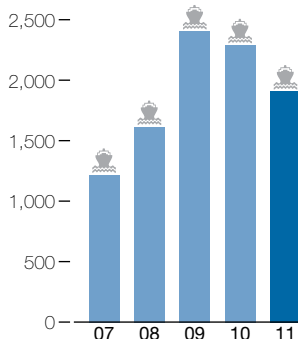
Other Operating Income

Other operating income of the Company excluding interest income increased to Rs. 637.1 Mn during the year from Rs. 89.8 Mn recorded for last year. The unprecedented increase 609% (Rs. 547.3 Mn) was mainly due to the gains on exchange rates of Rs. 439.4 Mn as against the exchange loss of Rs. 57.2 Mn incurred for 2010.

Profit after Tax

The Company recorded a profit after tax of Rs. 1,706.5 Mn during the year under review representing a 15.3% negative growth relative to the year 2010 figure of Rs. 2,014.7 Mn. This reduction was mainly attributed to the decline of shipbuilding business volume and profits during the year compared to last year. The Company has achieved 13.9% net profit margin during the year compared to 14.3% recorded for year 2010.

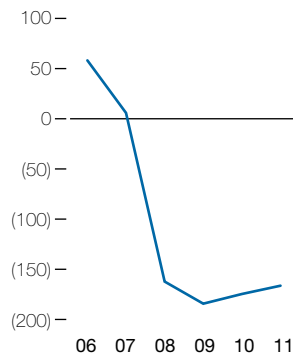
Profit After Tax (Rs. Mn)



Contribution to Sri Lankan Economy

The Sri Lankan economy achieved an impressive growth of 8 per cent during the first half of 2011 compared to the growth of 7.8 per cent in the first half of 2010. This growth was entirely attributable to the strong performance in Industry and Services sectors as Agricultural sector showed a setback due to adverse weather conditions at the beginning of the year. The Industry sector recorded a remarkable growth of 10.3 per cent, compared to the 8 per cent growth in 2010 with increased performance in both domestic and export market oriented industries. The Services sector grew by a healthy 9.1 per cent compared to the growth of 7.6 per cent achieved during the first half of 2010, largely reflecting improved performance in trade, tourism and transport related activities.

Net Finance Income/(Expenses) (Rs. Mn)



The direct value addition generated by the Company was Rs. 5,130 Mn, (2010- Rs. 5,385 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. 6,327 Mn (51.8%) compared to Rs. 7,324 Mn (52%) recorded for 2010. The details of Company direct value distribution is given on page 79.

Interest Costs & Income

Interest cost on operations has increased by 33% from Rs. 55.3 Mn to 73.4 Mn. The interest income generated year under review is Rs. 243.4 Mn compared to Rs. 229.4 Mn recorded for 2010. Overall the Company is continued to record a surplus on Company's net finance cost to Rs. 170.0 Mn compared to Rs. 174.1 Mn recorded for last year.



Exchange Rates

The exchange rate policy in 2011 focused on maintaining stability in the domestic foreign exchange market. Even though the rupee slightly appreciated against the US dollar (by 1.3 per cent) up to July 2011, it depreciated (by 0.6 per cent) from August to September reflecting higher demand for foreign exchange in the market, owing mainly to the settlement of large import bills including oil bills. Accordingly, during the first nine months, the rupee appreciated marginally by 0.7 per cent against the US dollar. The Central Bank intervened in the foreign exchange market by supplying foreign exchange on net basis to avoid excessive volatility in the exchange rate.

The Sri Lankan Rupee depreciated to higher average of Rs. 113.80 and Rs. 163.16 against US dollar and Euro respectively during the year under review and to the lower average of Rs. 109.45 and Rs. 148.27 against US dollar and Euro respectively. However, the government initiatives to strengthen the country's external reserves positions and enhanced economy after eradication of long felt war against terrorism, the Rupee closed at Rs. 114.80 and Rs. 154.25 against US dollar and Euro respectively on the 31st December 2011, reflecting an appreciation of 2% against US dollar and Euro against 31st December 2010.

FINANCIAL POSITION

Total Assets

Company's total assets as at 31 December 2011 were Rs. 14,074 Mn, as against Rs. 14,193 Mn, the marginal reduction of 1.0% (Rs. 119 Mn) was mainly due to the reduction on short term investments & cash & cash equivalents. The current year non-current assets value of Rs. 2,695 Mn is an increase of 13% (Rs. 310 Mn) against last year representing a growth on property, plant and equipment and the deferred tax assets.

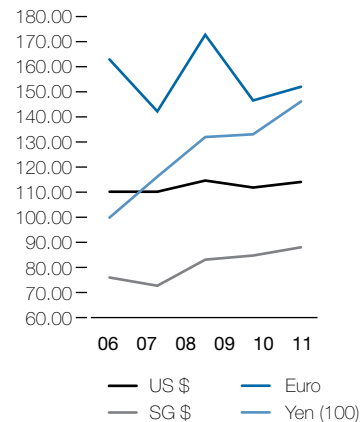
Current Assets

Current assets of the Company has marginally reduced from Rs. 11,807 Mn in 2010 to Rs. 11,379 Mn in 2011, reduction of Rs. 428 Mn (4%) against last year and it is mainly attributed to the withdrawal of short term investments and Bank and cash balance.

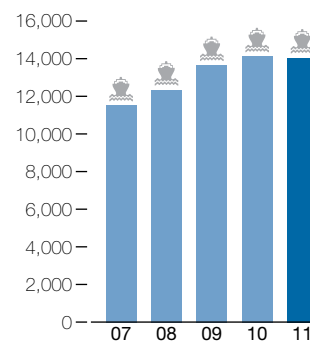
Working Capital

The net working capital continued to increased recording Rs. 6,978 Mn as at 31 December 2011 indicating a growth of 14.0% over the previous year. The main contributory factor to the increase was the 17% reduction in account payables and 54% reduction on interest bearing borrowings.

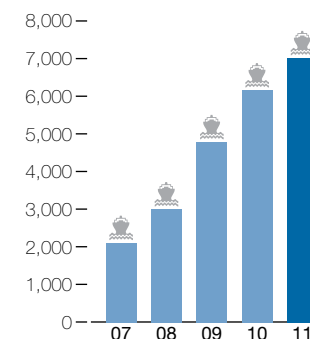
Major Foreign Exchange Rates (Rs.)



Total Assets - (Rs. Mn)



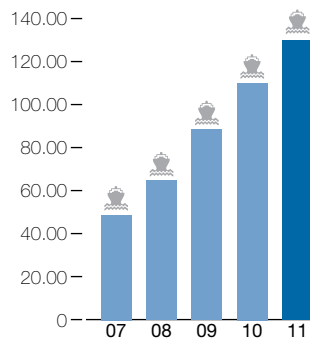
Working Capital (Rs. Mn)



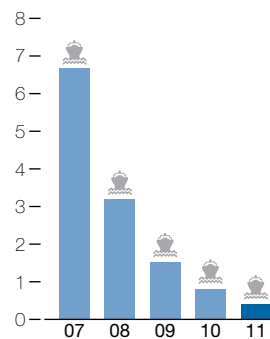


Financial Review Contd.

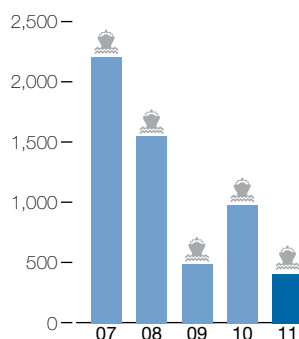
Net Assets per Share (Rs.)



Gearing Ratio (%)



Total Debts (Rs. Mn)



Cash flow

Cash generated from Group's operations before working capital changes stood at Rs. 2,118 Mn in 2011 compared with Rs. 2,346 Mn in the previous year. Cash generated from operations decreased compared to the previous year, due to negative working capital changes when compared with last year. As a result, net cash generated from operating activities decreased to Rs. 544 Mn against Rs. 2,518 Mn the previous year.

Net cash generated in investment activities was Rs. 217 Mn during 2011, as against use of Rs. 857 Mn the previous year. The group invested a total of Rs. 563 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December was Rs. 4,051 Mn, (2010 - Rs. 5,541 Mn).

Net Assets Value Per Share

In line with capacity and facility expansion, the net assets value per share of CDPLC increased by 15% from Rs. 109.81 to 126.74 per share as at 31st December 2011.

Capital Structure

Total assets of the group stands at Rs. 14,593 Mn as at 31st December 2011, compared with Rs. 14,564 Mn in the previous year. Assets were funded by shareholders funds (61 per cent), non-current liabilities (7 per cent) and current liabilities (32 per cent).

Debt

Group's total debt was Rs. 457.1 Mn as at balance sheet date, 54% (Rs. 526.7 Mn) lower than in 2010. This was primarily due to the reduction on interest payable borrowings and trade payables. Group's long-term debts continued to reduce and as at 31st December 2011, total long-term debt was Rs. 36.4 Mn, 41% lower than in 2010 figure of Rs. 61.2 Mn.

The Company gearing level has reduced by 0.4 percent points, from 0.8% in 2010 to 0.4% in 2011.

Performance of the Share

The share price of the Company as at 31st December 2011 recorded at Rs. 238.80, a drop of 13% compared to last year's closing price of 275.00. Similar reduction trend is noted in All Share Price Index in the Colombo Stock Exchange.



The share price recorded the highest price of Rs. 295.00 on 15th February 2011 and lowest of price of 221.10 on 28th November 2011.

Financial Reporting

Colombo Dockyard PLC is committed to adopting best practices in financial reporting to with providing most updated and developments in the financial reporting and disclosure. The financial reports on page 114 to 155 have been prepared in compliance with Sri Lanka Accounting Standards.

Our Achievement

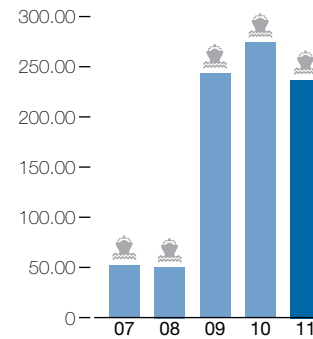
The company gives high priority to timely delivery of both quarterly and annual financial statements. Our comprehensive reporting has enabled shareholders and all other stakeholders to make a fair assessment of the company's performance.

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

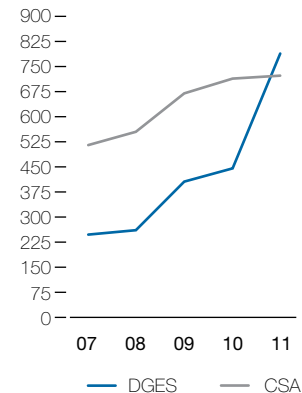
Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,509 Mn of which Rs. 779 Mn from wholly owned Dockyard General Engineering Services (Pvt) Ltd and Rs. 730 Mn (SGD 8.3 Mn) from Ceylon Shipping Agency (Pte) Ltd with 51% holding.

Share Price - (Rs.)



Subsidiary Revenue (Rs. Mn)





Corporate Governance

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

Overview

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

This report outlines the Company's corporate governance processes and activities for the financial year 2011 with reference to the Code of Best Practice of the Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

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

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

Board of Directors

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

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

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

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

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

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

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



The Board so determine based on the annual declarations 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	24th March 2010	Non-executive/Nominee Director
Lalith Ganlath	Director	21 June 1993	Non-executive/Public Director (Independent)
H.A.R.K. Wickramathilake	Director	28 April 1995	Non-executive/Public Director (Independent)
Janaki Kuruppu	Director	25th August 2010	Non-executive/Nominee Director
P. Kudabalage	Director	3rd 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	4	83%
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 that the functions of the Audit Committee are in accordance with the requirements under the Listing Rules of the Colombo Stock Exchange.

The Committee met the External Auditors during the year and discussed the major points, which was highlighted by



Corporate Governance Contd.

the Auditors during the course of the Audit and also the improvements that could be made to the existing system and new measures to be taken to mitigate the risk. Further, the Audit Committee looked at various factors arising out of external risks and made recommendations to the Board for necessary action. Also the Audit Committee reviewed the Quarterly Accounts as well as the Audited Accounts before it is presented to the Board of Directors.

During the period under review the Committee met on 4 occasions and reports on meetings were presented to the Board.

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

Remuneration Committee

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

Report of the Remuneration Committee

Policy

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

Functions

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

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



Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report, Company is in compliance with the Corporate Governance Rules	Compliant	Please refer page 118.
7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report.	Compliant	Please refer page 55.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Compliant	Please refer page 54.
7.10.3 (c)	A brief resume of each Director should be published in the annual Report including the areas of expertise.	Compliant	Please refer pages 26-27.
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliant	Please refer page 26-27.
7.10.5	A listed company shall have a Remuneration Committee.	Compliant	Please refer the Remuneration Committee report on pages 56.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or a majority of independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises a majority of independent Non-executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/Chief Executive Officer.	Compliant	Please refer the Remuneration Committee report on pages 56.
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliant	Please refer page 56.
	A statement of remuneration policy.	Compliant	Please refer the Remuneration report on page 56.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Committee report on pages 154.
7.10.6	A listed company shall have an Audit Committee	Compliant	Please refer the pages 56.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or a majority of independent Non-Executive Directors, whichever is higher.	Compliant	The Audit Committee comprises a majority of independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as chairman of the Audit Committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as the Chairman of the Audit Committee.



Corporate Governance Contd.

Rule No	Requirement	Compliance Status	Details
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliant	The CEO and CFO attended all Committee meetings.
	The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Compliant	The Chairman of the Audit Committee is a member of professional accounting bodies.
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 55.
7.10.6 (c)	The annual report shall set out:		
	The names of the Directors who comprise the Audit Committee.	Compliant	Please refer Audit Committee report on pages 55.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee report on pages 55.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 55.

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

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

Independent internal Audit Function

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

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

Subsidiary Monitoring Framework

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

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

The Company Secretary

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



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

Communication with Shareholders

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

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

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

Risk Management



Introduction

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

Traditionally, risk management was more obtaining the right insurance coverage, usually in rather standard packages. The concept of risk management became a serious management criterion, with the recent development in rules and regulations, employee-related lawsuits, promoting discipline that company should report on their major business risks and on how management deals with them. However, this perception of risk management has changed dramatically.

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 as a 3D industry, dirty dangerous and difficult. It is wedded with high risks, both internal and external.

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

The following Key Risks are identified as exiting risks, to which we are exposed, on our core and related businesses and have categorized them as Internal and external, for assessment and to facilitate taking adequate precautionary measures. Risk Assessment can include both qualitative and quantitative



assessments of the likelihood of the various risks occurring and the impact of these in terms of cost, schedule and/or performance. The assessment of such risks and the related responses are set out below:

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

Internal Risks:

OPERATIONAL RISK MANAGEMENT

Our Concern:

The operational risks that CDPLC is exposed, relates to the effectiveness and efficiency of our people, integrity of internal control systems and processes and externalities that effect day-to-day operations. It encompasses the project tenders execution risks, unfavorable regulatory changes, wide cost fluctuations, supplier & customer dependency, safety & Health, fire, industrial disharmony, environmental, and other risks inherent to its core business activities. 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 are not second to any of the developed international shipyards are inculcated through systematic education, training and prudent implementation of a Safety Management System that we envisage to conform to OHASAS 18001 in the near future.

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

System, giving sound control to the Management of what is being done in 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 & standard operating procedures, regular check on the accuracy of functionality of tools, equipment & machinery, delegation of authority, permit to work systems, guidelines and a regular reporting framework, creating awareness and consciousness and accountability in the operational activities.

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

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

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

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



Risk Management Contd.

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 limits are reviewed periodically

The Group's activities expose to a variety of financial risks, including changes in interest rates, foreign exchange rates and liquidity as well as credit risk.

Interest Rate Risk

Our Concern:

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

Our Impact:

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

Our Response:

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



Foreign Exchange Risk

Our Concern:

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

Our Impact:

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

Our Response:

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

Liquidity Risk

Our Concern:

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

Our Impact:

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

Our Response:

To measure liquidity risk, 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 & 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 9001-2000 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
- Det Norske Veritas
- ClassNK Nippon Kaiji Kyokai
- China Corporation Register of Shipping

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



Corporate Milestones

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

Year	Event
1992	Commencement of Aluminium Shipbuilding in Sri Lanka. Yard No. 106: Fast Patrol Boat for Sri Lanka Navy.
1993	Major re-structuring of CDL & CDD and Collaboration with Onomichi Dockyard, Japan.
1997	Diversification of business activities - Commencement of Heavy Engineering Sector. HE/0001: Sapugaskanda Power Plant Extension Project; Client - MAN B&W Diesel AG, Germany/ Ceylon Electricity Board.
1998	First Aluminium Vessel to the Republic of Maldives and the first vessel to the National Security Services: Yard Nos. 122/123 - Coastal Surveillance Vessels (CSV).
1999	International Quality Accreditation - Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
2002	Upgrading the Quality Management System to ISO 9001: 2000.
2004	Commencement of Offshore Engineering Activities - Diversification:
2005	Internationalization of Shipbuilding Activities & Breakthrough to Middle Eastern Market. Expansion of the entrance to the Dock No. 2 for enhancing the capacity for Shipbuilding
2006	The largest Aluminium Hull built in Sri Lanka (NC 200) - 40 M Fisheries Protection Vessel for the Republic of Maldives. Building of first Tug Boat to an International Client (NC202, NC203 & NC204).
2007	Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment. <ul style="list-style-type: none"> • Delivery of 6 New Constructed ships during the year 2007. • In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel. • Building of first Anchor Handling Tug/Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India) Ltd.



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. <ul style="list-style-type: none"> Enhancing crane capacity by 20 tons and operation capacity of Dry Dock no 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs. Completion of first ever 250 passengers cum 100 ton cargo vessel "Arabian Sea" built for the government of India. Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.
2010	The year of Economic Prosperity. <ul style="list-style-type: none"> 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. Reached to the 6th position out of Top 20 companies in Sri Lanka. Reached to the top 200 Asian firms with sales under a billion US dollars in the annual Forbes financial magazine list.

Year	Event
2011	The year of Market Pressure. <ul style="list-style-type: none"> 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 million. Commencement of repairing LPG carriers and establishment of related infrastructural facility "Cryogenic Workshop" with an investment of Rs. 1 million. Construction of 250 Ton bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects. Highest recognition ever received for operation: Presidential Export Awards, Best Corporate Citizens Awards, NCE Exports Awards, Engineering Excellence Awards, Business Today Top 20 Awards, National Business Excellence Awards, CNCI Achiever Awards, Geo Responsibility Awards, Chartered Accountants Annual Reports Awards.



Achievements 2011



The List of Awards of Colombo Dockyard PLC

Award Scheme	Organizer	Category/Sector	2007	2008	2009	2010	2011
National Business Excellence Awards	National Chamber of Commerce NCCSL	Manufacturing and Engineering					Winner
		Engineering Industry	Winner				
		Extra Large	Winner				
		Overall	Winner				
Best Corporate Citizen Award	Ceylon Chamber of Commerce CCC	Below 10 Billion category		Winner			
		Below 15 Billion category					1st runner-up
		Governance and Economic Contribution				Winner	
		Employee Relations			Winner		
		Top Ten		Winner	Winner	Winner	Winner
Engineering Excellence Awards	The Institution of Engineers, Sri Lanka IESL	Overall					Winner
		"Excellence in Engineering Award"					
		The Best Engineering Organization - Infrastructure Services		Silver -(Joint)			
NCE Export Awards	National Chamber of Exporter Sri Lanka	Most Value Added Exporter			Gold	Gold	Gold
		Most Outstanding Exporter - Exporter of Business and Professional Services Sector		Gold	Gold	Gold	Gold
		Exporter of Business and Professional Services Sector - Extra Large Category		Gold	Gold	Gold	Gold
		Most Outstanding Exporter of the Year		Gold	Gold		
CNCI Achiever Awards; For Industrial & Service Excellence	the Ceylon National Chamber of Industries	National Level - Manufacturing Sector - Extra Large Category					Merit Award
		Extra Large Category					CNCI Top Ten Award Winner
Presidential Export Award	Export Development Board - Sri Lanka	Outstanding Export Performance in the non-Traditional Products and Service Category.					Winner 2007 Winner 2008
Geo Responsibility Awards	Geocycle - Holcim (Lanka) Limited	Total Waste management Category					Bronze
Business Today Top Twenty	BT Options					6th Position Award	15th Position
Chartered Accountants Annual Report Awards	Institute of Chartered Accountants of Sri Lanka	Service Sector	Gold	Gold	Gold	Silver	Gold
Corporate Accountability Rating	STING Consultants	level of the corporation's preparedness for effective corporate accountability		Standard of Silver			
Industrial Safety Awards (Aluminum Workshop)	Department of Labor	Western Province		Merit			
Annual Forbes financial magazine list	Forbes financial magazine	Top 200 Asian firms with sales under a billion US dollars in the				Category Selected	



Presidential Export Awards for 2007 & 2008



Business Today Top 20 Awards 2011



Engineering Excellence Award 2011



National Business Excellence Awards 2011



NCE Export Awards 2010



NCE Export Awards 2010



Geo Responsibility Awards 2011



Best Corporate Citizens Award 2011



Best Corporate Citizens Award 2011



Annual Report Awards 2011



CNCI Achiever Award 2011



CNCI Achiever Award 2011



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. **12** Bn.
Total Revenue

The Company managed to reach total revenue of Rs. 12.0 Bn despite the slow recovery in global economic recession and declining trends in shipping industry.

94%
Foreign Revenue

Export earnings generated in 2011 was over 94% of the total Revenue. This represents almost 100% foreign generated Shipbuilding revenue.

3,200
Direct Employment

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

Rs. **797** Mn
Capital Expenditure

Company added Rs. 797 Mn capital values for yard productivity improvements and infrastructure development during 2011.

Rs. **18** Bn.
New Shipbuilding Orders

Six new ship-building contracts secured in 2011 including 4 Platform Supply Vessels to Singapore and 2 Nos 400 Passenger Vessels to India.

72%
Waste Re-use

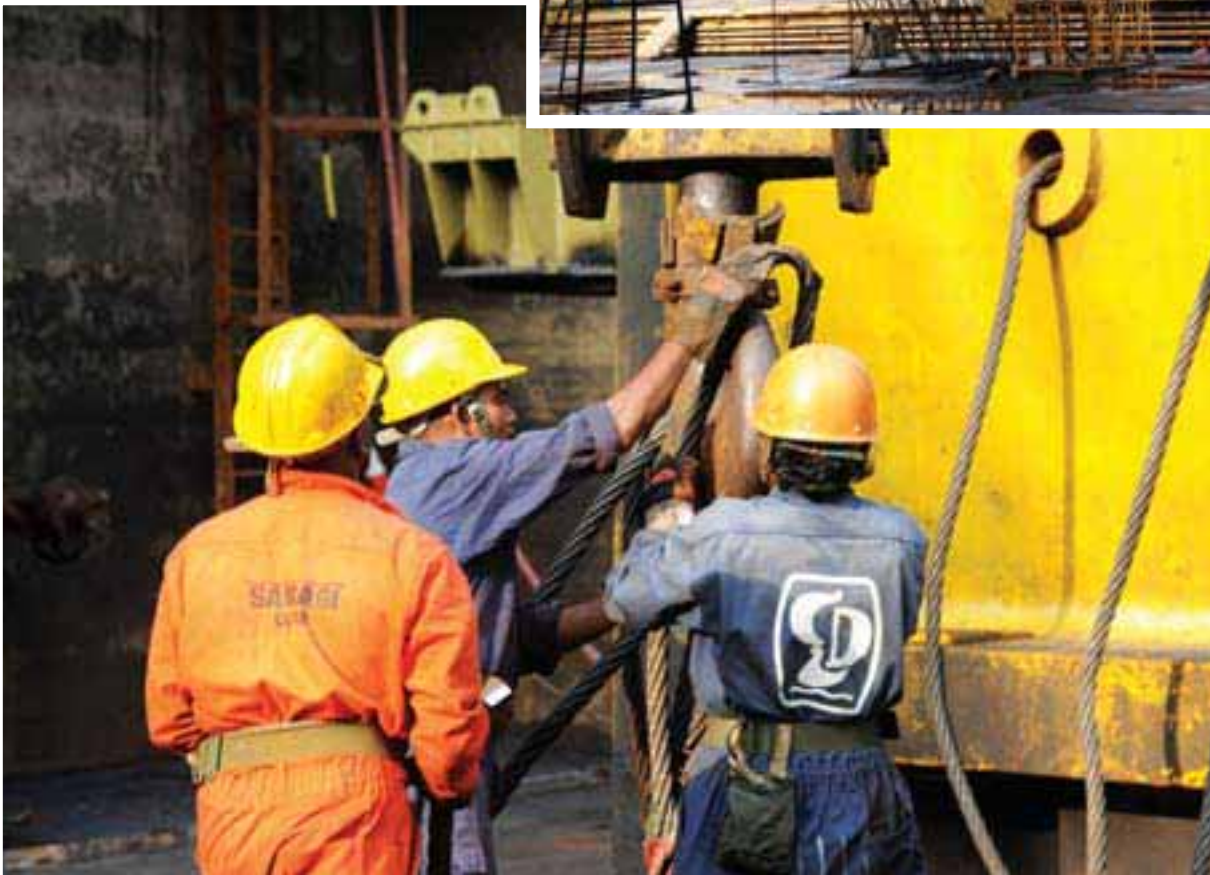
Total waste generation of 13,986 MT and 72% these waste are re-used & collected.

4 Nos
Delivery of New Vessels

Delivery of 4 vessels in one financial year. Three of these deliveries are for foreign ship owners and one for local.

100%
Employee Retention

Despite many economical downturns both locally and globally, we have had no employee resignation during 2011.



OS
SLUDGE, BILGE

FOOD LIFT

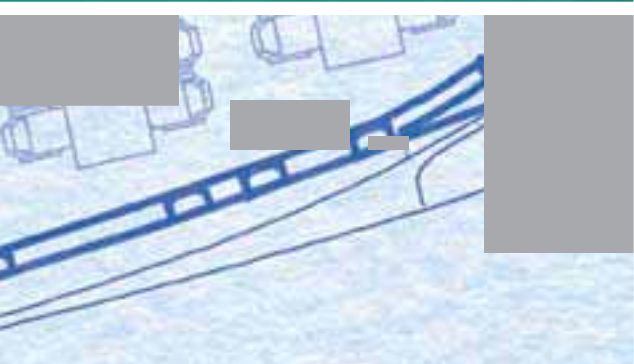
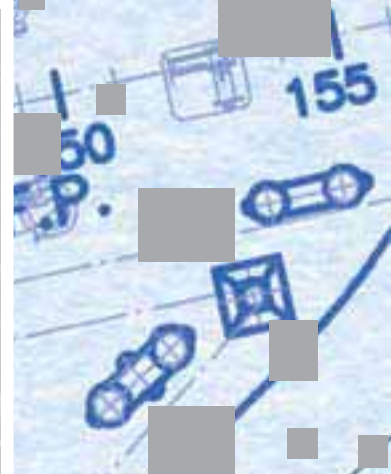
52m²
GALLEY FOR
CABIN/OFFICER

DUCT
100
GALLEY
STORE
WASH
100
ROOM

2
GALLEY FOR BUNK GLASS.

BUNK
PANTRY
12 m²







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 of policies that espouses the values, ethics, transparency and accountability we pursue. This is a top down approach that we believe must be emulated, 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, we 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 2011 to 31st December 2011.

Stakeholder Engagement

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



The List of Our Stakeholders

- Primarily Customers - Sri Lankan: Sri Lanka Navy, Sri Lanka Ports Authority, Road Development Authority.
- Primarily 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, Banchemo 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 such as 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, Australia.
- The Community: Those who have touched our lives, and those whom we in turn have continued to help to become sustainable productive citizens of the country - this includes the community and various professional organizations/institutions: The Ceylon Chamber of Commerce, National Chamber of Commerce, Ceylon National Chamber of Industries, National Chamber of Exporters, Company of Master Mariners, Institution of Engineers Sri Lanka, 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), Chartered Institute of Marketing, The Institute of Chartered 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 positively or negatively impacts our environment.
- Directors: as listed in the Board of Directors in the page 117.
- Employees: As given under the Sustainability Report in page 92.
- Shareholders: As given under the Sustainability Report in page 81.
- 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, Directorate 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 Review Page 81.
- 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

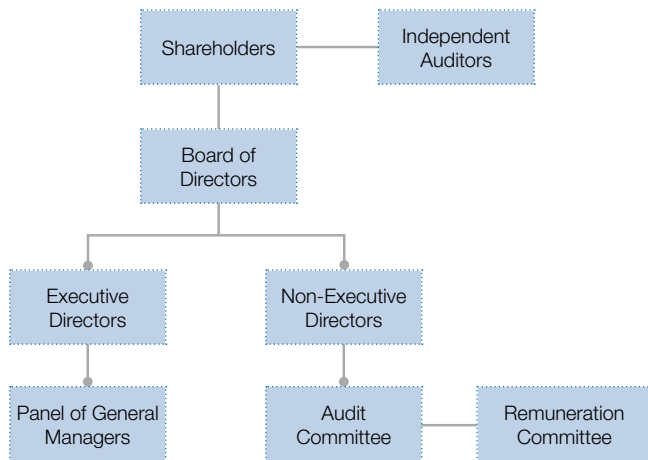
The Governance of Sustainability

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.



Sustainability Report Contd.

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 54 to 63 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 Chief Financial Officer 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 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

The national economy is stepping towards a post war; new development era. New economic development targets have already been set and Sri Lanka is expected to be the Wonder of Asia by 2016 with USD 4,000 per capita income; whilst maintaining the GDP growth rate well over 8%. Private



investment is expected to increase further by 4% (from 18-20% to 22-24% of GDP).

As private sector entities are expected, Colombo Dockyard too proactively set its economic targets for the coming years to maintain economic sustainability. Furthermore, Colombo Dockyard plays an active role in various chambers and statutory institutions by providing information, concepts and thoughts especially for the National Chamber Commerce, National Chamber of Exporters, Ceylon Chamber of Commerce, The Department of Commerce, Export Development Board etc.

In 2010, Colombo Dockyard received the status of the Best Corporate Citizen for Governance and Economic Contribution, in an evaluation by The Ceylon Chamber of Commerce. Furthermore, the company has maintained its position as one amongst the Top Ten Best Corporate Citizens over the last four years. Despite the gloomy predictions for the maritime industry, the company has stood proud and tall as one of the Top Twenty Companies in Sri Lanka, having placed at 6th and 15th position in 2010 and 2011 respectively.

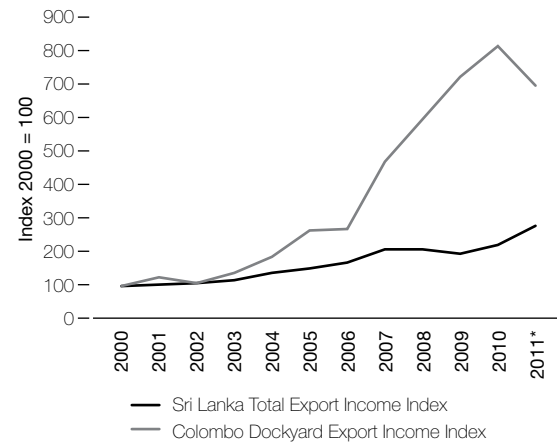
As an export oriented company, Colombo Dockyard contributes almost 1% of the total national export, and generates a total export revenue of Rs 11,488 Mn. Recognizing this outstanding performance in the national export sector, the company won the coveted President's Award for Non-traditional Products and Services in both 2007 and 2008. Colombo Dockyard was also adjudged as the Most Outstanding Exporter of the years in 2008 and 2009. The company was also awarded the Gold medal for Outstanding Exporter of Business and Professional Services Sector for last four years since 2008. Adding to the list was the award for The Most Value Added Exporter of the year for last three years since 2009; 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 56%; the segmental the Ship repair sector creates almost 88% of Domestic Value Addition and the Shipbuilding sector creates a 32% of Domestic Value Addition during 2011. Thereby Colombo Dockyard is one of Sri Lanka's most unique business entities. 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.

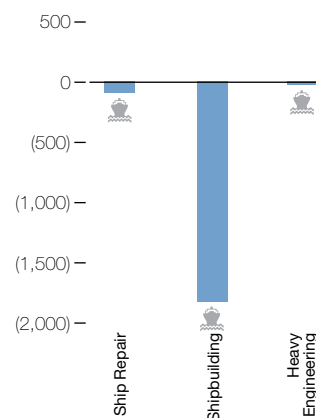
At present, Colombo Dockyard has proved that its far-reaching business plans and policies are astute. Thereby, the Company has recorded a consistent growth rate of its export revenue over the last eleven years since 2000. However, during 2011, our export revenue dropped by 14% compared to the previous year, whilst national export revenue growth rate increased significantly by 24%.

Export Income Indices



Export revenue of the Ship repair sector dropped by 2% whilst export revenue of Shipbuilding dropped by 19% compared to previous years. The total export revenue drop of Rs. 1,955 million was affected (negatively) by 95% from Shipbuilding while Ship repair sector dropped 5%.

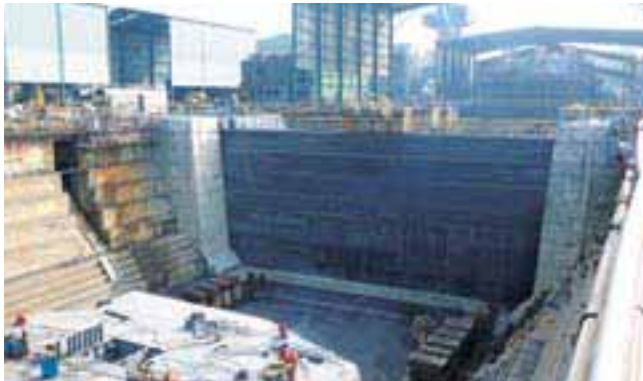
CDPLC Export Change (2010 - 2011 (Rs. Mn.))



Sustainability Report Contd.

This drastic drop in export revenue was due to the reduction of newly built vessels during the year under review, compared to the preceding year. Moreover, the negative effect of post global economic crisis could be a cause of the low performance in Ship repair activities to the international market.

Capacity Enhancement: Customized Dry Dock Separation Project



The intermediate dock separation gate built in 2011

Capacity enhancement is an ongoing, continuous process at Colombo Dockyard PLC. During 2011, the Company constructed an intermediate dock gate for Dry Dock-1 by separating the dock at most appropriate location to optimize Ship Repairs and creating additional space for new Shipbuilding activities. With the completion of this Dry-dock separation project, Colombo Dockyard is able to utilize its both Dry Dock 01 and 02 simultaneously for Ship repair and Shipbuilding efficiently. The prevailed fixed type dry dock facility (Dry dock 01); of 213 meters length can be adjusted or separated at 150 meters length. This initiative opens two other alternatives to optimize the land (dry dock) utilizations, as highlighted below.

Prevailing situation, 213 meters length repair facility at Dry-dock 01 and 107 meters length vessel building facility at Dry-dock 02.

1. Option 01, 150 meters length repair facility at Dry-dock 01 and 162 meters length vessel building facility beyond separation including Dry-dock 02.

2. Option 02, 150 meters length repair facility at Dry-dock 01, 107meters length vessel building facility at Dry-dock 02 and 55 meters length repair facility or vessel building facility at intermediate Dock (separated section of Dry-dock 01) simultaneously.

In addition to the above availability of options for effective dock utilization, the efficiency of the operation increased significantly. The internal estimation revealed that only 76% of the total time duration is utilized for in-dock Ship repair whilst 24% of the time is spent for Dry-dock preparation, provided there is a smooth supply of vessels for repair. Therefore, the management of Colombo Dockyard is taking every possible step to increase the efficiency of Dry-dock operations. Furthermore, 16% of total Ship repair time consists of time spent on flood-in and flood-out, which is unavoidable. This is very critical at multiple docking (taking more than one small ships to same Dry-dock at a time to repair). Some of ship repair projects take longer to complete, whilst others are completed in a shorted time period. If both these projects are completed simultaneously, at the same Dry-dock, the Company has to take flood-in and flood-out operation in between these projects to dispatch early completed vessels to customers. Thus, 16% of the total time is spent on a time-consuming flooding operation, which is still efficiency can be improved.

The introduced intermediate dock separation gate helps to cater for different lifespan projects simultaneously in a same Dry-dock, but in a separated space with a minimum disturbance of other projects at their deliveries. The time efficiency enhanced by these projects helps to cater for more projects than in the past.

The total cost of the project was Rs. 152 million and took almost six months to complete, reaching fruition at the end of 2011.

New Economic Value Creation: Kelani River Yard

During 2010 Colombo Dockyard horizontally expanded its business to the Mattakkuliya Area. The Kelani River Yard (KRY Site), which is located in Mattakkuliya adjacent to the Kelani River, boasts a state of the art facility on three acres. The yard is now in operation, and utilizes inland water steam for maritime industry - which is a first for Sri Lanka. Presently the KRY Site is used for small scale Ships' hull constructions and other auxiliary activities such as Shot-Blasting and Priming of plates, pipe fabrication, component manufacturing etc.



The Kelani River Yard

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

Presently, with the expansion of the business activities, the KRY site has created new employment opportunities for one engineer and two supervisors. Also the site extracts services of six previously retired supervisors, providing them with an opportunity to contribute to society. An average 75 employees a day, who have been mustered for various projects from CDPLC's and DGES' carder, operate the site. Further, despite the direct output created by such employees, indirect benefits have been created for the neighboring people by providing meals and other commodities.

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

Construction of 250 Ton Bollard at Trincomalee Port

The need for a facility to carry out Bollard Pull Tests of Large Salvage Tugs and Anchor Handling Tug and Supply Vessels (AHTSVs) was identified as an urgent requirement to the Sri Lankan Shipbuilding Industry. Such facility would be both a requirement and an asset when Sri Lanka starts Offshore Oil

Explorations in the near future. The Bollard Pull tests have to be performed in strict compliance with internationally accepted norms and guidelines and certified by Third party Inspection Agencies such as; Lloyd's Register of Shipping LRS and Det Norske Veritas DNV, American Bureau of Shipping ABS. The highest capacity bollard available in the port of Colombo (within Colombo Dockyard premises) is capable of handling bollard pull tests up to 100 tons only. Research has identified that the bollard pull capacity cannot be enhanced further within the breakwater of Colombo's port due to the poor condition of the sea.



250 Ton Bollard at Trincomalee Port

Given these factors, further research has identified Trincomalee as an ideal location to improve bollard-testing capacity to 250 tons. This location is perfect as it meets all requirements.

Basic conditions for such a Bollard Pull test are as follows:

- Relatively a calm sea with a minimum depth of 20m to locate the ship and test the bollard pulls capacity.
- Height of the pier; the pulling rope has to be maintained almost close to horizontal level.
- Ample distance to the pier; the vessel needs to be located at a safe distance of 250m to 350m from the shore (Bollard).
- Sufficient 'surrounding' area; an additional safe distance of 200 - 250m from the vessel location (as specified in above "c") towards forehead is needed for any exigencies.



Sustainability Report Contd.

In order to select a suitable location for the project, Colombo Dockyard PLC (CDPLC) officials have carried out inspection visits to the Port of Trincomalee. Here naturally covered water can be found, with a depth of more than 20 meters.

Construction began in February 2011, after preliminary investigations. All works of the Bollard Concrete Platform and Steel Bollard were completed by April 2011. The month of June saw successful load testing done on the Bollard, which took place after the concrete had sufficiently cured. CDPLC invested Rs. 50 million in this project.

This horizontal expansion of the business economically benefits the company, and helps decentralize the economic development of the country as well.

CRYOGENIC WORKSHOP



The cryogenic workshop at site

Two fully air-conditioned mechanical cryogenic workshops were set up to meet with the increasing demand for specialized cryogenic works to be carried out on LPG and LNG carriers. The workshops provide dust-controlled environment for the repairs of cryogenic machinery such as valves and pumps at an ambient temperature of 22°C.

Each workshop is served by a 5 tons capacity motorized plain electric hoist with 8 m headroom at a total running length of 20 m and two 2 tons capacity motorized wall jib cranes with 4 m headroom are installed in the workshops to aid in maneuvering the heavy equipment. The workshops are also equipped with dedicated tools used only for cryogenic repair work. Total investment to the project is Rs. 1 million.

Our Corporate Citizenship

Entrusting an Effective Public Private Partnership PPP

Colombo Dockyard has continued to extend its fullest support to national economic policy and national objectives. Aligned to the government's economic vision, "Mahida Chinthana Idiri Dekma", CDPLC submitted a constructive concept paper titled, "Overall Efficiency & Capacity Improvement in the Sri Lankan Port Sector through Public Private Partnership (PPP)", to the Deputy Minister of Ports and Highways. The paper examined how Sri Lanka can establish itself as a maritime hub through an effective partnership between the public and private sector.



Mr. Mangala P. B. Yapa (MD/CEO) is receiving the award for Best 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.

The MD/CEO and Senior Managers of the Company actively take part in such knowledge sharing activities. In 2011 such engagements were present with following institutions:



- Tertiary and Vocational Education Commission
- University of Vocational Training
- National Science Foundation
- Institute of Marine Engineers, Science and Technology
- University of Kelaniya
- Graduate Institute of Science and Management
- National Institute of Fisheries and Nautical Engineering (proposed Ocean University)

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 2011 the Company invested Rs. 879,156 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 institution, 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 2011.

✓	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
✓	Ecom Technology Lanka (pvt) Limited
✓	Emit International (Pvt) Ltd
✓	Germanischer Lloyd

✓	Income Tax Payers' Association
✓	Lloyds Register - Fairplay Ltd
✓	Marine Environment Protection Authority
✓	National Chamber of Exporters of Sri Lanka
✓	The National Chamber of Commerce Sri Lanka
✓	Government Publication Bureau
✓	The Ceylon Chamber of Commerce
✓	The Ceylon National Chamber of Industries
✓	The Employers' Federation of Ceylon
✓	The Institute of Marine Science & Tech
✓	The Institution of Engineers Sri Lanka

Statement of Value Addition

	2011 Rs. 000	2010 Rs. 000
Total Revenue & Other Income	12,636,520	14,501,822
Less: Cost of Materials & Services purchased from External Sources	7,694,091	9,116,652
VALUE ADDITION	4,942,429	5,385,170
Value Addition as a % on Revenue	39.1%	37.1%
Value Distribution		
To Employees as Remuneration & Benefits	2,886,472	2,716,912
To Shareholders as Dividends	547,497	547,497
To Lenders as Interest	73,427	55,328
To Government Taxes	173,597	371,123
Retained in the Business		
- as Depreciation	290,979	247,134
- as Revenue Reserves	1,159,013	1,447,176
VALUE DISTRIBUTION	5,130,985	5,385,170
Value Distribution %		
To Employees as Remuneration & Benefits	58.4%	50.5%
To Shareholders as Dividends	11.1%	10.2%
To Lenders as Interest	1.5%	1.0%
To Government Taxes	3.5%	6.9%
To Retained in the Business	29.3%	31.5%

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.



Sustainability Report Contd.

Investor Communication

The Group's investor relationship is an important and integral part of its commitment to high standards of corporate governance and transparency. Company secretary and legal officer has been dedicatedly assigned to maintains 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 2011 Company continued to provide, timely, accurate disclosures like quarterly financial announcements, press releases and interviews with media, publication of the Annual Report etc.

Encouraging the full participation of shareholders at the Annual General Meeting (AGM) and Extra Ordinary General Meeting (EOGM) adequate notice is given together with Annual Report enabling them to prepare in advance. According to the Colombo Stock Exchange, CDPLC was the first listed Company to hold the AGM in 2011 out of the 31st December 2010 Financial Year end Companies.

Further, the company is very much concern about its statutory commitments to the society. Thus, The Company audited Financial Statement and Balance Sheet for the year 31st December 2011 has been made available to CSE within three months of the Balance Sheet date.

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 12,195 Mn (2010 - Rs. 14,057 Mn.) and net profit of Rs. 1,707 Mn. (2010 - 2,015 Mn) strengthening shareholders' value with an increase of 15% (Rs. 1,159 Mn) over the last year.

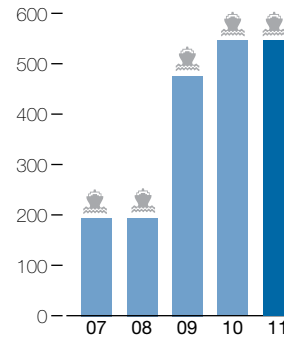
Dividend Authorised

Directors have approved a first and final dividend of Rs. 6.00 per Share (2010 - Rs. 8.00) based on the profit for the year 2011.

Dividend Pay-Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 32% during 2011 compared to 27% recorded for 2010.

Dividend Paid (Rs. Mn)



Financial Reporting

CDPLC is committed adopting the best practices in financial reporting; signifying this, Company for 2010 was presented a Gold award for excellence in annual reporting in the Service sector category at the Annual Report Awards 2011 ceremony organized by the Institute of Chartered Accountants of Sri Lanka.

	1st Quarter Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2011 Rs. Mn	2010 Rs. Mn
Revenue	3,130	3,345	3,306	2,414	12,195	14,057
Gross Operating Profits	871	395	570	239	2,075	3,079
Profit after Tax	459	199	432	617	1,707	2,015
Shareholders' Fund	7,426	7,625	8,057	8,674	8,674	7,514
Total Assets	16,536	14,536	15,316	14,074	14,074	14,193



The Annual Report 2010 of the Company won the Gold Award in the Service Sector

Shareholders Information

Share Capital

	31/12/2011	31/12/2010
Stated Capital Rs.	684,370,710	684,370,710
Number of Shares	68,437,071	68,437,071
Number of Shareholders	5,191	5,131
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares:	Ordinary Share	Ordinary Share

Distribution of Shareholding as at 31st December 2011

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

From	To	No of Share Holders	No of Shares	%
1	1,000	4,093	810,785	1.18
1,001	10,000	943	2,819,175	4.12
10,001	100,000	125	3,733,468	5.45
100,001	1,000,000	24	6,141,854	8.98
1,000,001 above		6	54,931,789	80.27
		5,191	68,437,071	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 31st December 2011 is 34.39% (2010 – 34.39%)

List of Largest 20 Shareholders

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

	Name	2011-12-31	%	2010-12-31	%
01	Onomichi Dockyard Company Ltd	34,902,906	51.000	34,902,906	51.000
02	Employees Provident Fund	9,956,808	14.549	9,956,808	14.549
03	Sri Lanka Insurance Corporation Ltd –General Fund	3,421,903	5.000	3,421,903	5.000
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,421,475	4.999	3,421,475	4.999
05	Sri Lanka Ports Authority	2,082,087	3.042	2,082,087	3.042
06	Employees Trust Fund Board	1,146,610	1.675	1,146,610	1.675
07	National Savings Bank	611,500	0.894	380,400	0.556
08	Pershing LLC S/A Averbach Crauson & Co.	590,900	0.863	622,100	0.909
09	Aviva NDB Insurance PLC A/C No. 7	492,755	0.720	382,455	0.559
10	Mr. M M Udeshi	396,450	0.579	355,950	0.520
11	Bank of Ceylon -No 1 A/C	394,000	0.576	-	-
12	Amana Bank Limited	384,200	0.561	-	-
13	J.B. Cocoshell (Pvt) Limited	371,200	0.542	-	-
14	Bank of Ceylon -No 2 A/C	320,000	0.468	320,000	0.468
15	Pan Asia Banking Corporation PLC/Mr. Morarji Megh	245,193	0.358	245,193	0.358
16	DFCC Bank A/C 1	234,125	0.342	234,125	0.342
17	Union Assurance PLC/ No 01 A/C	227,000	0.332	152,000	0.222
18	Lanka Milk Foods (CWE) Limited	209,475	0.306	209,475	0.306
19	MAS Capital (Pvt) Limited	195,900	0.286	-	-
20	Mercantile Investment PLC	161,000	0.235	-	-

Composition of Shareholding

The total number of shareholders of CDPLC is 5,191 as at 31st December 2011, which is 1.2% increase compared to 5,131 as at 31st December 2010.

Categorise of Shareholders as at 31st December 2011

Category	No of Shareholders	No of Shares	%
Local Individuals	4,846	5,605,603	8.19
Local Institutions	234	26,524,721	38.76
Foreign individuals	94	562,022	0.82
Foreign institutions	17	35,744,725	52.23
	5,191	68,437,071	100.00



Sustainability Report Contd.

Market Value per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2011, the share price of Colombo Dockyard PLC recorded a decrease of 13.2% compare to the previous year's closing price.

Share Price for the Year

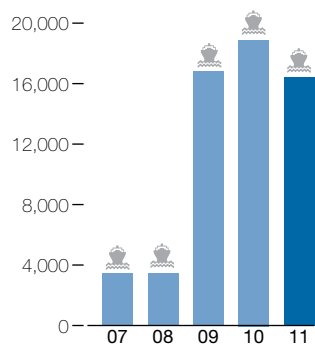
Market price per Share	As at 31/12/2011	As at 31/12/2010
Highest during the year	295.00 (15/02/2011)	320.25 (01/03/10)
Lowest during the year	221.10 (28/11/2011)	241.00 (10/08/10)
As at end of the year	238.80 (31/12/2011)	275.00 (31/12/10)

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2011 as Rs. 16,343 Mn. (2010 – Rs. 18,820 Mn.). CDPLC represent approx. 1.0% of the total market capitalization.

	2007	2008	2009	2010	2011
Shareholders Fund	3,174	4,401	6,048	7,515	8,674
CDPLC Market Capitalization	3,454	3,422	16,750	18,820	16,343
Total Market Capitalization of CSE	820,652	488,813	1,092,138	2,210,100	2,269,722
As a % of CSE	0.42	0.70	1.53	0.85	0.72

Market Capitalization (Rs. Mn)



Shares Trading

	As at 31-12-2011	As at 31-12-2010
No of Transaction	2,493	7,640
No of Shares traded (Rs.)	3,375,900	24,580,556
Value of Share traded (Rs.)	886,159,200	6,825,180,460

Earnings per Share

The Earning per share (EPS) of Rs. 24.94 in the year 2011 recorded a negative growth of 15% compare to the last year EPS value of Rs. 29.44. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

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

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

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 striven to give the customer a product that exceeds expectations and given the growth and accolades we have seen and received over the years, our customer has certainly been the backbone in our business, driving us upwards and outwards to achieve success that in most areas may seem impossible.

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

Initiating Dialogue

To keep the customer happy, customer satisfaction assessment mechanism and proper implementation procedure is essential. Therefore, Colombo Dockyard too has implemented a comprehensive customer feedback



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, generally exceeding 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.

Colombo Dockyard collects knowledge on innovations and technological advancements through participating for 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.

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

Best Practices

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 International Association of Classification Societies Ltd. IACS approved classification societies such as Lloyd's Register of Shipping LRS, American Bureau of Shipping ABS, Germanischer Lloyds GL & Det Norske Veritas DNV.
2. In house and third party certification of all welders including sub-contractor welders in compliance with international standards such as ASME , ISO etc.
3. A team of certified NDT inspector's accordance with the international standard ISO 9712 and IAEA-TECDOC - 407 & 628 keep abreast welding / quality control.
4. The welding practices of the Company conform to the best shipbuilding standards. Facilities for radiography are also available in house.
5. In house facility/equipment to carryout following NDT techniques to inspect welding and fabrication:
 - a. Ultrasonic testing
 - b. Thickness measurement and surveys
 - c. Radiography testing
 - d. Dye penetrant testing
 - e. Magnetic particle testing
 - f. Visual Inspection

Approvals from Relevant Classification Societies for the Process of Ship Building

LRS	• Thickness Measurement of Hull Structure
DNV	• Do measurement on all types and sizes of ships classified by DNV • Manufacture of welded pressure vessels, class II
ABS	• Hull gauging and Enhanced survey procedure (ESP)
BV	• Thickness Measurement of Hull Structure
GLA	• Thickness Measurement of Hull Structure • Welding of Hull Structures and welding of pipelines under piping systems class I - III according to GL rules
NKK	• Thickness measurement of NKK vessels
IRS	• Thickness Measurement of Hull Structure

Sustainability Report Contd.

Third Party Certification as Approved Service Provider

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

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

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

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

Our competitive edge:

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

Evaluation of Quality Management Systems

Lloyds Registry of Quality Assurance carried out an audit on the entire process of both Production and Service sectors at

CDPLC. Four senior auditors spent twenty man-days on this audit, and the CDPLC processes were recommended for ISO 9001:2008 re certification. In addition, the Kelani River Yard, the extended yard facility of CDPLC and the 150 ton bollard pull facility at Trincomalee was audited and added to the scope of CDPLC by LRQA. Availability of the Bollard Pull facility for possible customers is now available on LRQA intranet, which will generate income to CDPLC.



International surveyors in a quality inspection process

Quality Improvement Schemes

Quality improvement measures are implemented in compliance with the upgraded ISO 9001:2008 International Quality management system. CDPLC successfully completed the LRQA recertification audit in June 2011.

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

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

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

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.

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. During the year we participated in the following international exhibitions.

1. Asian Work Boat 2011 in Singapore
2. Norshipping 2011 in Norway

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.

1. Industrial Cables were purchased from a domestic supplier (Total purchase value is LKR 7.43 Mn during the year 2011).

2. Safety shoes and rubber product requirement is fulfilled from local sources of Cerendib Rubber Industry and DSI. The company purchased locally produced safety shoes worth 9 million during 2011.
3. Total hand gloves requirement (Wrist length, Rigger gloves, Elbow length, Rubber gloves, and Cotton gloves) purchased from Hands International PVT Ltd., with an investment of Rs. 6 million. The total hand glove requirement was previously imported. However, in spite of the domestic cost being higher than the imported supplier, we continue to support local manufacturers in compliance with our corporate responsibility initiatives to uplift the nation's economy.
4. Purchase of cable ladders from local suppliers; Value is Rs. 6 million.
5. Underprivileged personnel manufacture the dust masks used at CDPLC as a cottage industry. In 2011, the Company invested of Rs. 7 million for the purchase of such locally manufactured masks.
6. Locally purchased solid tires of Rs. 2.3million worth, purchased during 2011.
7. Part of the soap distributed to the workers is purchased from a sole proprietorship (Nuwan Industries) the entrepreneurship of a visually challenged individual. In 2011 the Company spent Rs. 94,500 to purchase soap.

Environmental Concern

Salient Achievements

- Environmental Friendly Designs Compliance to the latest IMO Resolutions.
- Individual Commitment for Environmental Concern with extra 10,000 labour hours.
- Guaranteed internal coating systems for a minimum life-span of 15 years.
- KRY Site, the Environmentally friendly production around Rs. 200 Million investment.
- Waste Management is Fully Streamlined; Steel wastage reduced by 23% of NC projects.
- Electricity, Power Factor Improvement is Rs.4.7 Million saving per annum.
- Welding consumables saved by 6% by transforming MMAW to FCAW process.
- Rainwater Harvested - 2,191 tons of water.



Sustainability Report Contd.

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

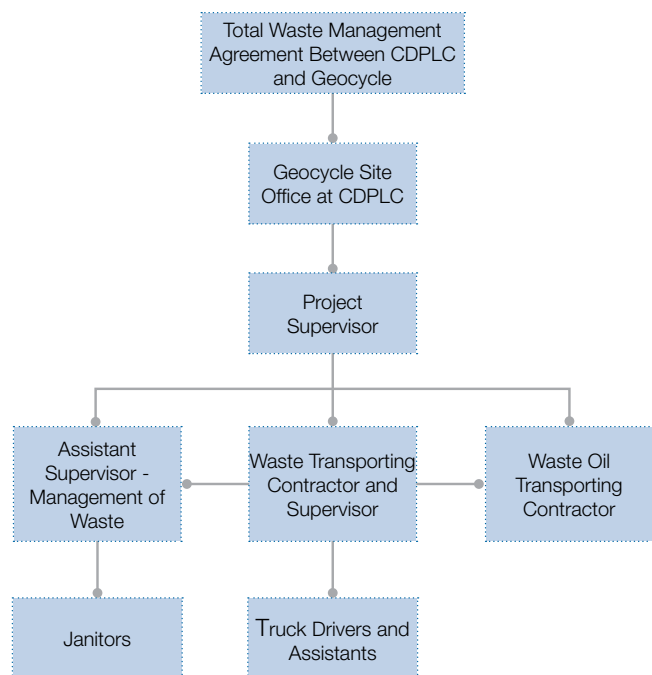
- Reduction and management of industrial wastes of all types.
- Efficient and productive utilization of raw materials, energy and other natural resources.
- Adopting environmentally friendly production approaches.
- Designing and manufacturing ships that are more energy efficient, environmentally friendly 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.

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.

Structure of CDPLC Total Waste Management



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.

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



Colombo Dockyard was generating a total waste quantity of approximately 19,000 metric tons per annum over the last years. However, with the implementation of this pragmatic total waste management process, the total waste quantity has decreased by 26 % in 2011.

An Inclusive Approach for Cleaner, Tidier and Safer Yard

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

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, YardTV, 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.

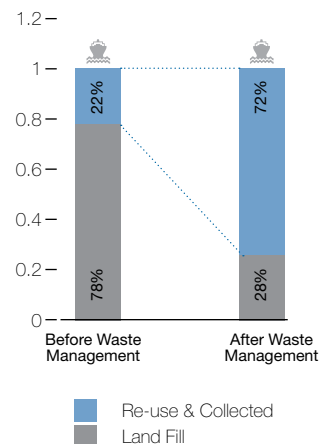


The Geocycle site office at CDPLC premises

CDPLC Total Waste Management Approach 2011			
Type of Waste	Quantity of Waste in Metric tons	Waste Management	%
Used Grit	3,360	Re-cycles	24%
Mud with Grit	1,890	Re-cycles	14%
Sludge	145	Re-cycles	1%
Pallets	33	Re-cycles	0%
Waste Oil	1,090	Re-cycles	8%
Coconut	49	Re-cycles	0%
Cotton Waste	22	Re-cycles	0%
Papers	4	Re-cycles	0%
Grit Bags	4	Re-cycles	0%
Cardboard	17	Re-cycles	0%
Polythene	43	Re-cycles	0%
Farm Rice	366	Re-cycles	3%
Saw Dust	4	Re-cycles	0%
Cable Drums	-	Re-cycles	0%
Scrap Sales	3,000	Re-cycles	21%
Garbage	3,095	Landfill	22%
Mud	552	Landfill	4%
Debris	312	Landfill	2%
Total	13,986		100%

Landfill	3,959	28%
Re-cycles	10,027	72%
Total	13,986	100%

CDPLC Waste Management Approach





Sustainability Report Contd.

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

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

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

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

Over the last few years, extensive research was conducted to reuse at least part of the copper grit used for hull blasting. Due to this being contaminated with dust, rust, paints, mud and other foreign particles and debris during the process of blasting were major constraints in re-using. However, with continuous R&D being infused into this, we are confident of being able to find a commercially feasible solution to reduce the used grit volume, through re-use would move us to the next level in our mission of being a Green Yard, in addition to the ensuing cost benefits and enhanced competitiveness.

Reduce: Adaptation of New Technology

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

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

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

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

CDPLC started using copper slag, which is a by product 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 in 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. Informatively, asbestos is not banned in Sri Lanka yet, but being environmentally conscious and responsible, CDPLC adopted this initiative and replaced such material with rather expensive, alternate material that is however, non-hazardous.



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

Protective Coating Systems

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

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/Nm³. The silencer attached to the discharge duct reduces the noise level by almost 20% to around 60dB(A).

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

The system uses “steel grit” as blast media and this media itself reduces dust generation as the rate of breakage is considerably less than other abrasive media used, including

copper slag, garnet, river or sea sand, due to comparatively greater hardness. Further, it is essentially economical due to the very high rate of recovery.

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

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

Compressed Air System

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

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

The new system includes five electrically powered air compressors, of which one is powered through a variable speed drive to economize electricity by adjusting the speed, to match on-demand delivery. Further, the system is connected through an intelligent controller, which selects the best combination for even distribution of operating hours among all compressors, which are connected to the system. This was another step implemented to reduce environmental impact which resulted in manifold benefits: reducing fossil fuel consumption, emissions, noise, and wear and tear of components as diesel engine driven compressors are replaced with sophisticated air compressors. The increased capacity facilitates operating 16 blasting nozzles, simultaneously during



Sustainability Report Contd.

surface preparations, which is a 40% increase, leading towards a reduction of repair duration of vessels.

Control of Dust Dissemination

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

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

Water Saving Initiatives

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

Rain Water Harvesting

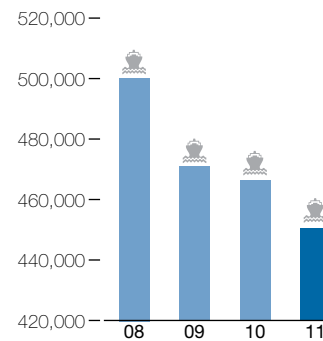
CDPLC has adapted more effective means of managing water usage through a comprehensive Rainwater Harvesting Project implemented in 2008. Since the implementation the project has been quite successful at present, during 2011 total 2,191 Tons of saving of water has been collected from the project, which is the saving of precious water from National water supply.

Use of Sea-Water In Place of Potable Water

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

Water Savings During The Period

Water Saving Since 2008 (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 channeled for recycling and reuse, either by the Company itself or other industries. The largest and most significant achievement is the recycling of all the ferrous scraps (scrap steel, scrap cast iron, cast steel etc.), which we recycle as much as 3,203 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

Human Resource Development

As a people oriented company, CDPLC believes in adaptability and inclusiveness rather than rigidity and hierarchy in developing our HR policies. Employee participation in decision-making, empowerment and transparency are key attributes inbuilt within the HR value proposition of the company. We have been able to align our human resource management strategies with our strategic business objectives seamlessly, by encouraging constant dialogue, instilling



trust, and demonstrating organizational justice. While a well standardized set of documented procedures (ISO certified) provides a firm foundation and guidance, the company always takes a holistic perspective in HR decision making, and at no point have we constrained or delineated ourselves within mechanistic predefined structures or frameworks when it comes to managing HR issues.

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

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

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

At the heart of our HR strategy, 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 1668 as at 31st December 2011 excluding subcontract employees.

Workforce Strength and Employment by Sex, 2011

Employment Category	No of Employees	Men %	Women %
Management	207	197 95%	10 5%
Supervisory	218	218 100%	0 0%
Clerical & Allied	73	42 58%	31 42%
Industrial	1,170	1,170 100%	0 0%
Total	1,668	1,627 98%	41 2%

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 are minimal.



Sustainability Report Contd.

Employment by Age Group

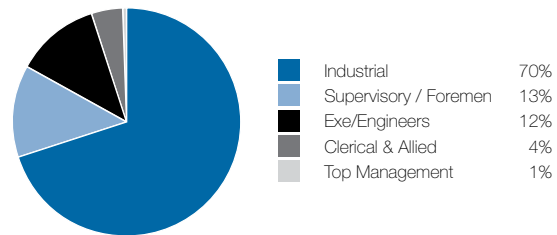
Job Category	No of Employees	Age Group (Years)					
		18 to 30		30+ to 40		40+ & Above	
Top Management	9	0	0%	1	11%	8	89%
Exe/Engineers	198	33	17%	40	20%	125	63%
Supervisory / Foremen	218	15	7%	24	11%	179	82%
Clerical & Allied	73	7	9%	21	29%	45	62%
Industrial	1,170	253	22%	341	29%	576	49%
Total	1,668	308	18%	427	26%	933	56%

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

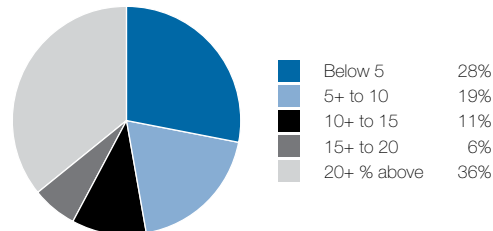
employees' children who are armed with required knowledge and fortified with positive attitudes under the recruitment policy. This is strong antecedent of building and sustaining organizational commitment of our employees, taking the company beyond the team concept towards a family concern.

Segmental Analysis of the Workforce

Job Category Analysis



Service / Experience Analysis

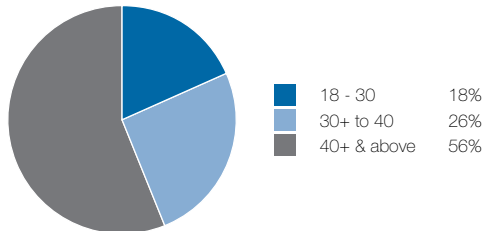


Training Provided for All Employees During 2011

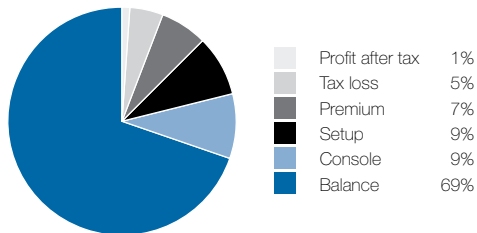
Course Category	Number of Participants				
	Executive	Supervisory	Clerical	Industrial	Total
Computer training	5	8			13
Electrical engineering	2	15		69	86
Electronics and automation		3		33	36
English	8	14	5		27
Financial management	3		2		5
General management	12	11		79	102
Human resource development and administration	58	258	7	282	605
Industrial safety and health	55	34		104	193
Law	6	1			7
Marine engineering	2	1			3
Mechanical engineering	22	11		168	201
Productivity and quality	36	20	8	146	210
Supply and material management	2	1	2	6	11
Yard operations	15	3		16	34
Total	226	380	24	903	1,533



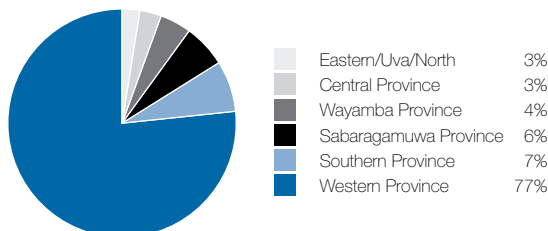
Age Analysis



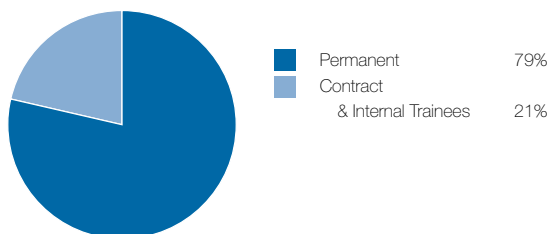
Professionalism Analysis



Recruitment Analysis - Province



Employment by Contract



Employee Turnover

Employment	No of Employees	Turnover Ratio	Age Group		
			18 to 30	30+ to 40	40+ Above
Permanent	1315	0.3	1	0	3
Contract	334	0.3	1	0	0

The company's employee turnover ratio in 2011, which is close to zero proves that the job satisfaction and job security are at a very high level. The turnover ratio of the contract-basis employees too is low, which is at 0.3%.

Rewards, Remuneration and Benefits

Employee Recognition

Colombo Dockyard provides 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, tea and snacks
 - Budget Shop, managed by Welfare Association, to procure essentials at lower prices
 - Laundry facilities for washing overalls
 - Canteens
 - Contributions at funerals and weddings
 - Distress Loans through the Welfare Association
 - Holiday Bungalow at Nuwara Eliya, managed and operated by the Welfare Association

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

The company duly 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



Sustainability Report Contd.

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 16th of July 2011 at the Sri Lanka Foundation Institute for the eight consecutive year and 26 employees were rewarded with certificates and trophies. Furthermore, four individuals received special awards for their excellent performance at production, Community leadership, Employee Welfare and Community Development. Two awards were 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. 544,694 for the event this year.

We also recognized the dedicated services of all those team members who have served the company over a long period. They too were felicitated. In the last 14 years, 1,352 employees have served us for over 15 to 25 years, and were awarded with Gold Sovereigns.

Number of employees completing 15 years:

Year	Employees Awarded	Year	Employees Awarded
1998	76	2005	80
1999	431	2006	127
2000	22	2007	69
2001	32	2008	43
2002	71	2009	118
2003	114	2010	13
2004	78	2011	22
TOTAL:	1,296		

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.

The company provides scholarships for undergraduate children of employees and this year, granted a total 7 scholarships for a total sum of LKR 336,000.

The Welfare Association joined management in contributing Rs 90,000 towards the effort of granting scholarships to 30 students of employees, who passed the Grade five (5) Scholarship examinations.

Medical Facilities

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

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.



An employee is examine by one of the Medical Officers in the Company

The Company's annual family get together which collates around 7,000 people comprising employees and their families was held at Leisure World, Kaluaggala on 19th November 2011 with an investment of Rs 7 million expended towards this gigantic effort.

The 'Navthota Poth Wasanthaya' book fair was organized by on the 25th of August 2010, in keeping with the National Literature Month, to inculcate the habit of reading amongst our employees.

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.

Training and Development

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

In-house Training Center (Knowledge Center)

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

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

National Vocational Qualification NVQ for Employees

The objective of this program was to enhance the Skills and Knowledge of Skilled personnel engaged in the Ship Repair, Shipbuilding & Heavy Engineering sector and to offer them the National Vocational Qualification (NVQ) through RPL (Recognition of prior learning).

This initiative will mostly benefit skilled craftsmen who are already deployed in the Ship Repair, Shipbuilding & Heavy Engineering Industry sectors, without a nationally acceptable qualification.

This program is an ongoing activity at CDPLC with the support of Tertiary and Vocation Education Commission - TVEC and National Apprentice and Industrial Training Authority- NAITA and CDPLC management and staff.

Several awareness programs and discussions on NVQ criteria and procedures were held with the Management of CDPLC, its employees, members of trade unions together with Tertiary and Vocation Education Commission - TVEC.

Those who were willing to be assessed through RPL were assisted to do self-assessments to compare their competencies against the relevant National Skills Standard- NCS. Out of 308 skilled workers assisted to do the self-



Sustainability Report Contd.

assessments, 216 applicants were registered at NAITA for NVQ certification in Welder, Fabricator, Machinist, and Electrician trades. Licensed Assessors who are registered with the NAITA conducted assessments for RPL. During preliminary assessment process, the applicants submitted their documentary evidence to claim the prior learning and were advised by Assessors to rectify any performance gaps, compared to NCS and NVQ Level they have applied, prior to the Final Assessments. The NCS were made available for Welders, Fabricators, Machinists, and Electricians, to get more information.

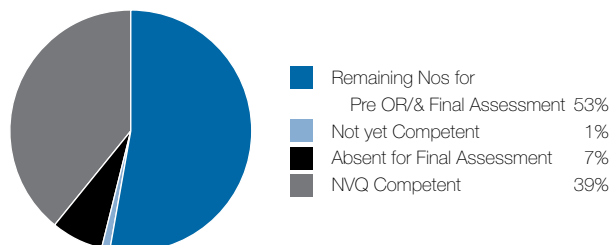
Gaps, which were identified during Self-assessment and Pre assessment process, for Welders, Electricians and Machinists will be rectified at the in-house Training Center of CDPLC.

The outstanding registered Fitters and Fabricators will have their the Final Assessment in 2012.

One of the major achievements was that 87 of CDPLC skilled employees were assessed and awarded NVQ certificates through RPL (Recognition of prior learning).

Successful completion of awarding NVQ to CDPLC was a collective effort.

Total NVQ Applicant Data as at November 2011



The CDPLC training center obtained TVEC approval, and was upgraded to an A+ status. The Training Center was established to implement NVQ programs for welders, fabricators, machinists and fitter programmes and incorporates the ISO-9001-2008 IWA-2 Quality Certificate in the current Quality Assurance System. CDPLC considers this a major achievement in enhancing skills and knowledge among this genre of personnel, perceiving that these additional certifications will increase the enrolling number in the NVQ programme.

A request was made to TVEC by CDPLC regarding the development of new National Competency Standards. Many of these occupations are related to many other fields, apart from shipbuilding, such as Construction and Heavy Engineering. These fields are those that directly contribute to the Infrastructure development of the country. CDPLC recognizes the need for a skilled workforce for future Infrastructure development projects.

The Company aims to qualify more than 80% of its industrial workforce by 2012.

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 whilst 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 relation, relationship management with stakeholders, training, workshops, seminars, various functions and ceremonies, significant occasions (Contract signing, keel laying, launching, delivering etc.), core activities like yard cleaning, fire evacuation program and safety patrol etc. are programmed and distributed,
- Shares knowledge of international experiences, exhibitions, technological improvement and changes, innovations in marine engineering industry via interviews and distribution of relevant videos.
- Facilitates the retrieval of previous telecasts from the media library.
- Captures important events from National and International TV channels, telecasting 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 etc.), 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 330 PCs functioning as Work Stations are integrated to a LAN through which communicates and exchanges raw as well as processed information. Data input related to attendance, job opportunities, material requisitions, issues, purchases, stocks, financials, meeting minutes, CDPLC Quality Management System (CDPLC QMS), etc. are

all integrated to the CDPLC Management Information System, accessible by a large pool of employees at different authority levels. It is also possible to share and deliberate on Designs and Drawings through the LAN.

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

Tele & Radio Communications

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

9090 - Sensible Information Investigation Service SIIS

Prudent communication channels are required when dealing with a very large team like ours spread over a wide geographical area. Having identified issues that may need to be addressed in establishing a communication tool which can cut through boundaries, structures and hierarchy, we established the 9090 - Sensible Information Investigation Service or SIIS, a telephone service that allows any employee to connect with higher management in confidence, to comment, suggest or propose any matter that would be productive to the Company.

Cross Functional Committees (Teams):

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

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

Employee Suggestion Scheme (ESS)

An organization-wide Employee Suggestion Scheme “Yojana Pettiya” (ESS) has been implemented to obtain suggestions



Sustainability Report Contd.

and proposals from employees. The suggestions collated thus far have been productively and positively geared towards energy conservation, improving the production process, employee health, environmental protection and productivity improvement.

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

- Board Meetings - deals with policy matters and sustainable growth of the Company
- Management Committee Meetings - Once every fortnight to deal with Operational Management Decisions, Strategy Development,
- Sales Meetings - Once a month
- Strategic Progress Review Meetings - Once a month
- Health, Environmental and Safety Advisory Committee meeting (HEASAC) - Once in every six months.
- Training Committee Meetings - Once a quarter.
- Management Review Meetings - Twice a year
- Shipbuilding Progress Review Meetings - once a week
- Shiprepair Progress Review Meetings - Everyday
- Divisional Meetings - As relevant by the Division
- Tool Box Meetings - Short meetings, at the commencement of daily work
- Meetings with Trade Unions & welfare Association
- Group Discussions

Health, Safety and Environmental Performances

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 environment. Ours is a business that's considered worldwide as dangerous and dirty although at CDPLC we are striving to move away from this stereotype and make our yards clean, safe and healthy; conforming to all health and safety measures while complying with relevant statutory and regulatory requirements. 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 this year. 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 controls (Hierarchy of controls-Eliminate the hazard, substitute the hazard, enclose /Isolate the hazard, Engineering solutions, Administrative procedures and use of Personal Protective Equipments (PPEs) in order to mitigate/eliminate these. The safety Dept of the Company is performing an outstanding facilitative role with recommendations for safety assurance, periodic monitoring and providing management feedback.

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;

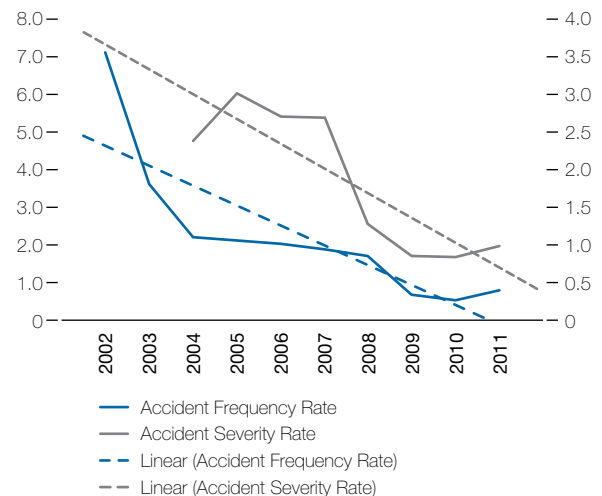
Ensure compliance with relevant statutory and regulatory requirements; and

Provide procedures, information, instructions, training and supervision to employees, contractors, customers and visitors to ensure their safety.

Safety Performance

The Year 2011 showed a slight increase in the Safety performance indices (Accident Severity Rate & Accident Frequency Rates) when compared to year 2010. However these two indicators are within the linear limits of ASR and AFR.

Employee Safety Indices of CDPLC





OSHAS Certification

During the year 2010 we requested LRQA to perform a gap analysis to identify weak areas in occupational Health and Safety. The findings of this gap analysis helped the company to have a deeper understanding of any shortcomings in the existing safety management system and in turn to find remedial methods. We are also in the process of upgrading our safety manual, procedures and work specifications with the objective of obtaining the OSHAS 18001 certificate for the safety management practices in 2012. Furthermore, together with the awareness campaign of the OSHAS 18001, another management system has been conducted internally by officers who trained on OSHAS 18001 audit course conducted by LRQA. The methodology of HIRA which was introduced this year is also an essential tool in OSHAS 18001 safety management system.

Safety Training

Safety training to all employees is considered as prime objective at CDPLC. In this context a number of Safety training programs were conducted for the benefit of employees this year. Of these the training programme, the training on Hazard Identification and Risk Assessment (HIRA) methodology was most effective. Most of the officers including General Managers/Assistant General Managers, Engineers and Executives participated in this work shop on HIRA which was conducted during the latter part of the year by an external institution.

Five officers had the opportunity to participate in a Helicopter Underwater Escape Training (HUET) course conducted by the Sri Lanka Air Force in order to participate for external audit assignment in MODU Chikuy in the Mannar basin.

In addition, a few officers participated in a three day training program at Institution of occupational safety and health IOSH on "Managing Safety".

Presently, the Assistant Manager Safety/HSS is also on an overseas training assignment in Sweden.

We continue to endeavor to reduce accidents in the workplace with improvements in safety performance. During the year under review, about three hundred of safety awareness programs were carried out during the year, cascading to every level of employees who are working in the yard.

Safety Audits/ Yard Safety Assurance

After observing and careful analysis of safety performance in the first half of the year, the Management of the Company decided to form a Yard Safety Assurance Committee. As per the decisions taken at these committee meetings, following improvements and changes were implemented to improve safety at Yard.

- The operational areas of the yard was divided in to three zones High, Moderate and Low based on the latent risks at these places; these were identified according to the two aspects as "Risk base previous accidents/near misses" and "Risk based on operational activity"



Prudent safety measures in place near drydock 03

- In line with the identified critical zones priority was given to the area at Dock No.3 and further improvements have made to the prevailing safety measures to make the area safer when carrying out production activities and crane operations for supportive works.
- A volunteer committee was set up to identify, report and monitor the safety related issues, if any, on a regular basis. Thereby, the Committee has initiated a project to develop the south side of Dry Dock 01 and 02, as a Model for Safety Assurance.
- The Safety Department began Safety Audits at workshop level, with the intention of initiating a good safety dialogue in the yard. This approach will address locational and departmental safety concerns depending on criticality.
- Implementation of "Safety Inspector Concept" in the yard.

Sustainability Report Contd.

Meetings were held with the safety inspectors, who conducted safety audits in the yard. These Safety Audits are implemented in workshops and other general areas, to reduce accidents and identify potential risks arising in the working environment. Supporting safety initiatives, the Safety Department publishes an audit calendar that moots the continued process of the Safety Patrol. 'Tool-box' meetings are also held in tandem. The audit at the Kelani River Yard, conducted during the later part of the year, resulted in an action plan aimed at efficient execution.

The Safety patrol is an integral element of the Hazard Identification and Risk Assessment process. Each audit team includes employees from all levels, directors, top managers, subcontractors, who visit the yard weekly. An hour and a half is spent per visit, whilst the total time spent (per year) is about 480 man-hours. The findings and reports of each patrol are added to a new module, introduced specifically for this purpose, on the Company's Management Information System (CDLMIS). This database will be utilized to monitor the progress of the corrective and preventive actions taken per safety issue.

Hands-on Safety measures at Ship building sector **Vessel Safety Coordination Board**

The Vessel Safety Coordination Board has been established at a protected location nearby the vessel where an overall picture of work in progress can be easily determined prior to the start of work by means of a diagram posted in the NC vessel. This status board indicates where work is being carried out, the nature of the work (Hot work, Painting, Chemical cleaning, testing etc.), when the work will start and be completed etc.

Atmospheric monitoring

The atmosphere of all spaces which are opened for entry, regardless of whether or not work is being carried out in them, is monitored by a competent and qualified person at least once a day for Oxygen level, Hydrocarbon gas (LEL) and toxic gases. The results of these inspections, together with the date/time at which they were carried out, are clearly marked at each entrance to the space concerned with a "Confined Space Coordination Sticker" on the Vessel Safety Coordination Board. All personnel are continuously alert and monitor the impact of changes such as introduction of chemicals or paints, leaking fuel/gas or oxygen hoses, etc., which could make the atmosphere of a tank, or confined space, hazardous.

Ladders and walkways

Workers are required to routinely move around ladders and walkways. These are periodically checked for safety and security. Maintaining a service arrangement and service layout in the vessel should be orderly, in turn improving housekeeping at these sites.



Ladders and walkways are on board

In addition steps have been taken to focus on implementing Behavioral Based Safety aspects and the enforcement of Safety Representatives, thorough monitoring of Sea Trials procedures, erecting, dismantling of scaffolding and condition of the scaffolding materials, commissioning and testing procedures of the newly built vessels.

External HSE Audit

Thanks to the intervention of the company's CEO, this year officers of CDPLC had the opportunity to participate in an HSE audit, with an audit team, onboard MODU Chikyu of Japan, which arrived to explore the oil in the Mannar basin.

The company's CEO considered this a national obligation, as a Best Corporate Citizen. Thus the HSE audit was carried out, on behalf of the PDRS, successfully.

Safety Rewards

To improve the commitment of company employees towards yard safety, an employee is selected as the "Best Safety Committed Employee" annually. Thereby the company identifies and rewards an employee who has cooperated to prevent accidents and work with the highest commitment in rescue operations.



E-News and Accident Notification

Publication of the E-magazine monthly to communicate recent accidents and /or near misses to create awareness among our employees continued throughout the year.

All accident data is now being communicated through the MIS.

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, 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. During the latter part of the year the Full Body Harness was introduced as a fall protection PPE and provided for the personnel who engage in scaffolding activities and work at high elevation. 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.

Number of Safety Attires Provided For Employees in the year 2011.

Description	Unit	2011
Ear plug with cord	Sets	2500
Gloves (riggers)	Pairs	9670
Gloves (cotton)	Pairs	6880
Gloves (wrist length)	Pairs	1750
Gloves (Elbow length)	Pairs	11490
Gloves (Rubber)	Pairs	3100
Goggles (chipping)	Numbers	1100
Goggle (welding)	Numbers	500

Description	Unit	2011
Gum boots	Pairs	121
Helmet- spares	Numbers	5470
Jacket	Numbers	100
Leg guards	Pairs	1229
Masks	Numbers	316750
Overalls	Numbers	4500
Rain coats	Numbers	300
Respirators	Numbers	470
Safety belts	Numbers	200
Safety helmets	Numbers	500
Safety shoes	Pairs	1900
Safety Torch	Numbers	200
Full body Harness	Numbers	10

Sustaining Our Community

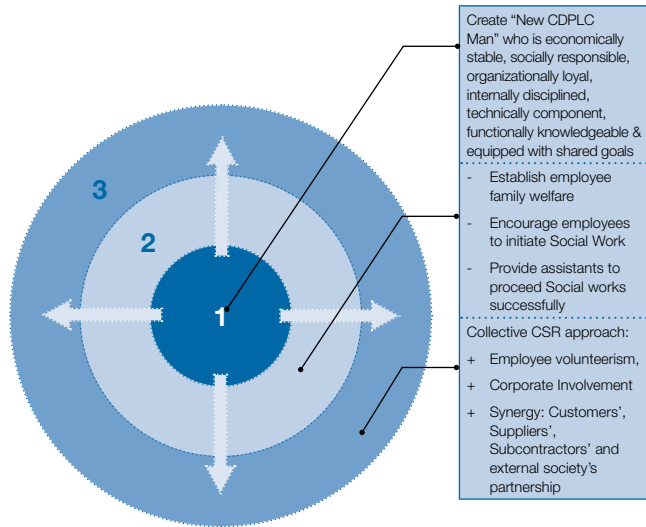
Our community remains integral to the sustainable development facet of our business, as we strongly believe that sustainable measures must be instilled into the wider spheres of our community to permeate larger economic prosperity.

We have redefined the CSR perception within Colombo Dockyard by creating a good atmosphere for Employee Volunteerism, allowing employees' to participate in various projects changes, 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.

Sustainability Report Contd.

Corporate CSR Philosophy of Colombo Dockyard



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

Health And Education

Annual Blood Donation Campaign

The Welfare Association of the Company organized its annual blood donation campaign within the Company for the National Blood Transfusion Service, Sri Lanka which saw most employees volunteer towards a national cause.



Annual Blood Donation Campaign

An Eye Donation Campaign

The Welfare Association of the Company organized an eye donation campaign within the Company for the Sri Lanka Eye Donation Society on 1st September 2011 with 762 employees and managers pledging their eyes. The commendable feature was that 3,000 employees have been moved to work within this campaign instigating a better future for those requiring a new lease of life.



The Eye Donation Campaign

Refurbishment Project for Sampath Nuwara Hospital

Sri Lanka Dock Engineering Association (SLDEA) completely refurbished the Out Patient Department (OPD) of the Sampath Nuwara Hospital at Weillioya, Anuradhapura. They were joined in this effort by the management, subsidiary of Dockyard General Engineering Services (DGES), trade unions and associations of the Company. The completed project was handed over to government officials on 5th June 2011, together with other items necessary for the OPD service.



Sampath Nuwara Hospital after Renovation



The Hospital, which has been opened since 1991, was used as an Army Camp during the war period against LTTE. Since the end of the war, the hospital needed renovation for public use.

In tandem, 10 bicycles were donated to the children of the Children Care Office, "Pariwasa Niladari Karyalaya" in Kebithigollewa.

Total investment for the project was Rs. 329,936.

Knowledge Development: The Knowledge Center 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. 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 spends Rs. 43 million a year as expenses for meals, uniforms, shoes, tools etc.

Institution	Number of Trainees	
N.A.I.T.A. - National Apprentice and Industrial Training Authority	161	40%
CINEC - Colombo International Nautical & Engineering College	45	11%
A.T.I. - Apprenticeship Training Institute	43	11%
I.E.T. - Institute of Engineering Technology	21	5%
NIFNE - National Institute of Fisheries And Nautical Engineering	20	5%
Technical College - Maradana	18	4%
CGTTI - Ceylon German Technical Training Institute	12	3%
Local Universities (internships)	12	3%
Foreign University	8	2%
HNDE - Advanced Technological Institute	6	1%
V.T.I. - Vocation Training Institute	5	1%
Other Trainees (from Miscellaneous Institutions)	53	13%
Grand Total	404	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 of IESL, University, Institute of Marine Engineering, Science and Technologists (IMarEST) seminars, discussions, workshops, symposium, exhibitions etc.
- Interaction with the Ceylon Chamber of Commerce, National Chamber of Commerce, International Chamber of Commerce, National Chamber of Exporters, Company of Master Mariners, IESL, IMarEST, Institute of Policy Studies (IPS), the Central Bank of Sri Lanka, the Directorate of Merchant Shipping, National Apprenticeship & Industrial Training Authority, (NAITA), Chartered Institute of Marketing, Chartered Institute of Sri Lanka and the Post Graduate Institute of Management (PIM).



A Practical Lesson for Trainees at a Lathe Machine

Sustainability Report Contd.

Social Philanthropy

Renovation Campaign for Abhayagiri Stupa

The Abhayagiri Stupa which was established by King Valagamba during the period of his second reign, from 89-77 BC has severely been ruined over the years. The Stupa is one of the most extensive ruins in the world and one of the most sacred Buddhist pilgrimage cities in the nation. As per the evidences available in the history, the 5th century traveler Chinese monk Fa-Hsien's has described that this stupa has been 400 feet (122 metres) in height and has been decorated with gold and silver and studded with all kinds of jewels. About 5000 of monks had been residing in this monastery. The term "Abhayagiri Vihara" means not only a complex of monastic buildings, but also a fraternity of Buddhist monks, or Sangha, which maintains its own historical records, traditions and way of life.

However, as the stupa was ruined severely over the years, a massive effort has been undertaken by the archeological department to restore this stupa to its original glory without destroying the archeological value.



The Greate Sramadana Campaign for Abhayagiri Stupa

The Employee Welfare Association of CDPLC initiated a 'Shramadana' campaign on 20th August 2011 with 125 employees and engineers volunteering their resources to carry more than 3700 bricks to the top of the Stupa to renovate its 'Hathares Kotuwa'.

Sponsorship to the National Dangerous Drugs Control Board

The National Dangerous Drugs Control Board NDDCB provides an enormous contribution to the Nation by attempting to eradicate the drug menace from Sri Lanka. The Board also provides treatment to the drug dependants and rehabilitation of drug dependants. Four Treatment and Rehabilitation Centers are established under the purview of the Board throughout the Country whilst providing counseling service and residential treatment facilities for addicts at these Treatment Centers.

The Board organized a Musical Extravaganza "Age Sinahawa Thahanam" for the purposes of creating an additional fund base for the upkeep and renovation of the Treatment Centers to sustain and improve their services for which CDPLC was a co-sponsor, donating Rs 50,000 towards this project.

Gate Construction for Ranaviru Seva Authority

Colombo Dockyard constructed two steel gates for the Naval Officers' House Complex at Hunumulla, Diwulapitiya, Gampaha as the war hero families resident in this complex were challenged due to lack of gates for the complex which gave them security. The Company built two gates at a cost of Rs. 108,707.

Donations for Retired Naval Officers' Club

The Retired Naval Officers' Club RNOC is an association for retired naval officers and in recognition of the national service rendered by these brave officers, the company donated Rs 25,000 towards the annual Fellowship Evening.

Yard Visiting Opportunity for Families of War Heroes

As premier shipbuilding and ship repair entity, Colombo Dockyard is accepted as fount of information and knowledge. However, given its location in a high security zone, it is not a source which is easily accessible. Understanding these limitations, the company occasionally organises 'tours' for stakeholders within the community, as a part of its social responsibility.



A prime example was when the company arranged for 300 family members of our war heroes to visit the Dockyard premises. The visit was complemented with donations of school books and refreshments, which cost Rs. 30,000. This appreciation of services rendered to our nation, took place on the 23rd of December 2011.

Other Donations and Sponsorships

During the year, Colombo Dockyard continued to contribute generously to the society, with a total expenditure of Rs. 940,000 as donations and sponsorships, contributions for events organized by The Welfare Society - Department of External Resources, Welfare & Recreation Society of Ceylon Shipping Corporation, The Postgraduate institute of Management, St. Benedict's College Development Fund, Sri Saddharmodaya Tharuna Samithiya, Sri Lanka Ports Authority Sports Club, Sri Lanka Ports Authority Retired Staff Officer's Association, Sri Lanka Planning Service Association, Sri Lanka Girl Guides Association, Sports and Welfare Society of Government Analyst's Department, Shippers' Academy Colombo, Sewa Vanitha Association of I.T.N. Media Network, Royal College Computer Society, Royal College '73 Group, National Council for Mental Health, Nalanda College Old Boys' Association, Lions Club of Colombo Stratford, Institute of Environmental Professionals Sri Lanka, Diesel & Motor Engineering PLC, Company of Master Mariners of Sri Lanka, Small & Medium Enterprise Developers Sri Lanka.

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

Mr. Ranil Wijegunawardane

General Manager (Finance)

Tel.: + 94 11 2429 007(direct), + 94 11 2429 000 Ext: 9007

Mob.: + 94 777 743 874

Fax: + 94 11 2333 519, +94 11 2471 335

E mail: ranilw@cdl.lk

Web: www.cdl.lk



Sustainability Report Contd.

Global Reporting Initiatives (GRI) Index

GRI Index	GRI Definition	Reference in the Report / Description	Page/s of Reference
Profile			
1.	Strategy and Analysis		
1.1	Vision statement	Vision	2
1.1	Chairman, MD/CEO statement,	Chairman's Review and CEO's Review	8 - 24
1.2	Description of key impacts, risks and opportunities	Risk Management	60 - 63
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	86
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	8 - 24
2.8	Scale of the organization	Large Scale	NA
2.9	Significant changes during reporting period	Corporate Milestones	64 - 65
2.1	Awards received in the reporting period	Achievements 2010	66 - 67
3.	Report Parameters		
	Report Profile		
3.1	Reporting period	2011/01/01 – 2011/12/31	72
3.2	Date of most recent previous report	2010/12/31	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	105
	Report Scope and Boundary		
3.5	Process for defining report content	Content of the Report	NA
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 - 135
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 - 135
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report	Global Reporting Initiatives (GRI) Index	106 - 111
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report	None at present	NA



GRI Index	GRI Definition	Reference in the Report / Description	Page/s of Reference
4.	Governance, Commitments, and Engagement		
	Governance		
4.1	Governance structure of the organisation	The Governing Structure	86
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	54 - 59
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Sustainability Report - Transparency & open dialogue	96 - 98
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	79 - 82 96 - 98
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	72 - 105
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	8 - 24 72
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	72
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	86 - 90
4.13	Memberships in associations and /or national/ international advocacy organizations in which the organization	Sustainability Report - Our corporate citizenship	78 - 79
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report - Stakeholder Engagement	72 -73
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	72 -74
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	72 - 74



Sustainability Report Contd.

Management Approach and Performance Indicators

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Economic				
		Disclosure of Management Approach		
Economic Performance Indicators				
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Sustainability Report - Statement of Value Addition	79
	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	74 - 78
	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	85
	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	72 -105
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report	72 -105
Environmental				
		Disclosure of Management Approach		
Environmental Performance Indicators				
Materials	EN1	Materials used by weight or volume	Sustainability Report - Environmental Sustainability	86 - 90
Energy	EN2	Percentage of materials used that are recycled input materials	Not estimated yet	NA
	EN3	Direct energy consumption by primary energy source	Sustainability Report - Environmental Sustainability	86 - 90
	EN4	Indirect energy consumption by primary source	None	NA
	EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report - Environmental Sustainability	86 - 90
	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	86 - 90
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Sustainability Report - Environmental Sustainability	86 - 90
	EN8	Total water withdrawals by source	Water saving initiatives	90
Water	EN9	Water sources significantly affected by withdrawal of water	Water saving initiatives	90
	EN10	Percentage and total volume of water recycled and reused	Sustainability Report - Water saving initiatives	90



Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	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
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	86 - 90
	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)	86 - 90
	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	87
	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	86 - 90
	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
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	91 - 92
	LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainability Report	91 - 92
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not revealed	NA



Sustainability Report Contd.

Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	100% permanent employees	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	98 - 101
	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	90 - 101
	LA9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report - Health Safety & Environmental Performance	98 - 101
Training and Education	LA10	Average hours of training per year per employee by employee category	Sustainability Report - Social Sustainability	92
	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	90 - 101
	LA12	Percentage of employees receiving regular performance and career development reviews	All employees, annually and time to time	NA
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	26 - 29 91 - 93
	LA14	Ratio of basic salary of men to women by employee category	Sustainability Report	91
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	92
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)	90 - 101
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



Category	GRI Reference	GRI Definition	Reference in the Report / Description	Page/s of Reference
Society				
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Sustainability Report – Sustaining Our Community	101 - 105
	SO2	Percentage and total number of business units analyzed for risks related to corruption	None	NA
Corruption	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	78 - 79
	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	82 - 85
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 2011/2012

2011

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

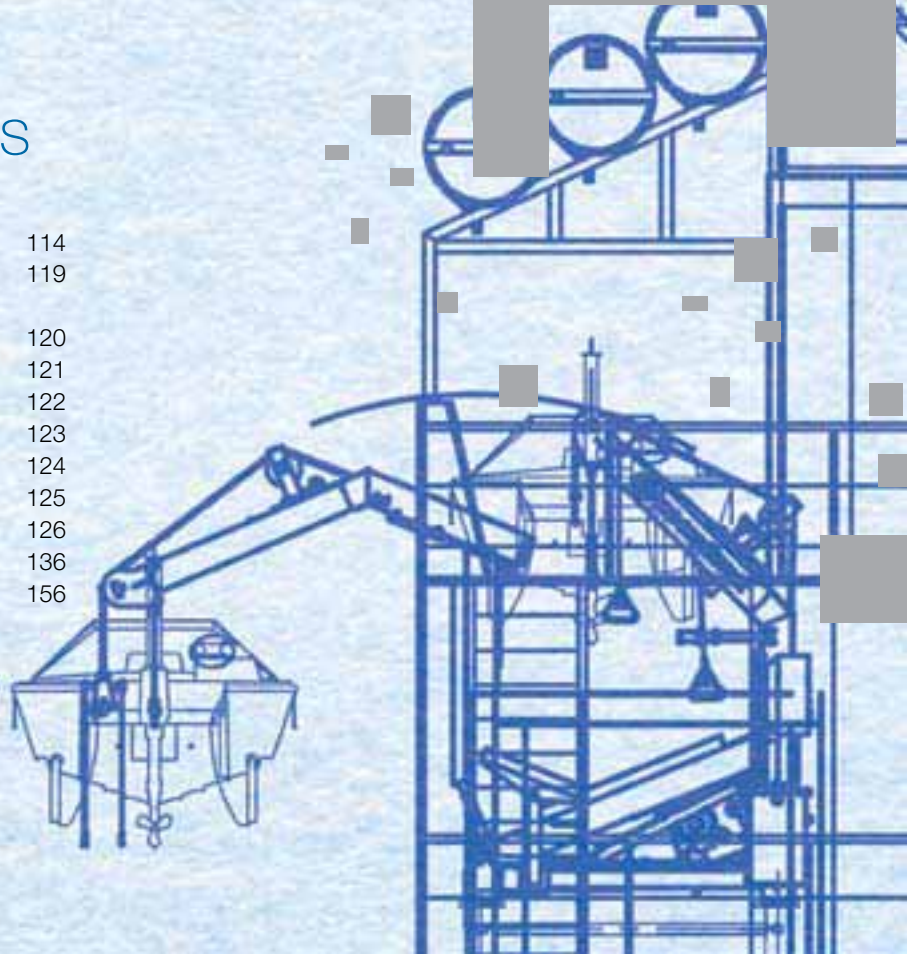
2012

Approval of Financial Statements	February, 22	2012
Interim Report - 4th Quarter - 2011	February, 28	2012
Ex-Dividend Date	March, 02	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



Financial Statements

Annual Report of the Board of Directors on the Affairs of the Company	114
Statement of Directors' Responsibilities	119
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	120
Independent Auditors' Report	121
Income Statement	122
Balance Sheet	123
Statement of Changes in Equity	124
Cash Flow Statement	125
Accounting Policies	126
Notes to the Financial Statements	136
Ten Years Financial Highlights	156







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 2011, and the Auditors' Report on those Financial Statements 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 2012. 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 Accountant of Sri Lanka and Colombo Stock Exchange.

PRINCIPAL ACTIVITIES

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

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

REVIEW OF BUSINESS

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Message on page 9 to 14 and Managing Director/CEO's Review on page 17 to 24 and Management Discussion & Analysis on this Report page 35 to 47. These reports form an integral part of the Report of the Directors'.

FUTURE DEVELOPMENTS

An over view of the future prospects of the Company is covered in Chairman's Message (page 9 to 14), the Managing Director/CEO's Review (page 17 to 24) and Management Discussion Analysis of this report (page 35 to 47).

FINANCIAL STATEMENTS

The Financial Statement of the Company and the Group for the year ended 31st December 2011 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 122 to 155 of this Annual Report.

AUDITORS' REPORT

Company Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co, performed the audit on the Consolidated Financial Statements for the year end 31st December 2011, and the Auditors' Report issued thereon is given on page 121 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 135 of the Annual Report as required by Section 168 (1) (d) of the Companies Act. There were no changes to these accounting policies during the year under review and are consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standard No. 3 (Revised 2005) on "Presentation of Financial Statements".

GOING CONCERN

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



GROSS INCOME

The revenue of the Group during the year was Rs. 12,803 Mn (2010-Rs. 14,506 Mn), while Company's revenue was Rs. 12,195 Mn (2010-Rs. 14,057 Mn). Analysis of the revenue is given in Note 1 to the Financial Statement on page 136 of this Annual Report.

PROFIT & APPROPRIATION

Profit for the year:	2011 Rs'000	2010 Rs'000
Group pre-tax profit	1,832,766	1,928,817
Reversal/(Provision) for Taxation	(21,774)	156,230
Group post-tax profit	1,810,992	2,085,047
Amount attributable to Minority Interest	(6,988)	(4,303)
Profit attributable to the Shareholders of		
Colombo Dockyard PLC	1,804,004	2,080,744
Retained Profit B/F	7,025,279	5,492,031
Dividends - Paid Rs. 8/- per share (2010 - Rs. 8/- per share)	(547,497)	(547,497)
Retained Profit C/F	8,281,786	7,025,279

RESERVES

Total Group Retained Earnings and Foreign Exchange Fluctuations Reserves at 31st December 2011, was amounted to Rs. 8,282 Mn (2010 - Rs. 7,025 Mn) and Rs. 3.3 Mn (2010-Rs. 6.3 Mn) respectively. The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on page 124 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 5 on page 138.

DIVIDENDS

The Board of Directors have authorised the payment of first and final Dividend of Rs. 6.00 per share for the year ended 31st December 2011 (2010 - Rs. 8.00).

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. 6,978 Mn (2010 - Rs. 6,142 Mn) and the value of company's assets less liabilities and stated capital was Rs. 7,989 Mn (2010 - Rs. 6,830 Mn). The profit of the company attributable to the equity holders of the company was Rs. 1,707 Mn (2010- Rs 2,015 Mn), amount set aside for dividend has been Rs. 411 Mn (2010 - Rs. 547 Mn).

ISSUE OF 5% SHARES CREDITED AS FULLY PAID BY WAY OF CAPITALIZATION OF RETAINED EARNINGS

The Board of Directors have authorised a sum of Rupees Thirty Four Million Two Hundred and Eighteen Thousand Five Hundred and Thirty (Rs. 34,218,530/-) out of standing to the credit of the Retained Earnings Account in the books of the Company as at 31st December 2011 be appropriated as capital to and amongst the Shareholders [as at end of trading on the market day prior to the 'XC date, which 'XC' date is to be fixed by the Company in consultation with the Colombo Stock Exchange upon the issue and listing of the shares arising from such capitalization is approved by the Exchange in principle] in accordance with the respective rights to which they are entitled upon a capitalization of Reserves and be applied in paying in full on behalf of the said Shareholders, 3,421,853 Ordinary shares at a consideration of Rupees Ten (Rs.10/-), [which consideration in the opinion of the Directors is fair and reasonable to the Company and to all existing shareholders] and that such Ordinary Shares be issued and distributed as fully paid Ordinary Shares amongst such shareholders in the proportion of One (01) new ordinary shares for every Twenty (20) existing ordinary share held as at the said date, [fractional entitlements of shares arising to be allotted to the persons nominated as Trustees by the Board, which shares to be sold at the net sale proceeds to be donated to a charity] in satisfaction of their respective share and interest in the said capitalized sum and so that the new Ordinary Shares so issued shall rank pari passu in all respects, including the right to participate in any dividend declared paid after this issue, with the existing issued Ordinary Shares in the capital of the Company, except the right to receive the final dividend declared for the year ended 31st December 2011.



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

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 81 to 82.

PROPERTY, PLANT & EQUIPMENT

The Group's total capital expenditure on acquisition of Property, plant and equipment during the year was amounted to Rs. 813 Mn. (2010-Rs. 608 Mn).

The extent of the freehold lands held by the Company as at the balance sheet date is 1,091.01 perch (2010- 1,091.01 perch) are recorded at cost.

The details of Property, plant and equipment are given in Note 8 to the Financial Statements on pages 142 - 143.

MARKET VALUE OF FREEHOLD PROPERTIES

The net book value of freehold properties owned by the Company and Group as at 31st December 2011 is included in the accounts at Rs. 2,546 Mn. (2010 - Rs. 2,273 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out market value assessment of the Group's freehold properties as at 31st December 2010. The details of freehold properties owned by the Company are given in Note 8 of the Financial Statement on page 142.

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 2011.

PENDING LITIGATION

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 26(c) on page 153 of the Financial Statements and will not have a material impact on the financial position of the Company or its future operations.

CORPORATE DONATIONS

Total donations made by the group during the year was amounted to Rs. 814,281/- (2010-Rs. 1,327,895/-) in terms of the resolution passed at the last Annual General Meeting.

COMPANY RECORDS

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

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

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 2011 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 122 to 155 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 of nine (2010-8) Directors with wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 26 to 27 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. Lalith Ganlath
Mr. H.A.R.K. Wickramathilake
Mrs. Janaki Kuruppu
Mr. P. Kudabalage

Alternate Directors

Mr. Y. Imai
Mr. I. Takeda



DIRECTORATE

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 26 to 27 of the Annual Report. The changes in the directorate from the date of the last report to this report are as follows.

- Mr. P. Kudabalage was nominated and appointed as Nominee Director of the Sri Lanka Insurance Corporation Ltd, in terms of Article 80 (2) of the Articles of Association of the Company, with effect from 03rd May 2011.
- Mr. Issho Takeda who was an Alternate Director to Mr. T. Nakabe since 11th January 2011 resigned with effect from 12th January 2012 and Mr. Noriaki Nishida was appointed in place of Mr. Issho Takeda with effect from 13th January 2012.

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 sub-committees and their composition and attendances is given in page 55 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 2011:

	31/12/2011	31/12/2010
Mangala P B Yapa	2,284	2,284
Lalith Ganlath	551	551
H A R K Wickramathilake	1,051	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 91 to 98 of this Annual Report.

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 86 to 90 of this Annual Report.

GROUP EMPLOYMENT

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries was as follows:

	2011	2010
Group	1,665	1,695
Colombo Dockyard PLC	1,643	1,673

DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS

Directors' interest in contracts of the Company is disclosed in Note 28 to the Financial Statement on page 154 of this Annual Report under transactions with related parties and has been declared at meetings of the Directors and entered in the Interest Register of the Company. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

DIRECTORS' MEETINGS

Details of Directors' meetings which comprise Board Meetings, and Board sub-committee meetings of Audit Committee and Remuneration Committee are presented on page 55 of this Annual Report.



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

CORPORATE GOVERNANCE

The Board of Directors of the Company 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 54 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 2011 are given on page 81 of this Annual Report.

CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingencies or commitments other than those disclosed in the Note 26 and 27 to the Financial Statements on page 152 of this Annual Report.

EVENTS AFTER BALANCE SHEET DATE

No circumstances have arisen and no material events have occurred during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements other than those disclosed in the Note 29 to the Financial Statements on page 155 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 28th day of March 2012.

The Notice to the Annual General Meeting is given on page 157 of this Annual Report.

AUDITORS

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

Fees paid to auditors are disclosed in the Note No. 04 to the Financial Statements. As far as Directors are aware the auditors do not have any relationship or interest in the Company other than those disclosed in Note 04 to the Financial Statements.

For and on behalf of the Board,
Colombo Dockyard PLC

Akihiko Nakauchi
Chairman

Mangala P. B Yapa
Managing Director/CEO

Manori P. Mallikarachchi
Company Secretary/Legal Officer

22nd February 2012
Colombo, Sri Lanka



Statement of Directors' Responsibilities

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

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

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

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

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

Company external auditors Messrs KPMG Ford, Rhodes, Thornton & Co, appointed in accordance with the resolution passed at the last Annual General Meeting were provided with free access to undertake required inspection they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, given on page 121, set out their responsibilities in relation to the Financial Statements.

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

By order of the Board

Manori P. Mallikarachchi
Company Secretary

22nd February 2012
Colombo, Sri Lanka



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

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

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

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

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where

mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances ; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 26 to the Financial Statements on page 152 of this Annual Report.

Mangala P. B. Yapa
Managing Director/CEO

Ranil Wijegunawardane
General Manager (Finance)

22nd February 2012
Colombo, Sri Lanka



Independent Auditors' Report



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

Tel : +94 - 11 242 6426
+94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC Report on the Financial Statements

We have audited the accompanying Financial Statements of Colombo Dockyard PLC (the Company), and the Consolidated Financial Statements of the Company and its subsidiaries as at 31st December 2011, which comprise the Balance Sheet as at 31st December 2011, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of Significant Accounting Policies and other Explanatory notes, as set out on pages 122 to 155 to this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

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

Opinion Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2011, and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st December 2011, and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st December 2011, and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

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

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants,

22nd February 2012
Colombo



Income Statement

For the year ended 31st December,			Group		Company	
	Page	Note	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
Revenue	136	1	12,803,164	14,505,673	12,195,368	14,056,516
Cost of Sales			(10,491,764)	(11,223,924)	(10,120,527)	(10,977,523)
Gross Profit			2,311,400	3,281,749	2,074,841	3,078,993
Other Income	137	2	631,907	83,424	637,100	89,848
Distribution Expenses			(26,655)	(27,401)	(19,724)	(22,150)
Administrative Expenses			(1,321,833)	(1,591,279)	(1,229,084)	(1,497,904)
Other (Expenses)/Reversal			58,389	(1,355)	58,389	(1,355)
Net Finance Income/ (Expense)	138	3	179,558	183,679	170,029	174,124
Profit before Tax	138	4	1,832,766	1,928,817	1,691,551	1,821,556
Income Tax (Expense)/Reversal	138	5	(21,774)	156,230	14,959	193,235
Profit for the period			1,810,992	2,085,047	1,706,510	2,014,791
Attributable to;						
Equity holders of the parent			1,804,004	2,080,744	1,706,510	2,014,791
Minority Interest			6,988	4,303	-	-
			1,810,992	2,085,047	1,706,510	2,014,791
Earnings Per share (Rs.)	141	6.1	26.36	30.40	24.94	29.44
Dividends Authorised Per share (Rs.)	141	6.2	6.00	8.00	6.00	8.00

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

(Figures in brackets indicate deductions.)



Balance Sheet

As at,	Page	Note	Group 31.12.2011 (Rs.'000)	31.12.2010 (Rs.'000)	Company 31.12.2011 (Rs.'000)	31.12.2010 (Rs.'000)
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	142	8	2,545,757	2,273,498	2,513,657	2,251,543
Investment Property	144	9	-	-	2,865	2,865
Intangible Assets	144	10	3,175	6,008	3,175	6,008
Investment in Subsidiaries	145	11	-	-	857	857
Other Investments	145	12	58,610	57,410	56,610	55,410
Deferred Tax Assets	146	13	121,010	73,168	118,074	68,711
Total Non-Current Assets			2,728,552	2,410,084	2,695,238	2,385,394
Current Assets						
Inventories	146	14	667,469	640,924	638,187	623,924
Trade and Other Receivables	146	15	6,990,794	5,319,034	6,779,166	5,207,209
Amounts due from Related Parties	147	16	-	-	10,716	1,125
Income Tax Refund	152	24	-	9,916	-	42,948
Short Term Investment			108,908	619,500	58,908	569,500
Cash and Cash Equivalents	147	17	4,097,698	5,564,909	3,892,177	5,362,967
Total Current Assets			11,864,869	12,154,283	11,379,154	11,807,673
Total Assets			14,593,421	14,564,367	14,074,392	14,193,067
EQUITY AND LIABILITIES						
Stated Capital	148	18	684,370	684,370	684,370	684,370
Foreign Exchange Equalisation Reserve			3,325	6,313	-	-
Retained Earnings			8,281,786	7,025,279	7,989,469	6,830,455
Equity Attributable to Equity holders of the Parent			8,969,481	7,715,962	8,673,839	7,514,825
Minority Interest			36,284	31,326	-	-
Total Equity			9,005,765	7,747,288	8,673,839	7,514,825
Non-Current Liabilities						
Interest Bearing Borrowings	148	19	36,432	61,320	36,432	60,684
Deferred Tax Liability	149	20	12	44	-	-
Employee Benefit	150	21	972,851	958,974	962,664	951,433
Total Non-Current Liabilities			1,009,295	1,020,338	999,096	1,012,117
Current Liabilities						
Interest Bearing Borrowings	148	19	373,931	898,565	373,295	897,346
Trade and Other Payables	151	22	4,074,151	4,859,272	3,869,299	4,639,907
Amounts due to Related Parties	151	23	-	-	49,116	90,488
Income Tax Payable	152	24	66,707	-	46,175	-
Dividends Payable	152	25	16,757	14,912	16,757	14,912
Bank Overdraft	147	17	46,815	23,992	46,815	23,472
Total Current Liabilities			4,578,361	5,796,741	4,401,457	5,666,125
Total Equity, Liabilities			14,593,421	14,564,367	14,074,392	14,193,067

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



Statement of Changes in Equity

	Attributable to equity holders of parent					
	Stated Capital	Retained Earnings	Foreign Exchange Equalisation Reserve	Total	Minority Interest	Total equity
For the year ended 31st December 2011	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Group						
Balance as at 01st January 2010	684,370	5,492,031	9,398	6,185,799	29,987	6,215,786
Net Profit for the year	-	2,080,744	-	2,080,744	4,303	2,085,047
Dividends Paid (Rs. 8.00 per share)	-	(547,497)	-	(547,497)	-	(547,497)
Exchange Translation Difference	-	-	(3,085)	(3,085)	(2,964)	(6,049)
Balance as at 31st December 2010	684,370	7,025,279	6,313	7,715,961	31,326	7,747,288
Net Profit for the year	-	1,804,004	-	1,804,004	6,988	1,810,992
Dividends Paid (Rs. 8.00 per share)	-	(547,497)	-	(547,497)	-	(547,497)
Exchange Translation Difference	-	-	(2,988)	(2,988)	(2,030)	(5,018)
Balance as at 31st December 2011	684,370	8,281,786	3,325	8,969,480	36,284	9,005,765
				Stated Capital	Retained Earnings	Total
				(Rs. '000)	(Rs. '000)	(Rs. '000)
Company						
Balance as at 01st January 2010				684,370	5,363,161	6,047,531
Net Profit for the year				-	2,014,791	2,014,791
Dividends Paid (Rs. 8.00 per share)				-	(547,497)	(547,497)
Balance as at 31st December 2010				684,370	6,830,455	7,514,825
Net Profit for the year				-	1,706,510	1,706,510
Dividends Paid (Rs. 8.00 per share)				-	(547,497)	(547,497)
Balance as at 31st December 2011				684,370	7,989,469	8,673,839

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

(Figures in brackets indicate deductions)



Cash Flow Statement

	Group		Company	
For the year ended 31st December	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
Cash Flow from Operating Activities				
Net Profit Before Tax	1,832,766	1,928,817	1,691,551	1,821,556
Adjustments for,				
Depreciation of Property, Plant and Equipment	292,297	262,921	286,816	255,003
Impairment/Write off Property, Plant and Equipment	203	-	203	-
Amortization of Intangible assets	4,163	3,947	4,163	3,947
Provision for Retirement Benefit Obligations	107,881	212,978	104,967	210,308
Provision/(reversal) for Bad and Doubtful Debts	79,655	146,220	79,433	149,740
Provision for/(Reversal) of Obsolete Stocks	(61,988)	1,594	(60,950)	(3,415)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(18,652)	(1,842)	(18,639)	(1,888)
Foreign Exchange (Gain)/Loss (Unrealised)	61,257	(24,774)	66,272	(19,282)
Interest Income	(253,275)	(239,439)	(243,456)	(229,441)
Dividend Income	(260)	(18)	(5,210)	(4,698)
Interest Expenses	73,717	55,760	73,427	55,317
Operating Profit Before Working Capital Changes	2,117,764	2,346,164	1,978,579	2,237,147
(Increase)/Decrease in Inventory	35,443	136,414	46,687	133,691
(Increase)/Decrease in Trade and Other Receivables	(1,751,415)	1,607,474	(1,651,390)	1,535,957
(Increase)/Decrease Amounts Due from Related Parties	-	-	(9,591)	(783)
Increase/(Decrease) Trade and Other Payables	(785,120)	(1,268,887)	(770,608)	(1,309,724)
Increase/(Decrease) Amounts Due to Related Parties	-	-	(41,372)	(7,086)
Cash Generated from/(used in) Operating Activities	(383,328)	2,821,165	(447,695)	2,589,202
Interest Paid	(73,482)	(55,760)	(73,427)	(55,317)
Gratuity Paid	(94,004)	(45,363)	(93,736)	(44,948)
Income Tax Paid/Set off	6,977	(201,614)	54,719	(178,527)
Net Cash Generated from/(used in) Operating Activities	(543,837)	2,518,428	(560,139)	2,310,410
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(566,329)	(475,617)	(550,709)	(457,853)
Proceeds from Disposal of Property, Plant and Equipment	20,217	1,562	20,217	1,449
Interest Received	253,275	239,439	243,456	229,441
Investment in short term investment	-	(621,500)	-	(569,500)
Redeem of Short Term Investment	510,592	-	510,592	-
Acquisition of Intangible Assets	(1,331)	(772)	(1,331)	(772)
Dividend Received	260	18	5,210	4,698
Net Cash Generated from/(used in) Investing Activities	216,684	(856,870)	227,435	(792,537)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(24,077)	(52,958)	(24,077)	(52,958)
Repayment of Short Term Loans	(4,941,163)	(3,677,947)	(4,941,163)	(3,677,947)
Loans Obtained during the period	4,349,464	4,301,463	4,349,464	4,301,463
Repayment of Leases	(1,454)	(1,230)	-	-
Dividend Paid	(545,652)	(547,497)	(545,652)	(547,497)
Net Cash Generated from/(used in) Financing Activities	(1,162,881)	21,831	(1,161,427)	23,061
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	(1,490,034)	1,683,389	(1,494,133)	1,540,934
Cash and Cash Equivalents at the beginning of the period (Note 17.2)	5,540,917	3,857,528	5,339,495	3,798,561
Cash and Cash Equivalents at the end of the period	4,050,883	5,540,917	3,845,362	5,339,495

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

(Figures in brackets indicate deductions)



Accounting Policies

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as at and for the year ended 31st December 2011 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) and 51% holding of Ceylon Shipping Agency (Private) Limited (incorporated in Singapore) where the subsidiaries are engaged in material sales related to shipping and heavy engineering works.

Colombo Dockyard PLC's parent entity is Onomichi Dockyard Co. Ltd, incorporated in Japan.

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

The Financial Statements were authorized for issue by the Board of Directors on 22nd February 2012.

2.2. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the valuation of short term Investments and Retirement Benefit Obligation which are disclosed in relevant Notes to the Financial Statements.

2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees 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 11). 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 (SLASs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1. BASIS OF CONSOLIDATION

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

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



3.1.1. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3.1.2. Acquisitions of 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 with Minority Interest

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

3.2. FOREIGN CURRENCY

3.2.1. Functional Currency and Presentation Currency

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

3.2.2. Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value or historical cost is translated at the rates prevailing on, the date when the fair value was determined or 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 from on monetary items that form part of the Group's net investment in foreign operations/subsidiaries, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations/subsidiaries, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations/subsidiaries, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations/subsidiaries, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's Financial Statements of the foreign operations/subsidiaries, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's Financial Statements or the individual Financial Statements of the foreign operations/subsidiaries as appropriate.



Accounting Policies Contd.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

3.2.3. Foreign Operations/Subsidiaries

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

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

3.3. ASSETS AND THE BASES OF THEIR VALUATION

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

3.3.1. Property, Plant & Equipment

3.3.1.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3.3.1.2. Owned Assets

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

use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

3.3.1.3. Leased Assets

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

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

3.3.1.4. Investment Property

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

Where group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as Property, Plant and Equipment in the consolidated Financial Statements, and accounted for as per SLAS 18 Property, Plant and Equipment.

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 de-recognized in accordance with the de-recognition policy given below.

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



3.3.1.6. De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized in the income statement and gains are not classified as revenue.

3.3.1.7. Depreciation

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

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

The estimated useful lives are as follow:

Company - Colombo Dockyard PLC

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

Group - Dockyard General Engineering Services (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Buildings	10	10%
Plant & Machinery	10	10%
Motor Vehicles	4	25%
Furniture Fittings & Office Equipment	6.6	15%
Inventory Items	6.6	15%
Loose Tools	3	33.3%

Ceylon Shipping Agency (Private) Limited

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

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

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

3.3.2. Intangible Assets

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



Accounting Policies Contd.

the category of intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

3.3.2.2. *Subsequent Expenditure*

Expenditure incurred on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement 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 income statement on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three (3) years.

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

3.3.3. *Investments*

3.3.3.1. *Classification*

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

3.3.3.2. *Valuation*

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

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

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

Short term investments are measured at the lower of cost

and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in the income statement.

3.3.3.3. *Cost*

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

3.3.3.4. *Diminution in Carrying Value*

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

3.3.4. *Inventories*

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

3.3.4.1. *Raw Materials*

At first-in-first-out basis

3.3.4.2. *Consumables*

At Actual purchase cost.

3.3.4.3. *Goods in Transit*

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

Provisions for slow moving inventories are made as follows,

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

3.3.5. *Trade and Other Receivables*

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



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

- Trade Receivables age below 60 Days at 2%
- Trade Receivables age between 60 to 90 Days at 2.5%
- Trade Receivables age between 90 to 180 Days at 5%
- Trade Receivables age between 180 to 360 Days at 7.5%
- Trade Receivables age between 360 to 720 Days at 10%
- Trade Receivables age more than 720 Days 100%

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

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

3.3.6. Cash and Cash Equivalents

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

3.3.7. Impairment of Assets

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

written down to its' recoverable amount.

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement. Impairment losses recognized in relation to Goodwill are not reversed for subsequent increases in its recoverable amount.

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

3.4. LIABILITIES AND PROVISIONS

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

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

3.4.1. Retirement Benefit Obligation

3.4.1.1. Defined Benefit Plans

3.4.1.1.1. Local

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



Accounting Policies Contd.

3.4.1.1.2. Overseas Operations/Subsidiary

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

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

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

3.4.2. Provision for Warranty

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

3.4.3. Stated Capital

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

3.4.4. Capital Commitment and Contingent Liabilities

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

3.4.5. Trade and Other Payables

Trade and other payables are stated at their cost.

3.4.6. Provisions

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

3.5. INCOME STATEMENT

3.5.1. Revenue

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

3.5.1.1. Revenue Recognition

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

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

When the outcome of a construction 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 balance sheet date. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of cost incurred that are probable to be recovered. When it is probable that total cost will exceed total revenue, the expected loss is recognized as an expense immediately.

The Stage of Completion is measured by reference to the proportion that, costs incurred for work performed to date bear to the estimated total costs.

3.5.1.1.2. Sale of Material and Steel Scrap

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

3.5.1.1.3. Interest Income

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

3.5.1.1.4. Other Income

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

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



3.5.2. Expenditure Recognition

3.5.2.1. Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statements in arriving at the profit for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant and equipment.

3.5.2.2. Warranty Claims/Provisions

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

3.5.2.3. Finance Costs

Interest expenses are recognized on an accrual basis.

3.5.2.4. Borrowing Costs

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

3.5.3. Taxation

3.5.3.1. Current Taxes

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

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

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

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

3.5.3.2. Deferred Taxation

Deferred taxation is provided, based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised.

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

3.6. SEGMENTAL INFORMATION

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

3.6.1. Industry Segments

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

3.6.2. Geographical Segment

The activities of the Group have been broadly classified into 18 segments, namely, Sri Lanka, India, Maldives, Greece, Bangladesh, Hong Kong, Dubai, Singapore, Korea, Belgium, China, Japan, Germany, USA, Thailand, Egypt, Netherlands, Samoa and other, based on the geographical spread of operations.

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



Accounting Policies Contd.

3.7. RELATED PARTY TRANSACTION

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

3.8. CASH FLOW

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

3.9. GENERAL

3.9.1. Earnings Per Share

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.

3.9.2. Events Occurring After the Balance Sheet Date

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with SLASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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	05	138
Property, plant and equipment	08	142
Intangible assets	10	144
Deferred tax assets / liabilities	13,20	146,149
Employee benefits	21	150
Provision for warranty claims	22.1	151

5 EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The group will publish, its first consolidated financial statements prepared in accordance with SLFRSs (new volume of Sri Lanka Accounting Standards), as at and for the year ended 31.12.2012. The date of transition to SLFRSs is 01.01.2011.

The group will apply SLFRS 1 *First-time adoption of Sri Lanka Accounting Standards* (SLFRSs) in preparing its first SLFRS consolidated financial statements. The effect of the transition to SLFRSs on group's financial position, financial performance and cash flows will be discuss in detail in group's first SLFRS Financial Statements.

This note contains the analysis of main impacts in, and the discussion of methods that will be applied by the group when preparing, its first SLFRS financial statements.

5.1 First-time adoption exemptions applied

Upon transition, SLFRS 1 permits certain exemption from full retrospective application. The Group will apply the mandatory exemptions and certain optional exemptions. The exemptions which will be adopted by the group are set out below. (SLFRS 1.18)

- The group has elected not to apply SLFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition (January 01, 2011) (SLFRS 1 App. C).



- b. The group has elected to use fair value as deemed cost at the date of transition for some items of property, plant and equipment (Note 5.2) (SLFRS 1.D 5).
- c. The group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. After the date of transition, translation differences arising on translation of foreign operations will be recognized in other comprehensive income and will be included in a separate "translation reserves" within equity. (SLFRS 1 D 13).
- d. The group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. (SLFRS 1 D 9).
- e. The group has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. From the date of transition, the group's accounting policy is to use the "corridor" approach and split actuarial gains and losses into an unrecognized and recognized portions. (SLFRS 1 D 10 / 1 D 11).
- f. The groups has elected used estimates under SLFRSs that are consistent with those applies under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error. (SLFRS 1.14).

5.2 Property, plant and equipment

At the date of transition the group elected to measure some items of property, plant and equipment at fair value as deemed cost. The effect is to increase the carrying amount of particular assets and retained earnings.

5.3 Borrowing Cost

Under the previous GAAP the group expensed borrowing cost as incurred. Under SLFRSs the group will capitalize the borrowing costs with regard to qualifying assets for which the commencement date for capitalization will be on or after the date of transition.

5.4 Financial instruments

In group's first SLFRS financial statement, Financial Instrument will be recognized, measured, presented and disclosed in accordance with the following standards.

SLFRS 7 - Financial Instrument: Disclosures
LKAS 32 - Financial Instrument: Presentation
LKAS 39 - Financial Instrument: Recognition and Measurement

The group recognizes financial asset or financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provision of the instrument.

The group derecognizes a financial liability (or part of a liability) from its statement of financial position when, and only when, it is extinguished.

The regular way purchase or sale of financial assets will be recognized using the trade date accounting or settlement date accounting as appropriate.

The Financial Instruments will be measured initially at their fair values, plus transaction cost, in the case of financial instrument not at fair value through profit or loss.

Subsequent measurement of any financial instrument will be made at its fair value or at amortized cost using the effective interest method based on the classification of such financial instrument.

The gains and losses will be recognized in profit or loss, or in other comprehensive income based on the classified of such financial instrument

The followings are the areas of main concern:

- Forward foreign exchange contracts
- Staff loans given at concessionary rates
- Borrowings at concessionary rates
- Trade receivables



Notes to the Financial Statements

For the year ended 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
1 REVENUE				
Shiprepairs	4,405,745	4,217,000	4,405,745	4,217,000
Ship Building	7,682,054	9,565,666	7,682,054	9,565,666
Heavy Engineering	446,852	509,949	107,569	273,850
Material Sales	275,795	215,591	-	-
Gross Revenue (Note 1.1 , 1.2)	12,810,446	14,508,206	12,195,368	14,056,516
Turnover Tax	(7,283)	(2,533)	-	-
	12,803,164	14,505,673	12,195,368	14,056,516
Less: Cost of Sales	(10,491,764)	(11,223,924)	(10,120,527)	(10,977,523)
Gross Profit / Operating Results (Note 1.3)	2,311,400	3,281,749	2,074,841	3,078,993
1.1 Project Types Segment Revenue (Business Segment)				
Shiprepair				
Tankers	744,835	1,303,076	744,835	1,303,076
General Cargo	259,713	384,625	259,713	384,625
Container Carriers	304,383	328,243	304,383	328,243
Passenger Vessels	375,434	356,083	375,434	356,083
Fishing Trawlers	57,321	-	57,321	-
Tugs	344,437	575,720	344,437	575,720
LPG Tankers	420,351	-	420,351	-
Dredgers	361,162	691,337	361,162	691,337
Navel Vessels	239,404	84,416	239,404	84,416
Cement Carriers	142,188	57,572	142,188	57,572
Offshore Support Vessels	599,548	63,281	599,548	63,281
Barge	150,289	25,191	150,289	25,191
Bulk Carriers	108,579	243,524	108,579	243,524
Research Vessel	196,900	-	196,900	-
Others	101,201	103,932	101,201	103,932
	4,405,745	4,217,000	4,405,745	4,217,000
New Construction				
Tugs	5,018,352	482,935	5,018,352	482,935
Passenger Vessels	255,700	1,692,293	255,700	1,692,293
Supply Vessels	2,408,002	7,390,438	2,408,002	7,390,438
	7,682,054	9,565,666	7,682,054	9,565,666
Heavy Engineering				
Infrastructure	107,569	40,959	107,569	40,959
Heavy Fabrication	16,964	-	-	-
Services	108,121	12,894	-	12,894
Power Generation	214,198	456,096	-	219,997
	446,852	509,949	107,569	273,850
Material Sales	275,795	215,591	-	-
	12,810,446	14,508,206	12,195,368	14,056,516



For the year ended 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
1.2 Geographical Segment Revenue				
India	4,309,717	8,188,638	4,309,717	8,188,638
Korea	71,512	204,579	71,512	204,579
Maldives	156,410	283,321	156,410	283,321
Bangladesh	18,107	-	18,107	-
Belgium	17,403	-	17,403	-
China	79,272	-	79,272	-
Dubai	29,331	-	29,331	-
Sri Lanka	1,346,692	1,080,532	731,613	636,988
Singapore	1,382,668	3,413,461	1,382,668	3,407,942
Japan	36,595	142,315	36,595	142,315
Germany	53,558	83,000	53,558	83,000
Greece	172,768	81,524	172,768	81,524
Hong Kong	144	4,711	144	4,711
USA	35,989	8,850	35,989	8,850
Thailand	51,998	-	51,998	-
Egypt	-	146,406	-	146,406
Netherlands	-	231,603	-	231,603
Samoa	5,018,352	482,935	5,018,352	482,935
Others	29,931	156,331	29,931	153,704
	12,810,446	14,508,206	12,195,368	14,056,516
1.3 Segmental Operating Results				
Shiprepairs	1,393,363	1,420,714	1,393,363	1,420,714
Ship Building	661,959	1,580,663	661,959	1,580,663
Heavy Engineering	225,688	248,767	19,519	77,616
Material Sales	30,390	31,605	-	-
	2,311,400	3,281,749	2,074,841	3,078,993
2 OTHER INCOME				
Exchange Gain / (Loss) (both realized and unrealized)	439,337	(57,270)	439,404	(57,270)
Disposal of Steel Scrap	159,254	125,941	159,254	125,941
Dividend Income	260	18	5,210	4,698
Profit on disposal of Property, Plant and Equipment	18,652	1,842	18,639	1,888
Management Fees	-	-	918	928
Lease Rental	-	-	1,224	1,237
Miscellaneous Income	14,404	12,893	12,451	12,426
	631,907	83,424	637,100	89,848



Notes to the Financial Statements Contd.

For the year ended 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
3 NET FINANCE INCOME /(EXPENSE)				
Interest Expense				
Interest on Term Loans	-	(1,517)	-	(1,517)
Interest on Finance Lease Obligations	(235)	(423)	-	-
Interest on Bank Overdrafts and Short Term Loans	(73,482)	(53,820)	(73,427)	(53,800)
	(73,717)	(55,760)	(73,427)	(55,317)
Interest Income				
Interest Income from Investments	219,334	205,657	209,977	195,660
Other Interest Income	33,941	33,782	33,479	33,781
	253,275	239,439	243,456	229,441
	179,558	183,679	170,029	174,124
4 PROFIT BEFORE TAX				
Is stated after charging all expenses including the following:				
Directors' Emoluments	19,214	16,104	18,949	15,960
Auditors Remuneration - On statutory audit	3,748	2,936	1,525	1,100
- For other services	234	70	80	70
Business Promotion Expenses	83,177	110,639	83,177	110,639
Depreciation on Property Plant & Equipment	292,132	263,024	286,816	255,003
Amortisation of Intangible Assets	4,164	3,947	4,164	3,947
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	79,655	146,220	79,433	149,740
- Obsolete and Slow Moving Stocks	(61,988)	1,549	(60,950)	(3,415)
Staff Related Cost				
- Salaries and Wages	2,689,437	2,767,238	2,643,832	2,716,912
- Defined Benefit Plan Cost - Gratuity	107,881	212,978	104,967	210,308
- Defined Contribution Plan Cost - EPF	121,424	106,698	118,142	104,491
- ETF	30,356	26,646	29,536	26,125
Donations	1,064	1,328	814	1,328
5 INCOME TAX EXPENSE				
On the Current years Profit (Note 5.4)	49,703	86,201	14,553	44,766
Under/ (over) Provision in previous year	19,944	(213,843)	19,849	(213,870)
Deferred Taxation (Note 5.6)	(47,873)	(28,588)	(49,363)	(24,131)
Income Tax Expenses / (Reversal)	21,774	(156,230)	(14,959)	(193,235)

5.1 Taxation on Profits

(i) Income Tax in Sri Lanka

Company

In accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to, Company is chargeable to tax at the rate of 28%. (2010 - 35%).(Further refer 5.3 for applicable tax exemptions and concessions).



Subsidiary

Dockyard General Engineering Services (Pvt) Ltd

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

Construction (As per section 46 of the above act)	12% (2010 - 15%)
Others	28% (2010 - 35%)

(ii) *Income Tax on Overseas Operations*

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

(iii) *Social responsibility Levy*

Social responsibility Levy has been withdrawn with effective from 1st April 2011 (2010 - 1.5%).

5.2 Economic Service Charge

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

5.3 Tax Exemptions and Concessions

As per the Section 13 (ddd) of the Inland Revenue Act No 10 of 2006 and amendments thereto 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% (2010 - 15%) as per the section 52 in conjunction with section 60 of the inland revenue Act No 10 of 2006.

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

	Group		Company	
For the year ended 31st December,	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)

5.4 Reconciliation between current tax expense and the accounting profit

Profit before tax	1,832,766	1,928,817	1,691,551	1,821,556
Inter Company Eliminations	4,950	2,367	-	-
	1,837,716	1,931,184	1,691,551	1,821,556
Disallowable Expenses for Taxation	391,918	589,341	382,556	569,458
Allowable Expenses for Taxation	(1,427,734)	(610,288)	(1,416,000)	(603,841)
Profit Exempt from Tax	(1,389,586)	(1,481,999)	(1,381,445)	(1,479,364)
Statutory Profit/(Loss) from Business	(587,686)	428,238	(723,338)	307,809
Statutory Profit/(Loss) from Colombo Dockyard PLC	(723,338)	307,809	(723,338)	307,809
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt)Ltd	128,393	116,492	-	-
Statutory Profit/(Loss) from Ceylon Shipping Agency (Pte) Ltd	7,258	3,937	-	-
Other sources of Income	79,963	69,317	79,963	69,317
Tax loss claimed during the year	(27,987)	(131,994)	(27,987)	(131,994)
Taxable Income	187,627	365,561	51,976	245,132
Tax at the Rate of 12% (2010 - 15%)	1,526	31,506	-	31,269
Tax at the Rate of 17% (2010 - 17%)	1,234	355	-	-



Notes to the Financial Statements Contd.

For the year ended 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
5.4 Reconciliation between current tax expense and the accounting profit Contd.				
Tax at the Rate of 28% (2010 - 35%)	46,943	53,072	14,553	12,836
Social Responsibility Levy (1.5% of Income Tax)	-	1,268	-	661
Provision for Taxation on Current Year Profit	49,703	86,201	14,553	44,766
5.5 Reconciliation of Tax Loss				
Tax Loss Brought Forward	192,440	324,434	192,440	324,434
Tax Loss for the year of assessment	723,338	-	723,338	-
Setoff against the current taxable income	(27,987)	(131,994)	(27,987)	(131,994)
Adjustment for the year of assessment 2010/11	8,141	-	8,141	-
Tax Loss Carried Forward	895,932	192,440	895,932	192,440

5.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates, the deferred tax asset is arrived at by applying the income tax rates of 28% and 12% applicable for the local income received in local currency and local income received in foreign currency respectively. The effective tax rate (Weighted Average) applicable is 9%. (2010-11%)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% to the timing differences of Dockyard General Engineering services (Pvt) Ltd as at 31st December 2011.

Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the timing differences of CSA as at 31st December 2011.

	Temporary difference (Rs.'000)	2011 Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	2010 Tax effect on temporary difference (Rs.'000)
Company				
Temporary Difference on Property Plant & Equipment	(189,177)	(4,811)	71,071	281
Temporary difference on Retirement Benefit Obligations	11,232	(16,430)	165,360	26,050
Temporary Difference on Voluntary Retirement Provision	(191,855)	(21,104)	8,145	1,104
Temporary Difference on Stock general Provision	(24,885)	(3,957)	25,795	(1,666)
Temporary Difference on Debtors general Provision	50,111	3,260	23,644	(1,638)
Temporary Difference on Warranty Provision	112,324	10,294	-	-
Temporary Difference on Tax Losses Carried Forward	895,932	82,111	-	-
	663,682	49,363	294,015	24,131
Group				
Temporary Difference on Property Plant & Equipment	(194,261)	(6,515)	65,875	2,100
Temporary difference on Retirement Benefit Obligations	13,875	(16,218)	157,818	28,690
Temporary Difference on Voluntary Retirement Provision	(191,855)	(21,104)	8,145	1,102
Temporary Difference on Stock general Provision	(24,885)	(3,957)	25,795	(1,666)
Temporary Difference on Debtors general Provision	50,111	3,260	23,644	(1,638)
Temporary Difference on Warranty Provision	112,324	10,294	-	-
Temporary Difference on Tax Losses Carried Forward	895,932	82,111	-	-
	661,241	47,873	281,277	28,588



6 EARNINGS PER SHARE / DIVIDEND PER SHARE

6.1 Earnings Per Share

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

	Group		Company	
	2011	2010	2011	2010
Amount used as the Numerator				
Profit for the period (Rs.'000)	1,810,992	2,085,047	1,706,510	2,014,791
Minority Interest (Rs.'000)	(6,988)	(4,303)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	1,804,004	2,080,744	1,706,510	2,014,791
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares ('000)	68,437	68,437	68,437	68,437
Earnings Per Share (Rs.)	26.36	30.40	24.94	29.44

6.2 Dividend Per Share

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

	Group		Company	
	2011	2010	2011	2010
Dividend Authorized (Rs.'000)	410,602	547,497	410,602	547,497
Number of Ordinary Shares ('000)	68,437	68,437	68,437	68,437
Dividend Per Share (Rs.)	6.00	8.00	6.00	8.00

In accordance with Sri Lanka Accounting Standards 12 (Revised) - "Events after the Balance Sheet Date", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2011.

7 FOREIGN CURRENCY TRANSLATIONS

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

	Average Rate		Closing Rate			
	2011 (Rs.)	2010 (Rs.)	2011 (Rs.)	2010 (Rs.)	2011 (Rs.)	2010 (Rs.)
			Buying	Selling	Buying	Selling
U. S. Dollar	110.60	113.54	113.00	114.80	110.60	112.40
Euro	154.98	150.69	145.19	149.64	146.01	150.52
Danish Kroners	19.85	20.27	19.45	20.24	19.52	20.33
Singapore Dollars	87.74	83.01	86.53	88.95	85.31	87.87
Japanese Yen	1.47	1.29	1.44	1.49	1.34	1.39



Notes to the Financial Statements Contd.

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Group

	FREEHOLD													Total
	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	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
COST														
Balance as at 1st January 2011	1,073,915	28,823	8,019	708,265	2,532,183	240,937	115,925	38,564	243,189	218,841	2,717	4,335	51,706	
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	56	-	-	-	-	
Additions during the year	3,627	-	5,113	9,422	402,300	38,610	9,195	2,853	21,213	33,157	3,777	-	283,670	
Disposals during the year	-	-	-	-	(205,298)	-	-	(182)	(2,810)	(12,893)	-	-	(221,184)	
Transfers during the year	-	-	-	-	(2,703)	-	-	-	-	(84)	-	-	(246,607)	
Balance as at 31st December 2011	1,077,542	28,823	13,132	717,687	2,726,482	279,547	125,120	41,235	261,648	239,021	6,494	4,335	88,769	
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	218,841	2,717	3,793	-	
Exchange Fluctuation Impact	-	-	-	-	-	-	-	-	48	-	-	-	-	
Charge for the year	21,523	-	787	27,690	165,995	13,736	11,419	1,918	15,341	33,157	189	542	-	
Disposals during the year	-	-	-	-	(80,466)	-	-	(122)	(2,808)	(12,893)	-	-	-	
Transfers during the year	-	-	-	-	(2,500)	-	-	-	-	(84)	-	-	-	
Balance as at 31st December 2011	493,424	-	2,753	342,857	1,478,802	170,200	95,085	32,557	202,137	239,021	2,906	4,335	-	
IMPAIRMENT														
Balance as at 1st January 2011	-	-	-	-	123,317	-	-	-	-	-	-	-	-	
Charge for the year	-	-	-	-	(123,317)	-	-	-	-	-	-	-	-	
Balance as at 31st December 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	
CARRYING AMOUNT														
As at 31st December 2011	584,118	28,823	10,379	374,830	1,247,680	109,347	30,035	8,678	59,511	-	3,588	-	88,768	
As at 31st December 2010	602,014	28,823	6,053	393,098	1,013,093	84,474	32,259	7,803	53,632	-	-	542	51,706	

8.2 The lands of the Group have been valued 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/223at Colombo Dockyard PLC, Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.

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

(b) Land depicted as allotment of land in Plan No. 552 dated 27th August 1960 at NuwaraEliya. 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)



8. PROPERTY, PLANT AND EQUIPMENT

8.3 Company

	FREEHOLD												Total
	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	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
COST													
Balance as at 1st January 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	88,768	5,520,017
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	-	2,817,657
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
IMPAIRMENT													
Balance as at 1st January 2011	-	-	-	-	123,317	-	-	-	-	-	-	-	123,317
Disposals for the year	-	-	-	-	(123,317)	-	-	-	-	-	-	-	(123,317)
Balance as at 31st December 2011	-	-	-	-	-	-	-	-	-	-	-	-	-
CARRYING AMOUNT													
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	88,768	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	2,251,543

8.4 Details of Securities

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



Notes to the Financial Statements Contd.

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

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
Freehold Drydocks	5,215	5,215	5,215	5,215
Freehold Buildings	97,347	76,392	79,192	76,392
Road Ways	147	147	147	147
Plant, Machinery and Equipment	914,156	1,059,561	912,215	1,059,561
Electrical Installation	123,528	112,498	123,528	112,498
Motor Vehicles	69,271	56,007	58,857	56,007
Inventory Items	27,537	26,700	27,537	26,700
Office Equipment, Furniture and Fittings	152,161	145,595	149,806	145,366
Loose Tools	239,021	208,577	223,135	203,853
Boats / Launches	2,717	2,717	2,717	2,717
	1,631,100	1,693,409	1,582,349	1,688,456

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)

9. INVESTMENT PROPERTY

Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	2,865	2,865
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Land depicted as Lot No.01 in Plan No.250 at Mahawatte, Colombo 14, which is leased to Dockyard General Engineering services (Pvt) Ltd, 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/-

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)

10. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	22,228	21,456	22,228	21,456
Additions during the year	1,331	772	1,331	772
Balance at the end of the year	23,559	22,228	23,559	22,228

Amortisation

Balance at the beginning of the year	16,220	12,273	16,220	12,273
Charge during the year	4,163	3,947	4,163	3,947
Balance at the end of the year	20,384	16,220	20,384	16,220
Carrying Amount	3,175	6,008	3,175	6,008



As at 31st December,	No of Shares	Percentage Holding	Company	
			2011 (Rs.'000)	2010 (Rs.'000)
11. INVESTMENTS IN SUBSIDIARIES				
Dockyard General Engineering Services (Pvt) Ltd - Incorporated in Sri Lanka	49,999	100%	500	500
Ceylon Shipping Agency (Pte) Ltd - Incorporated in Singapore	25,500	51%	357	357
			857	857

11.1 The Directors' 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.

	2011 (Rs.'000)	2010 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	258,736	169,000
Ceylon Shipping Agency (Pte) Ltd	37,764	31,300
	296,500	200,300

As at 31st December,	No. of Shares	Group		Company	
		2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
12. OTHER INVESTMENTS					
12.1 Investments in shares					
Sri Lanka Port Management and Consultancy Services Ltd	1,002	10	10	10	10
Associated Newspapers of Ceylon Ltd	10,000	100	100	100	100
		110	110	110	110
12.2 Investments in debentures					
Bank of Ceylon PLC - Debentures (Redeemable)		56,500	55,300	56,500	55,300
Investment in Government Bond		2,000	2,000	-	-
		58,500	57,300	56,500	55,300
		58,610	57,410	56,610	55,410

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



Notes to the Financial Statements Contd.

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
13. DEFERRED TAXATION				
Balance at the beginning of the year	73,168	44,580	68,711	44,580
Provision for /(Reversal) during the year	47,842	28,588	49,363	24,131
Balance at the end of the year	121,010	73,168	118,074	68,711
Temporary Difference on Property Plant & Equipment	(79,814)	(73,269)	(79,898)	(75,087)
Temporary difference on Retirement Benefit Obligations	91,079	107,296	88,227	104,657
Temporary Difference on Voluntary Retirement Provision	-	21,104	-	21,104
Temporary Difference on Stock general Provision	6,091	10,048	6,091	10,048
Temporary Difference on Debtors general Provision	11,249	7,989	11,249	7,989
Temporary Difference on Warranty Provision	10,294	-	10,294	-
Temporary Difference on Tax Losses Carried Forward	82,111	-	82,111	-
	121,010	73,168	118,074	68,711
14. INVENTORIES				
Raw Materials	707,492	747,278	671,344	716,510
Consumables	16,293	5,742	16,293	5,742
Goods in Transit	15,811	22,019	17,008	29,080
	739,596	775,039	704,645	751,332
Less: Provision for Inventories (Note:14.1)	(72,127)	(134,115)	(66,458)	(127,408)
	667,469	640,924	638,187	623,924
14.1 Movement in Provision for Inventories				
Balance at the beginning of the year	134,114	132,521	127,408	130,824
Provision/(Reversal) made during the year	(61,987)	1,594	(60,950)	(3,416)
Balance at the end of the year	72,127	134,115	66,458	127,408
15. TRADE AND OTHER RECEIVABLES				
Trade Receivables	3,675,274	1,327,967	3,610,401	1,288,788
Less: Provision for Bad and Doubtful Debts	(329,440)	(249,785)	(327,833)	(248,400)
	3,345,834	1,078,182	3,282,568	1,040,388
Accrued Revenue	386,190	1,573,206	297,733	1,534,769
Loans given to employees (Note:15.1)	417,752	392,656	412,871	386,994
VAT Recoverable	212,505	202,768	212,369	191,195
Deposits and Prepayments	2,372,458	1,910,376	2,367,135	1,908,074
Economic Service Charges	76,860	30,853	71,555	30,853
Other Receivables	179,195	130,993	134,935	114,936
	6,990,794	5,319,034	6,779,166	5,207,209



As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
15.1 Loans given to employees				
Balance at the beginning of the year	392,656	386,048	386,994	382,610
Loans Granted during the year	155,733	127,261	155,433	123,845
Loans Repaid during the year	(130,637)	(120,653)	(129,556)	(119,461)
Balance at the end of the year	417,752	392,656	412,871	386,994

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

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

As at 31st December,	Relationship	Group		Company	
		2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
16. AMOUNTS DUE FROM RELATED PARTIES					
Dockyard General Engineering Services (Private) Limited	Subsidiary	-	-	10,716	1,125
		-	-	10,716	1,125

17. CASH AND CASH EQUIVALENTS

17.1 Favourable Balances

Fixed Deposits	3,844,627	3,812,128	3,737,571	3,795,419
Repurchase Agreement	-	464,750	-	464,750
Call Deposits	366	1,041,848	366	1,041,848
Cash at Bank	245,065	239,666	147,600	54,935
Cash in Hand	7,640	6,517	6,640	6,015
	4,097,698	5,564,909	3,892,177	5,362,967

17.2 Unfavourable Balances

Bank Overdraft	(46,815)	(23,992)	(46,815)	(23,472)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	4,050,883	5,540,917	3,845,362	5,339,495



Notes to the Financial Statements Contd.

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
18. STATED CAPITAL				
Issued and Fully paid				
At the beginning of the year				
68,437,071 Ordinary Shares (2010-68,437,071)	684,370	684,370	684,370	684,370
At the end of the year				
68,437,071 Ordinary Shares (2010-68,437,071)	684,370	684,370	684,370	684,370
19. INTEREST BEARING BORROWINGS				
Payable after one year				
Long Term Loans (Note 19.1.3)	36,432	60,684	36,432	60,684
Finance Lease Obligations (Note 19.3)	-	636	-	-
	36,432	61,320	36,432	60,684
Payable within one year				
Long Term Loans (Note 19.1.3)	24,288	24,702	24,288	24,702
Short Term Loans (Note 19.2)	349,007	872,644	349,007	872,644
Finance Lease Obligations (Note 19.3)	636	1,219	-	-
	373,931	898,565	373,295	897,346
19.1 Long Term Loans				
19.1.1 Analysed by Lending Institution				
DANIDA Government Loan	60,720	85,386	60,720	85,386
	60,720	85,386	60,720	85,386
19.1.2 Analysed by Repayment Period				
Payable within one year	24,288	24,702	24,288	24,702
Payable between one and two years	36,432	60,684	36,432	60,684
	60,720	85,386	60,720	85,386
19.1.3 Movement in Interest Bearing Borrowings				
Balance at the beginning of the year	85,386	150,104	85,386	150,104
Effect of Exchange Fluctuations	(589)	(11,760)	(589)	(11,760)
	84,797	138,344	84,797	138,344
Loan Re-payments during the year	(24,077)	(52,958)	(24,077)	(52,958)
Balance at the end of the year	60,720	85,386	60,720	85,386
Payable within one year	(24,288)	(24,702)	(24,288)	(24,702)
Payable after one year	36,432	60,684	36,432	60,684



19.1.4 Details of Securities

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

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
19.2 Short Term Loans				
Balance at the beginning of the year	872,644	260,179	872,644	260,179
Loans obtained during the year	4,349,464	4,301,463	4,349,464	4,301,463
Loan Re-payments during the year	(4,941,163)	(3,677,947)	(4,941,163)	(3,677,947)
Effect of Exchange Rate Fluctuations	68,062	(11,051)	68,062	(11,051)
Balance at the end of the year	349,007	872,644	349,007	872,644

19.3 Finance Lease Obligations

Balance at the beginning of the year	2,125	3,355	-	-
Less: Payments made during the year	(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	-	-

20. DEFERRED TAX LIABILITY

Balance at the beginning of the year	44	41	-	-
Provision/(Reversal) during the year	(32)	-	-	-
Effect of Exchange Fluctuation	-	3	-	-
Balance at the end of the year	12	44	-	-

Deferred Tax provision as at the year end is made up as follows.

Temporary Difference on Property Plant & Equipment	12	44	-	-
	12	44	-	-



Notes to the Financial Statements Contd.

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
21. EMPLOYEE BENEFIT				
Balance at the beginning of the year	958,974	791,360	951,433	786,072
Provision made during the year	107,881	212,978	104,967	210,308
Payments made during the year	(94,004)	(45,364)	(93,736)	(44,947)
Balance at the end of the year	972,851	958,974	962,664	951,433

Colombo Dockyard PLC

The actuarial valuations have been carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2011 amounts to Rs. 962.66 Mn used the following key assumptions.

	2011	2010
Rate of Interest	9.5%	9.5%
Rate of Salary Increment	12%	10%
Rate of COLA Increment	8%	8%
Staff Turnover Factor	1%	1%
Retiring Age (Years)	55	55

Dockyard General Engineering Services (Pvt) Ltd

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

	2011	2010
Rate of Interest	9.50%	11%
Rate of Salary Increment	16%	16%
Staff Turnover Factor	1%	1%
Retiring Age (Years)	55	55

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
21.1 The amount recognised in the Balance Sheet are as follows:				
Present value of unfunded obligations	888,204	778,003	878,017	770,462
Present value of funded obligations	-	-	-	-
Total present value of obligations	888,204	778,003	878,017	770,462
Fair value of plan assets	-	-	-	-
Present value of net obligations	888,204	778,003	878,017	770,462
Unrecognised net actuarial gains/ (losses)	84,647	180,971	84,647	180,971
Recognised liability for defined benefit obligations	972,851	958,974	962,664	951,433



As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
21.2 Movement in the present value of defined benefit obligations				
Liability for defined benefit obligations at 1st January	958,974	791,360	951,433	786,072
Actuarial (gains)/ losses	(10,902)	14,388	(11,544)	14,388
Benefit paid by the plan	(94,004)	(45,364)	(93,736)	(44,947)
Current service costs	43,899	75,193	42,287	72,523
Interest Cost	74,884	123,397	74,224	123,397
Liability for defined benefit obligations at 31st December	972,851	958,974	962,664	951,433

21.3 Expense recognised in Profit or Loss

Current service costs	43,899	75,192	42,287	72,523
Interest on obligation	74,884	123,397	74,224	123,397
Actuarial Loss/(Gain) recognized during the year	(10,902)	14,388	(11,544)	14,388
	107,881	212,978	104,967	210,308

22. TRADE AND OTHER PAYABLES

Trade Payables	382,402	775,455	260,493	618,012
Subcontract Payables	1,390,379	1,102,349	1,379,011	1,102,349
Progress Bills	1,642,048	1,802,270	1,642,048	1,802,270
Provision for Warranty Claims (Note 22.1)	112,324	196,820	112,324	196,820
Accrued Expenses and Other Provisions	393,582	605,919	359,127	567,679
Other Payables	152,877	370,411	115,757	346,778
VAT Payable	539	6,048	539	5,999
	4,074,151	4,859,272	3,869,299	4,639,907

22.1 Provision for Warranty Claims

Balance at the beginning of the year	196,820	198,490	196,820	198,490
Provision made during the year	97,754	194,379	97,754	194,379
Claims/ Reversal made during the year	(182,250)	(196,049)	(182,250)	(196,049)
Balance at the end of the year	112,324	196,820	112,324	196,820

Relationship

23. AMOUNTS DUE TO RELATED PARTIES

Ceylon Shipping Agency (Pte) Ltd	Subsidiary	-	-	49,116	90,488
		-	-	49,116	90,488



Notes to the Financial Statements Contd.

As at 31st December,	Group		Company	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
24. INCOME TAX PAYABLE/ (REFUND)				
Balance at the beginning of the year	(9,916)	319,338	(42,948)	304,682
Provision for Income Tax on current year's profits	49,703	86,229	14,553	44,766
Under/(Over) provision of Income Tax in respect of prior year	19,944	(213,870)	19,849	(213,870)
Tax paid during the year - Income Tax	(44,264)	(91,570)	-	(71,620)
- Value Added Tax	-	(94,660)	-	(94,660)
- Withholding Tax	(652)	(2,965)	7	(2,332)
- Dividend Tax	25,165	-	25,165	-
- Economic Service Charge	26,727	(12,418)	29,549	(9,914)
Balance at the end of the year	66,707	(9,916)	46,175	(42,948)

25. DIVIDENDS PAYABLE

Balance at the beginning of the year	14,912	13,037	14,912	13,037
Dividends declared during the year	547,497	547,497	547,497	547,497
Payments during the year	(545,652)	(545,622)	(545,652)	(545,622)
Balance at the end of the year	16,757	14,912	16,757	14,912

26. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 2,874,519,905/- (31-12-10 - Rs. 2,970,272,000/-) as at the Balance Sheet date.

Bank	Letter of Credit (Rs.'000)	Performance & Bid Bonds (Rs.'000)	Advance and Retention Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	384,908	1,408,892	-	1,793,800
Commercial Bank of Ceylon PLC	647,906	-	1,319,951	1,967,857
National Development Bank PLC	-	7,900	-	7,900
Hatton National Bank PLC	-	137,777	-	137,777
	1,032,814	1,554,569	1,319,951	3,907,334

- (b) Colombo Dockyard PLC has issued Corporate Guarantees as follows amounting to Rs. 2,675,280,000 /-as at the Balance Sheet date.

Name of the Company	Relationship	Performance (Rs.'000)	Miscellaneous (Rs.'000)	Total (Rs.'000)
Dockyard General Engineering Services (Private) Limited	Subsidiary	-	250,000	250,000
True Champion Pte Ltd	Customer	606,320	-	606,320
Abundant Assets Pte Ltd	Customer	606,320	-	606,320
High Fortune Pte Ltd	Customer	606,320	-	606,320
Blue Castle Pte Ltd	Customer	606,320	-	606,320
		2,425,280	250,000	2,675,280



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

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

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

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

The Supreme Court appeal bearing No. SC CHC 05/2008 has now been listed for hearing on 10th July 2012.

- (ii) Labour Tribunals inquiries against the Company.

One Labour Tribunal application is before the Labour Tribunal, bearing Case No. LT2A/3360/2009.

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

- (iv) High Court appeals filled against the LT orders: HCALT 35/2010, HCALT 37/2010, HCALT 40/2010, HCALT 29/2011, HCALT 101/2011.

- (d) The Company has entered into the forward contracts with Banks to purchase and sell currencies and the summary of the pending contracts are as follows:

(Rs.'000)

Sales Contracts

USD	35,525,000	4,144,794
		4,144,794

Purchase Contracts

Euro	11,500,000	1,745,157
Yen	20,000,000	28,740
Danish Kroner	5,020,840	96,575
Singapore Dollars	2,287,172	203,589
		2,074,061

27. CAPITAL COMMITMENTS

The contracted capital expenditure (For the acquisition of Plant and Machinery) approved by the board, amounts to Rs. 743 Mn as at the Balance Sheet Date.



Notes to the Financial Statements Contd.

28.

The Company has a related party relationship with its related Group Companies. The following transactions were carried out with related parties during the year ended 31st December 2011.

(a) TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Particulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering Services (Pvt) Ltd	Mangala P.B. Yapa A. Nakauchi Y. Kijima	Subsidiary	Purchase of Material	1,470
			Management Services	918
			Lease Rental Received	1,224
			Subcontractor Services	68,982
			Heavy Engineering	127,606
			Dividend Received	4,950
			Bond Handling	5,641
Ceylon Shipping Agency (Pvt) Ltd	A. Nakauchi Mangala P.B. Yapa Sarath De Costa	Subsidiary	Purchase of Material	763,639
			Services	2,458
Onomichi Dockyard Company Ltd	T. Nakabe	Parent	Technical services	66,845

This note should be read in conjunction with Note No. 04, 11, 16, 23 and 28(b) to these Financial Statements.

(b) TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

According to Sri Lanka Accounting Standard 30 (Revised 2005) 'Related Party Disclosures', Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors), chief executive officer and the General managers of the Company who are in the very next level to the Board of Directors have been classified as key Management Personnel of the Company/ Group.

(i) Loans to the Directors

No loans have been granted to the Directors of the Company

(ii) Compensation paid to Key Management Personnel

	2011 Rs.'000	2010 Rs.'000
Short Term Employment Benefit	62,392	61,894
Long Term Employee Benefit	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 28 (b) to these Financial Statements.



29. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

29.1 The Directors have authorized the payment of Rs. 6.00 per share as first and final dividend for the year ended 31st December 2011 (Rs.8.00 -2010)

In accordance with Sri Lanka Accounting Standards 12 (Revised) - "Events after the Balance Sheet Date", this proposed final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st December 2011.

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

29.2 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).

30. COMPARATIVE INFORMATION

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

	Reclassified Rs.'000	As per Audited Accounts Rs.'000	Change Rs.'000
Trade Receivable	1,288,788	2,823,557	(1,534,769)
Accrued Revenue	1,534,769	-	1,534,769



Ten Years Financial Highlights (Company)

For the year ended 31st December	2011 Rs. Mn	2010 Rs. Mn	2009 Rs. Mn	2008 Rs. Mn	2007 Rs. Mn	2006 Rs. Mn	2005 Rs. Mn	2004 Rs. Mn	2003 Rs. Mn	2002 Rs. Mn
Income Statement										
Revenue	12,195	14,057	13,160	10,929	8,621	7,333	5,916	4,749	2,683	4,533
Cost of Production	(10,120)	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)	(4,075)	(2,129)	(3,735)
Gross Profit	2,075	3,079	3,362	2,501	2,125	1,502	666	674	554	798
Other (Expenses)/Income	(751)	(1,579)	(1,349)	(1,110)	(1,029)	(832)	(669)	(548)	(556)	(511)
Profit before Other Income	1,324	1,500	2,013	1,391	1,096	670	(3)	126	(2)	287
Other Operating Income	198	147	128	123	195	209	91	71	44	54
Profit from Operation	1,522	1,647	2,141	1,514	1,291	879	88	197	42	341
Net Interest (Expenses)/Income	170	174	183	161	(5)	(57)	(52)	(8)	(24)	(62)
Profit before Tax	1,692	1,821	2,324	1,675	1,286	822	36	189	18	279
Taxation (Expenses)/Reversal	15	193	(199)	(252)	(203)	(215)	21	(4)	37	(45)
Net Profit for the Year	1,707	2,014	2,125	1,423	1,083	607	57	185	55	234
Retained Profit b/f	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122	888
Profit available for Appropriation	8,537	7,377	5,842	3,945	2,718	1,716	1,233	1,269	1,177	1,122
Issue of Bonus Shares	-	-	-	(32)	-	(31)	-	-	-	-
Final Dividends	(547)	(547)	(479)	(196)	(196)	(50)	(124)	(93)	(93)	-
	7,990	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122
As at 31st December										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Balance Sheet										
ASSETS										
Property Plant & Equipment	2,517	2,254	2,051	2,146	1,826	1,607	1,363	1,109	1,158	1,229
Investments & Taxes	178	131	112	77	1	1	1	1	1	1
	2,695	2,385	2,163	2,223	1,827	1,608	1,364	1,110	1,159	1,230
Current Assets										
Inventories	638	624	754	937	887	486	546	285	324	318
Trade & Other Receivables	6,790	5,251	6,893	5,642	7,175	2,007	1,791	1,549	1,110	2,762
Cash & Short -term funds	3,951	5,933	3,880	3,606	1,683	1,740	1,678	1,395	550	469
	11,379	11,808	11,527	10,185	9,745	4,233	4,015	3,229	1,984	3,549
TOTAL ASSETS	14,074	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779
EQUITY & LIABILITIES										
Stated Capital	684	684	684	684	652	652	621	621	621	621
Revenue Reserves	7,990	6,830	5,363	3,717	2,522	1,635	1,109	1,176	1,084	1,122
Share Holders Fund (Net Worth)	8,674	7,514	6,047	4,401	3,174	2,287	1,730	1,797	1,705	1,743
Non-Current Liabilities										
Interest bearing Borrowings	36	61	94	148	227	253	286	217	209	209
Deferred Taxation	-	-	-	-	62	103	119	155	203	-
Retirement benefit Obligation	963	951	786	689	468	393	334	279	220	185
	999	1,012	880	837	757	749	739	651	632	394
Current Liabilities										
Trade & Other Payables	3,918	4,730	6,048	5,435	5,341	1,147	981	734	453	641
Interest bearing Borrowings	373	897	315	1,246	1,676	1,102	1,472	500	179	1,227
Income Tax Payable	46	-	305	329	319	193	4	(2)	(48)	177
Dividends Payable	17	15	13	7	6	5	4	3	3	3
Bank Overdraft	47	25	82	153	299	358	449	656	219	594
	4,401	5,667	6,763	7,170	7,641	2,805	2,910	1,891	806	2,642
	14,074	14,193	13,690	12,408	11,572	5,841	5,379	4,339	3,143	4,779
Key Indicators										
Earnings per Share (basic) Rs.	24.96	29.44	31.05	20.80	16.60	9.31	0.94	2.98	0.86	3.77
Net Assets per Share (Rs.)	126.76	109.81	88.37	64.31	48.69	35.10	27.87	28.97	27.45	28.07
Market Price per Shares (Rs.)	238.80	275.00	244.75	50.00	53.00	36.00	22.25	22.50	21.00	30.50
Return on Capital Employed (%)	17.5%	21.7%	35.0%	33.3	37.9	34.6	4.4	9.8	2.2	17.4
Dividend Authorised per Share (Rs.)	6.00	8.00	8.00	7.00	3.00	3.00	0.80	1.50	1.50	1.50
Current Ratio (Times)	2.59	2.08	1.70	1.43	1.28	1.51	1.38	1.31	2.46	1.35
Interest Cover (Times)	20.72	29.8	31.2	21.66	10.65	8.34	1.06	6.37	1.03	3.94

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting of Colombo Dockyard PLC (PQ 50) will be held at the Grand Ballroom, Galadari Hotel, No.64, Lotus Road, Colombo 1, Sri Lanka at 10.00 a.m. on the 28th day of March 2012 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 2011 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath as a Director in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. H A R K Wickramathilake as a Director in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG Ford Rhodes Thornton & Co., the retiring Auditors and authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year 2012 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 2012
Colombo, Sri Lanka

Notes

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

Please bring your National Identity Card when attending the meeting.



Form of Proxy

COLOMBO DOCKYARD PLC
(Company Registration No. PQ 50)
P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

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

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 him)
P. Kudabalage	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Twenty Ninth Annual General Meeting of the Company to be held on 28th March 2012 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 Twelve.

.....
Signature

Notes: * 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. :

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*

Company Secretary

Mrs. Manori P. Mallikarachchi
Graving Docks, Port of Colombo, Colombo 15, Sri Lanka

Group General Management

Mangala P. B. Yapa - *Managing Director/CEO*
D.V. Abeysinghe - *General Manager*
(Projects & Engineering)
R. Wijegunawardana - *General Manager (Finance)*
/Acting GM (Logistic)
N.M.K.B. Nayakarathna - *General Manager (Commercial)*
Shantha Perera - *General Manager (Production)*
Mangala De Silva - *General Manager*
(Human Recourse Development
& Administration)
T.G. Weerasinghe - *General Manager (DGES)*

Auditors

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha, Colombo 3,
Sri Lanka.

Accounting Year End

31st December

Registrars

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

Subsidiary Companies

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

Ceylon Shipping Agency (Pte) Ltd

No. 35, Selegie Road # 09-16, Parklane Shopping Mall
Singapore - 188307.

Bankers

Bank of Ceylon

04, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka.

People's Bank

75, Sir Chithampalam A Gardiner Mawatha, Colombo 2,
Sri Lanka.

Commercial Bank of Ceylon PLC

Commercial House, 21, Bristol Street, Colombo 1, Sri Lanka.

State Bank of India

No. 16 Sir Baron Jayathilake Mawatha
P O Box 93, Colombo 1.

Sampath Bank PLC

No. 110, Sir James Pieris Mawatha, Colombo 2

National Development Bank PLC

103 A, Dharmapala Mawatah, Colombo 7.

The Hongkong & Shanghai Banking Corporation Limited

24, Sir Baron Jayathilake Mawatha, Colombo 1, Sri Lanka.

Hatton National Bank PLC

Level 17 - HNB Towers,
479, T. B. Jayah Mawatha, Colombo 10, Sri Lanka.

Contact Details

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

Tele : 94 112429000
Fax : 94 11 2446441, 94 11 2471335
Email : coldock@cdl.lk
Internet : www.cdl.lk



Colombo Dockyard PLC

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

