

Vision

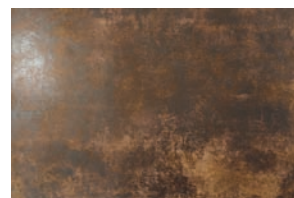
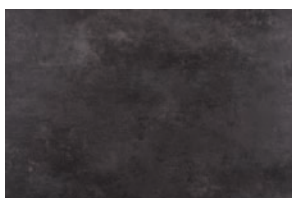
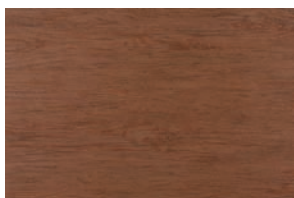
To continue to be the leader in the surfacing industry locally and to enter and impact the global market.

Mission

To offer state of the art surfacing solutions to both the home and commercial builders with products and services that transcend the highest quality, ensuring customer satisfaction by matching all expectations, growing the market by way of product innovation, thereby enhancing shareholder wealth, developing our human resources to excelling latitudes such that Royal Ceramics exudes a stance of excellence.



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Financial Highlights

For the year ended 31 March

	2008 Rs. '000	2007 Rs. '000	Change %
Turnover - Gross	3,971,252	2,957,038	34%
- Net	3,474,819	2,594,180	34%
Profit before Taxation	643,396	383,495	68%
Profit after Tax	610,786	329,032	86%
Gross dividend	55,395	110,789	-50%
Interest Cover (No of times)	2.84	2.99	-5%
Dividend Cover (No. of times)	11.03	2.97	271%
ROCE	23%	21%	14%

As at 31st March

Shareholders funds	2,653,410	1,634,108	62%
Total Assets	5,679,455	3,866,262	47%
Group employment (No. of people)	1,178	1,095	8%
Current ratio (Current Assets : Current Liabilities)	1.30:1	1.55:1	

Per share

Earnings (Rs.)	11.03	5.94	86%
Dividend (Rs.)	1.00	2.00	-50%
Net Assets (Rs.)	29.50	25.56	15%
Market Value (Rs.)	42.50	35.00	21%
Net Cash flow from Operations (Rs.)	10.98	3.30	233%

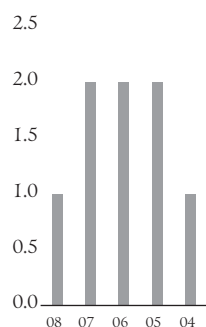
Net sales Rs. 3,475 Mn. (2007 - Rs. 2,594 Mn.)

Net profit for the year Rs. 611 Mn. (2007 - Rs. 329 Mn.)

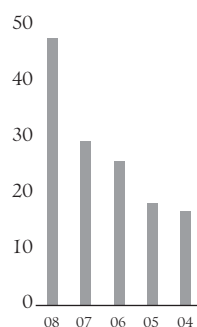
Earnings per share Rs. 11.03 (2007 - Rs. 5.94)

Dividend per share Rs. 1.00 (2007 - Rs. 2.00)

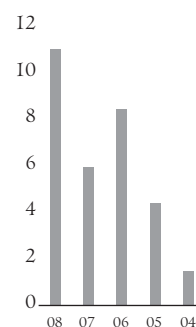
Dividend Per Share (Rs.)



Net Assets Per Share (Rs.)



Earnings Per Share (Rs.)



Chairman's Statement

I'm indeed pleased to be the bearer of very good tidings with your company having posted the best results on record since inception. Within this annual report and statement of account for 2007/8, which I proudly present to you, you will find that Rocell's performance over the year, despite a very challenging macro economic environment has been extremely commendable.

Our road to progress has been etched in stone now. Our plans and strategic initiatives have borne fruit as can be seen in both profitability and turnover increasing by 85% and 34% respectively. Our expansion plans in terms of capacity, penetration and accessibility has seen both the brand and product continuing its upward trend and augmenting a strong presence in the market.

The group recorded a profit after tax of 610.8 million for the year under review, a notable increase over last year's 329 million. Profit before tax from operation too kept a similar trend recording an increase of 260 million compared to last year's 8 million. Groups Net assets per share improved from Rs 29.49 to Rs 47.9 per share which improved the strength of the share.

As mentioned earlier, given that this is our best year on record, our return on investment to shareholders will also naturally be a positive reflection of that growth performance. Earning per share improved 85% from Rs. 5.94 to Rs. 11.03 this year. Due to the strategic investments specially in Rocell Bathware Limited, the company was not in a position to declare any dividend for this year but this resulted in company's net assets per share to be improved and share price to rise by 20% which increased the shareholder wealth.

Our brand and image development has now reached the second phase of accessibility and penetration. As a brand, Rocell has etched its brand promise and values among our customers and we are now in the process of taking that to the next realm, expanding our presence around the country. Strengthening our sales network is on a two pronged strategy. While increasing the number of Rocell showrooms in strategic urban localities, we have augmented our sales network by infusing the strengths of a strong dealer network as well. The 37 Rocell showrooms will see 15 more added to the network during the coming year, while we already have a further presence of 100 dealers country wide.

To meet the increasing demand we anticipate in the next five to ten years at least, our plant expansion plans now encompass a completely new porcelain tile facility at our newly acquired location in Kiriwaththuduwa. Construction is due to begin anytime now, while equipment and machinery sourcing is already in its preliminary stages. We hope to begin fully fledged production next year at a capacity of 10,000 square meters daily.

We also notched yet another achievement in completing our much awaited bathware production facility and have begun test production of products. Mid 2008 will see the production of the very first Rocell Bathware range which is also a record as it is the first time that a Sri Lankan company has ventured into manufacturing bathware successfully.

It has indeed been an year of great achievement and one that we hope to better in the years to come. Your company has proven beyond doubt that it has the mettle and the prowess to transform challenges into opportunities with astute pragmatic thinking and planning.

My deputy chairman has been a source of immense strength and has been a significant influence on the growth we experienced this year. I take this opportunity to thank him, and my colleagues on the Board, for their unstinted support and input.

My appreciation to the Managing Director and his very supportive management team for their commitment to ensuring that Rocell continues as a leader not only within the industry but also among the country's leading corporates. I take this opportunity to laud our Director Marketing and Business Development, and each member of our Sales team for their single minded ambition to perform better each day, which enabled us to achieve what we did this year. Our customers have been the strong backbone upon which we have set our vision and I am indebted to them for the trust and their loyalty. I thank our valued suppliers for the excellent reciprocal partnerships they have built with us. Finally, a special thanks to you our shareholders, for the continued confidence you placed in us. Your trust will only drive us to greater strengths in the coming years.



A M Weerasinghe
Chairman

22nd May 2008



Managing Director's Review of Operations for the Year



Creating opportunities, gaining achievements

Our greatest achievement this year could be considered the completion of the bathware production facility, which is now at test production stage. We anticipate being able to fully commission Rocell Bathware by mid 2008 and enter the market with complete bathware solutions. As mentioned last year, our introduction of Rocell by Guglielmi, a signature range of bathware accessories and fittings aimed at niche markets has shown great promise and will certainly add a complimenting touch to our bathware solutions concept. Rocell Bathware will notch yet another first as being the only Sri Lankan company to venture into the challenging field of bathware manufacture here in Sri Lanka.

Overcoming challenges

While we continue to enjoy the taxation benefits granted to Rocell under our BOI agreement, one of the biggest problems we continue to face is the availability of quality

Royal Ceramics Lanka PLC posted the best results in its history this year, notching the highest ever turnover and profitability. It has certainly been a good year in which we now see the fruition of our strategic initiatives buoying our bottom and top line growth. Our expansion and development initiatives over the last few years which were resultant of in depth analyses of the marketplace, trends and customer aspirations gave us the impetus to plan well ahead and ensure the continuity of our dominance as market leader in the industry.

Our strong financial performance has been given immense fillip from the Chairman and Board of Directors whose astute vision for the company helped in guiding the senior management towards reaching our growth forecasts.

Profit before tax this year stands at Rs 643.4 million, an increase of 68% compared to last year's Rs 383.5 Million. Profit after tax is notched at Rs 610.8 million a growth of 85% over last year's Rs 329 million. These results are even more significant to this year's notable performance as the macro environment in general showcased a downturn where inflation, interest rates and a crunch in disposal income saw spending power reduced to some extent. However, gross sales this year continued its upward trend and are displayed at Rs 3.97 billion while net sales of Rs 3.47 billion saw an increase of 34% over the previous financial year.

raw materials, ball clay to be exact, a challenge we anticipate will continue at least for the next few years, as we do have to contend with various state restrictions which heralds a scarcity of ball clay tending to push prices upwards.

Spiralling energy costs too have been eroding our cost management strategies with about 40% of manufacturing costs being expended on energy. Being an energy intensive industry, this naturally is a primary cost component and needs to be managed efficiently and effectively in order for us to ensure that our costs are kept at manageable levels.



Rocell Bathware Factory complex

Managing Director's Review of Operations for the Year

Sales network continues expansion

We continued to augment our two pronged sales penetration using our dealer network and our own showrooms. We were totally dependent on our own showrooms earlier but have strategically embarked on a cohesive dealer network expansion plan that gives our products more penetration and accessibility.

Currently, our network comprises 37 dedicated Rocell showrooms with five under construction and ten more being planned within the year. This is complimented with the inclusion of 100 dealers located strategically islandwide.



Latest addition to the showroom network at Athurugiriya

One of the most astute decisions we made over the last few years was seeing the massive potential in the local market and the fact that we can sustain a burgeoning customer preference and industry given the higher margins and profitability. While we continue to service a niche portfolio of export customers, who have built a relationship with us since inception, our concentration now is primarily on growing the domestic market which we feel has ample potential.

The export portfolio currently contributes approximately 5% of the total turnover to top line growth in the markets of India, Australia and the Maldives. We have found it quite a challenge to compete with the bigger giants of China, India, Indonesia, Thailand and Malaysia in the export markets, where their sheer scales of production and hence cost effectiveness gives them a definite advantage over smaller manufacturers like Sri Lanka.

Results of the Horana factory expansion.

As explained last year, the completion of the first phase of the horana expansion programme in mid 2006, company bore fruit completely only this financial year.



Horana Factory Complex

Being prudent about expansion

As was detailed in last year's review, being eager to pursue further opportunities to grow our product portfolio and market share, we carried out a feasibility study for the inclusion of another production line at our plant in Eheliyagoda. The feasibility study however did not showcase this plan in a positive light as the viability of such an addition remained in question, with no tax benefits and prohibitive costs of production due to the disadvantages of the plant and machinery being considerably old and other resources inherited with the plant now being less productive.

Our newer plan therefore hedges on the commissioning of a brand new facility for which the groundwork has already been finalised. We have already acquired 33 acres of land in Kiriwaththuduwa, owned by our newly formed BOI approved subsidiary Rocell Ceramics Limited and hope to begin construction of the plant this year. The facility plans to concentrate on the production of porcelain tiles with a production capacity of 10,000 square meters a day.

Installing state of the art machinery too would require considerable background and research. Our engineering and technical experts joined the senior management in visiting the industry hubs of Spain, Italy and Indonesia to study the necessary inputs required for this modern facility. Machinery and equipment investment too will be finalised this year.

Product development and marketing

We continue to add to our extensive product portfolio, permeating international trends for the discerning Sri Lankan customer. Given that the quality of our product remains far superior to the competitive imported tiles in our local market, we do acknowledge that our customers emphasis lies more on quality rather than price. Continuous R&D ensures that our designs and quality levels are

Managing Director's Review of Operations for the Year

constantly improving, where we have set benchmarks for others to follow. We introduce a minimum of three to four new designs into our extensive product range every few months, which essentially reinvents our design range giving customers more choice.

Given the customer feedback we have received, undoubtedly we have made tiles a fashion statement, which has enhanced the perception of the entire industry.

We also plan on launching our new marketing campaign with the introduction of Rocell Bathware.

Nurturing our most valuable asset

The success we have seen continually year on year rests squarely on the shoulders of our dynamic and committed team who have always been at the helm of articulating and executing the pragmatic decisions made by the Board and senior management. With the two unions, both of which have seen the signing of collective agreements, readily buying into our vision, one of our most significant advantages is that our remuneration continues to be above industry norms and we have not seen any industrial disputes over a considerable length of time.

Training and development remains a fundamental component in retaining and rewarding our team with specialist areas also being given the opportunity of overseas training.

We will increase our numbers by about 300 comprising both executives and workers, when our Kiriwaththuduwa facility comes into operation, bringing our total employee portfolio to 1,500.

We have also exposed some members of our team to knowledge gaining experiences abroad, as we participate extensively in trade fairs and exhibitions held in the industry hubs around the world. Last year, supervisors and two factory floor workers from each factory joined a team of executives on a tour of Chinese factories, a practice we hope to emulate this year with visits planned to Italy and other hubs in Europe.

Our sustainable initiatives are currently concentrated on our employees as they remain a primary facet in our operations. However, we do interact with the community, albeit on an ad hoc basis, assisting them with funds for community development initiatives. One of our prime concerns remains the environment and now that we have our HR facet on a firm foundation, we will begin concentrating on some sustainable environmental initiatives to bolster our CSR endeavours.

The future in perspective

With our development plans now well underway and our market leadership position continuing to be augmented, we foresee a bright year ahead for the company. The two challenges we foresee are the rising costs in energy and the deficiency of raw material, both of which are going to be considerable challenges for us to overcome if we are looking at keeping our margins at its current levels.

I wish to sincerely thank my chairman, the Board of Directors, management and the team for ensuring that Rocell continues to forge ahead in not only creating but also in developing, sustaining and leading the industry with pragmatic vision.



Nimal Perera
Managing Director

22nd May 2008

Board of Directors



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1. A M Weerasinghe - *Chairman*

Founder of Royal Ceramics Lanka PLC. in 1990. A Gem Merchant by profession. Has been in the business field for more than 25 years. Involved in Gem Industry, Real Estate, Construction Industry and Transportation Field and Landed Proprietor. Chairman of Weerasinghe Gems Lanka (Pvt) Ltd. Director of LB Finance PLC and Vallibel Electric (Pvt) Ltd

2. K D D Perera - *Deputy Chairman*

Mr. Dhammika Perera is the Chairman/Director-General of the Board of Investment of Sri Lanka (BOI). He is a member of the Board of Directors of Strategic Enterprises Management Agency (SEMA) and the Sri Lanka Export Development Board (EDB) as well. Mr. Perera is a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Shipping, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is the Chairman of Vallibel Holdings (Pvt) Ltd through which Mr. Perera has invested in various quoted and unquoted public companies in the above sectors. He is also the Chairman of several other companies including The Fortress Resorts PLC, Vallibel Power Erathna PLC, Didul (Pvt) Ltd, Vallibel Finance Ltd & Vallibel Electric (Pvt) Ltd. He is the Deputy Chairman of LB Finance PLC, Connaissance Holdings PLC and Director of Sampath Bank PLC & Hotel Reefcomber PLC. He was appointed to the Board of Asian Alliance Insurance PLC with effect from September 2007 and Lanka Ceramic PLC with effect from April 2008.

3. W. D. N. H. Perera - *Managing Director*

Deputy Chairman of Pan Asia Banking Corporation PLC, Managing Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Group Finance Director of Connaissance Holdings PLC and Hotel Reefcomber PLC. He also serves as a director to LB Finance PLC, Vallibel Power Erathna PLC, Asian Alliance Insurance PLC and Vallibel Finance Ltd. Also he is an Alternate Director of Lanka Ceramics PLC. He counts over 25 years of experience in the fields of Finance, Capital Market operations, Manufacturing, Marketing and Management services. He is a member of the Sri Lanka Institute of Marketing.

4. T G Thoradeniya - *Director Marketing & Business Development*

A marketer by profession, Tharana Thoradeniya was in the pioneering batch of Sri Lankans to be awarded the title of Chartered Marketer. He counts over 15 years of industry experience with a unique working background in Marketing, Technology Management & Telecommunications. He is Director-Marketing & Business Development of Royal Ceramics Lanka PLC, CEO of Rocell Bathware Limited and a Consultant to the Vallibel Group of Companies.

5. F P de Alwis

The Founder Chairman of the Company, first served in the Public Service of Sri Lanka for 25 years. Thereafter he joined the Private Sector in which he served for 28 years. He has extensive experience in this sector having served as the Managing Director and for a short time as Chairman of Lankem Ceylon PLC, Chairman of Ceylon Ceramics Corporation, Chairman of Lanka Wall Tiles PLC,

Board of Directors



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Founder Chairman of Lanka Tiles PLC, Chairman of Ceylon Cement Corporation, Director of the Shell Company of Sri Lanka Ltd. and Representative in Sri Lanka and Maldives of Shell International Petroleum Co. U.K. for 15 years. Although he has retired as Chairman of Royal Ceramics Lanka PLC, he continues to be a Director and serves as a Director/Consultant of some of the Companies in the Delmege Group.

6. B M Amarasekera

Attorney-at-Law by profession and counts over 50 years in the practice of law. Joined the law firm of Julius & Creasy in 1952 and retired as Precedent Partner of the firm in 1999. As a Member of the Bar Council, served as Chairman of the Law and Finance Committee and several other Committees of the Council. Also served on the Council of the University of Sri Jayewardenepura and as a Member of the Council on several Selection Boards and functioned as Chairman of the Disciplinary Committee of the University. Mr. Amarasekera serves on many Directorates of public listed and unlisted companies and several private companies, including Royal Ceramics Lanka PLC, which has a substantial stake in L B Finance PLC. He is the Chairman of the Ceybank Unit Trust Management Company Limited and its Panel of Advisors which handles the largest portfolio of Unit Trust Funds in the country.

7. R B Thambiyah

Mr. Ravi Thambiyah is a well known and highly respected figure in the Sri Lankan Hotel Industry. He is a Past Vice President of Tourist Hotels Association of Sri Lanka and a Past President of Colombo City Tourist Hotels Association. He is presently the

Chairman/Managing Director of the Renuka Hotel Group of Companies & Director of NDB Bank PLC.

8. M T L Fernando

Has been associated with the Company since its inception in 1991 and has been a Director since then. Fellow of the Institute of Chartered Accountants, England & Wales and Sri Lanka. He was Precedent Partner of Ernst & Young, Sri Lanka, for over 30 years. Mr. Fernando serves on many Directorates of public listed and unlisted companies such as Chevron Lubricants Lanka Ltd., Lanka Orix Leasing Company Ltd. Vallibel Power Erathna Ltd and Asian Hotels Corporation. He has also served on the Board of the Colombo Stock Exchange. He was a Member of the Council of the Institute of Chartered Accountants of Sri Lanka. Past Chairman – Taxation Committee and Committee Member of the Ceylon Chamber of Commerce.

9. K D H Perera

Mr. Harendra Perera is a Director of Vallibel Holdings Ltd. He is also a Director of Connaissance Holdings PLC. and its subsidiaries.

10. L T Samarawickrama

Mr. Lalin Samarawickrama is an internationally qualified Hotelier and is a Director of Connaissance Holdings PLC. and its subsidiaries, The Fortress Resorts PLC and Hotel Reefcomber PLC. He is also the Representative of Skanska International in Sri Lanka.



Corporate Management



Mr. W.D.N.H. Perera
Managing Director



Mr. T.G. Thoradeniya
*Director Marketing & Business
Development/CEO Rocell Bathware Ltd.*



Mr. Hareesh Somashantha
Head of Finance & Treasury



Mr. A.M.C.S. Atapattu
Head of Technical & Procurement



Mr. J.K.A. Sirinatha
Head of Sales Administration



Mr. R.N. Somaratna
Head of Horana Complex



Mr. M.A.N.S.A. Jayatissa
Head of Ebeliyagoda Complex



Mr. Chandrakasu Kumar
Head of Bathware Complex



Mr. D.J. Silva
Head of IT



Mr. I.J.P.A. Silva
Chief Internal Auditor

Senior Management



Mr. T.R. Mendis
Export Manager



Mrs. B.G.W. Liyanage
Group Finance Manager



Mr. P.N. Pupulawatta
*Asst. Factory Manager -
Engineering - Horana Complex*



Mr. P.D.S. Ranaweera
*Asst. Fact. Manager QA & RD -
Horana Complex*



Mr. K.L.K.L. Keerthiratna
*Asst Fact Manager - Production -
Eheliyagoda Complex*



Mr. U.S. Nanayakkara
*Asst. Factory Manager - Process &
Operations - Eheliyagoda Complex*



Mr. J.M.S.R. Kumara
*Asst. Fact Manager - Production -
Horana Complex*



Mr. S. De Silva
Senior Stores Manager



Mr. M. Ganapathi
*Production Manager -
Bathware Complex*



Mr. A.A.D. Sumanadasa
*QA & RD Manager -
Eheliyagoda Complex*



Mr. A.K.P.J. Abeywardena
*Senior HR Manager -
Horana Complex*



Mr. W.K.S. Karunaratna
*Engineering Manager -
Bathware Complex*



Mr. D.P.K. Ponnampuruma
*QA & RD Manager -
Bathware Complex*



Mr. W.P.C.C. Fernando
Group Accountant



Mr. K.I.S. Udumalagala
Dealer Sales Manager



Miss. W.C. Senaratne
HR Manager



Mr. I.S. De Ranasinghe
*Planning Manager -
Eheliyagoda Complex*



Mr. U.N. Naveendra
Senior Showroom Manager



Mr. D.M.U.K. Dissanayake
Logistics Manager



Mr. P.C.K.M. Asanka
*HR Manager -
Eheliyagoda Complex*



Miss. K.C. Silva
*Executive Assistant to MD &
Recruitment Officer*



Mr. Y.N. Perera
Senior Executive - Merchandising

Our Showroom Network

- ◆ 98, Nawala Road,
Nugegoda.
Tel: 4405160
- ◆ 440, R.A. de Mel
Mawatha,
Colombo 03.
Tel: 4715513
- ◆ I06, Galle Road,
Dehiwela North,
Dehiwela.
Tel: 4202815
- ◆ 555/3, New Kandy Road,
Thalahena,
Malabe.
Tel: 4411775
- ◆ I58, Negombo Road,
Wattala.
Tel: 4818563
- ◆ 392, Gala Junction,
Kandy Road,
Kiribathgoda.
Tel: 4817231
- ◆ 472/I, High Level Road,
Makumbura,
Kottawa.
Tel: 4308413
- ◆ I16, Colombo Road,
Piliyandala.
Tel: 4210675
- ◆ 477/I, Galle Road,
Rawathawatte,
Moratuwa.
Tel: 4210726
- ◆ 374/I, Liyangemulla,
Seeduwa.
Tel: 4831987
- ◆ 562, Peradeniya Road,
Mulgampola,
Kandy.
Tel: 081-4471581
- ◆ 42, A.A. Dharmasena
Mawatha,
Mahaiyawa,
Kandy.
Tel: 081-4475825
- ◆ 504/I, Kandy Road,
Meepitiya,
Kegalle.
Tel: 035-2230980
- ◆ I76, Colombo Road,
Kurunegala.
Tel: 037-4690467
- ◆ 35, Chilaw Road,
Wennappuwa.
Tel: 031-2253090
- ◆ 521/5 Stage II,
Maithreepala Senanayaka
Mawatha,
Anuradhapura.
Tel: 025-4580294
- ◆ Talagaha Junction,
Eheliyagoda.
Tel: 036-2259553
- ◆ 225, Colombo Road,
Ratnapura.
Tel: 045-4360318
- ◆ 348, Badulla Road,
Bandarawela.
Tel: 057-4496014
- ◆ 443, Galle Road,
Kalutara North,
Kalutara.
Tel: 034-4280469
- ◆ I32, Anguruwatota Road,
Horana.
Tel: 034-4285033
- ◆ 77, W.D.S.
Abeygunawardena
Mawatha,
Pettigalawatte,
Galle.
Tel: 091-4380033
- ◆ I64, I66, Gunawardena
Mawatha,
Kotuwegoda,
Matara.
Tel: 041-4390134
- ◆ I43, High Level Road,
Maharagama,
Tel: 4319514
- ◆ 504, Galle Road,
Panadura.
Tel: 038-4281898
- ◆ 509, Colombo Road,
Kaduwela.
Tel: 4948182
- ◆ 200, Colombo Road,
Negombo.
Tel: 031-4922192
- ◆ 721, Trincomale Street,
Matale.
Tel: 066-4460928
- ◆ No. 88, Veyangoda Rd.,
Minuwangoda
Tel: 4969060
- ◆ No. I74/A/2,
Colombo Rd.,
Gampaha
Tel: 0334670937,
0334670755
- ◆ No. I81, Hettipola Rd.,
Kuliyapitiya
Tel: 0374930870,
0374696134
- ◆ 279, Katugastota Road
Kandy
Tel: 0814481759,
0814481760
- ◆ No. 574, Galle Rd,
Kalutara South, Kalutara
Tel: 0344280933,
0344280934
- ◆ No. I01, Nawala Road
Nugegoda
Tel: 4548023, 4308080
- ◆ 278, Massale, Galle Road,
Beruwala.
- ◆ No. 39, Godagama Road,
Athurugiriya.
- ◆ No. 52, Kandy Road,
Nittambuwa



Report of the Directors

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting to the members their Report together with the audited accounts of the Company for the year ended 31st March 2008. The Chairman's review and the Managing Director's review form an integral part of the Directors' Report.

Legal Status

Royal Ceramics Lanka PLC was incorporated in Sri Lanka as a Private Limited Company on 29th August 1990 and was converted into a Public Limited Company on 06th December 1991. The Shares were listed on the Colombo Stock Exchange on 03rd May 1994.

Group Activities

The Principal activity of the Group continues to be the manufacture and sale of porcelain & ceramic tiles and undertook the maintenance of the show room network from July 2005 onwards to distribute the products of the Company and its subsidiary Royal Porcelain (Pvt) Limited, under the brand "Rocell".

Royal Porcelain (Pvt) Limited, also a wholly owned subsidiary of the Company, was incorporated to acquire a tile-manufacturing factory at Horana and has recorded a profit of Rs. 558,263,236/- for the year.

Royal Ceramics Distributors (Pvt) Limited is a wholly owned subsidiary of Royal Ceramics Lanka PLC has recorded a loss of Rs. 2,068,469/- during the year under review. This subsidiary Company's operations were transferred to the parent Company during midyear ended 31st March 2006.

Rocell Bathware Limited, is also a wholly owned subsidiary of the Company has recorded a loss of Rs. 10,374,742/- for the year.

Rocell Roofing Limited, another wholly owned subsidiary of the Company was incorporated on 19th March 2008 to manufacture and sell Corrugated Fiber Cement Sheets, Fiber Cement siding and shingles using advanced technology for the local and export market.

Rocell Ceramics Ltd. another wholly owned subsidiary of the Company was incorporated on 21st September 2006 to manufacture & sell floor & wall tiles

Financial Statements

Financial statements have been prepared in accordance with the Sri Lanka Accounting standards. The audited financial statements were approved by the Board of Directors on 22nd May 2008.

Business Review

The Chairman's Report and the Managing Director's review of operations comprehensively cover the activities of the Company and the Group during the year under review.

Stated Capital

In accordance with the Section 58 of the Companies Act No. 7 of 2007, share capital and share premium were reclassified as stated capital. The stated capital of the Company as at 31st March 2008 was Rs. 814,726,453/-

Summarized Financial Position

The summarized financial position of the Group is as follows:

	2007/2008 Rs.'000	2006/2007 Rs.'000
Group Profit after Taxation	610,786	329,032
Profit brought forward	815,214	596,972
Dividend	(55,395)	(110,789)
Deferred Tax adjustment	(51,045)	-
Unappropriated balance carried forward	1,319,560	815,214

Reserves

The total reserves of the Company stand at Rs. 849,048,351/-, and comprising capital reserves of Rs. 418,388,203/-, and revenue reserves of Rs. 430,660,148/-.

Statement of Changes in Equity

The movement in equity is shown in the Statement of Changes in Equity on page 30.

Payment of Statutory Expenses

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and PAYE tax have been made within the stipulated period during the financial year.

Dividends

The Directors have not recommended any dividend for the financial year ended 31st March 2008.

Corporate Governance

The report on Corporate Governance is given on page 21 and 22 of the Annual report.

Director's Responsibility for Financial Reporting

The Statement of Director's Responsibilities for Financial Statements is given on page 23

Report of the Directors

Financial Review

The Financial Review is given on page 19

Directorate

The names of the Directors in office during the financial year are disclosed in page 8 of the Annual Report.

Mr. T G Thoradeniya retires by rotation in terms of Article 85 of the Articles of Association and being eligible, offers himself for re-election.

Mr. M. T. L. Fernando, Mr. B. M. Amarasekera and Mr. F. P. de Alwis retires in terms of section 210 of the Companies Act No. 07 of 2007.

Special notices have been received from shareholders pursuant to Section 211 of the Companies Act No. 07 of 2007 of their intention to propose the re-election of Mr. M. T. L. Fernando, Mr. B. M. Amarasekera and Mr. F. P. de Alwis.

Directors' Interest in Contracts

Directors' interests in contracts with the Company, are stated below
The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Interest in Shares

Directors' interest in shares of the Company as at Balance Sheet date are as follows:

Name	As at 31st March 2008 No of Shares	As at 31st March 2007 No of Shares
Mr. A M Weerasinghe	5,664,012	5,674, 712
Mr. K. D. D. Perera	28,351,686	28, 351, 686
Mr. F P de Alwis	307,033	307, 033
Mr. M T L Fernando	202,977	202, 977
Mr. B M Amarasekera (including joint holding)	107,193	107, 193
Mr. R B Thambiyah	792	792
Mr. W D N H Perera	2,500	2, 500
Mr. T G Thoradeniya	24,500	-
Mr. K. D H Perera	-	-
Mr. L T Sawarawickema	-	I, 000

Details of transactions carried out with director related entities during the year.

The Company carried out transactions in the ordinary course of its business at commercial rates with the following director related entities

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31st March 2008 Rs.
Royal Porcelain (Pvt) Ltd	Mr.A.M. Weerasinghe	Chairman	A sum of Rs.103,500,000/- was	516,737,792
	Mr. K.D.D. Perera	Deputy Chairman	Received as Service charges.	
	Mr.W.D.N.H.Perera	Managing Director	A sum of Rs.60,000/- was received as Rent.	
	Mr. T.G.Thoradeniya	Director Marketing & Business Development	A sum of Rs.8,633,876/- worth of Damaged tiles were purchased.	
	Mr.F P de Alwis	Director	A sum of Rs. 1,015,793/- was paid as squaring cost.	
	Mr.M.T.L. Fernando	Director	A sum of Rs 57,500,002 /- was received as dividend.	
	Mr. R.B.Thambiyah	Director	Materials worth of Rs.17,075,876 /- were purchased.	
	Mr.B.M.Amarasekera	Director	Materials worth of Rs 9,888,919 /- were sold.	
	Mr. L. T. Samarawickrema	Director	A sum of Rs.692,713,979 /- was received as short term funds.	
	Mr.K.D.H Perera	Director	Guarantees of Rs.325,000,000/- were given for loans.	

Report of the Directors

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding as at 31st March 2008 Rs.
Rocell Bathware Ltd	Mr.A.M. Weerasinghe	Chairman	A sum of Rs. 231,567,418 /- was given as short term funds.	284,152,424
	Mr. K.D.D. Perera	Deputy Chairman		
	Mr. W.D.N.H.Perera	Director	Tiles & Grouts worth of Rs.7,640,803 /- were sold. Guarantees of Rs.650,000,000/- were given for loans.	
	Mr. T.G.Thoradeniya	Director/CEO		
	Mr.F.P. de Alwis	Director		
	Mr.M.T.L. Fernando	Director		
	Mr. R.B.Thambiyah	Director		
	Mr.B.M.Amarasekera	Director		
	Mr. L.T. Samarawickrema	Director		
	Mr.K.D.H Perera	Director		
Royal Ceramics Distributors (Pvt) Ltd	Mr.A.M. Weerasinghe	Chairman		2,653,355
	Mr. K.D.D. Perera	Deputy Chairman		
	Mr. W.D.N.H.Perera	Managing Director		
	Mr. T.G.Thoradeniya	Director Marketing & Business Development		
	Mr.F P de Alwis	Director		
	Mr.M.T.L. Fernando	Director		
	Mr. R.B.Thambiyah	Director		
	Mr.B.M.Amarasekera	Director		
	Mr. L.T. Samarawickrema	Director		
	Mr.K.D.H Perera	Director		
Connaissance Holdings PLC	Mr. K.D.D. Perera	Deputy Chairman	A sum of Rs.720,876 /- paid as accomodation charges	Nil
	Mr.K.D.H Perera	Director		
	Mr. W.D.N.H.Perera	Director	Tiles worth of Rs.146,377 /- were sold.	Nil
	Mr. L.T. Samarawickrema	Director		
Kandyan Resorts (Pvt) Ltd	Mr. K.D.D. Perera	Director	Tiles worth of Rs.63,221/- were sold. A sum of Rs.21,000/- paid as accomodation charges.	
	Mr. W.D.N.H.Perera	Director		
L B Finance PLC	Mr. K.D.D. Perera	Deputy Chairman	Tiles worth of Rs.668,960/- were sold.	Nil
	Mr. W.D.N.H.Perera	Director		
	Mr.B.M.Amarasekera	Director	Investment in shares amounting to Rs. 19,374,778/- Disposal of shares amounting to Rs. 2,976,051/- A sum of Rs.160,080/- paid as legal consultancy fee.	
	Mr.A.M. Weerasinghe	Director		
Hotel Reefcomber PLC	Mr. K.D.D. Perera	Director		
	Mr.K.D.H Perera	Director		
	Mr. W.D.N.H.Perera	Director		
	Mr. L.T. Samarawickrema			
	Mr.B.M.Amarasekera			

Report of the Directors

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding as at 31st March 2008 Rs.
Vallible Electric (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr.A.M. Weerasinghe	Chairman Director Director	Tiles worth of Rs. 357,800/- were sold. Electrical equipments worth of Rs.88,899 /- were purchased.	Nil
Vallible Lanka (pvt) Ltd.	Mr. K.D.D. Perera Mr.K.D.H Perera	Director Director	Tiles worth of Rs.723,238/- were sold.	Nil
Vallible Power Erathna PLC	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr.M.T.L. Fernando	Chairman Director Director	A sum of Rs.368,850/- paid for labour supplied.	Nil
National Development Bank PLC	Mr. R.B.Thambiyah	Director	Project loan balance	32,691,580
Pan Asia Bank PLC	Mr. W.D.N.H.Perera	Deputy Chairman	Current account balance	3,255,633
Sampath Bank PLC.	Mr. K.D.D. Perera	Director	Current account balance Short term loan obtained 43,927,598/-.	48,444,412 10,928,541
The Fortresse Resorts Ltd	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. L. T. Samarawickrema	Director Director Director	Investment in shares amounting to Rs. 231,161/-.	Nil
Browns & Company Ltd	Mr.M.T.L. Fernando	Director		Nil
Rocell Ceramics Ltd	Mr.A.M. Weerasinghe Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr.F P De Alwis Mr.M.T.L. Fernando Mr. R.B.Thambiyah Mr.B.M.Amarasekera Mr. L. T. Samarawickrema Mr.K.D.H Perera	Chairman Deputy Chairman Director Director/CEO Director Director Director Director Director Director	A sum of Rs. 10,325,415/- was given as long term funds.	137,495,993
Rocell Roofing Ltd	Mr.A.M. Weerasinghe Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr.F P De Alwis Mr.M.T.L. Fernando Mr. R.B.Thambiyah Mr.B.M.Amarasekera Mr. L. T. Samarawickrema Mr.K.D.H Perera	Chairman Deputy Chairman Director Director/CEO Director Director Director Director Director Director	A sum of Rs. 509,990/- was given as long term funds.	509,990

Report of the Directors

Directors' Remuneration

Directors' remuneration in respect of the Company and the Group for the financial year 2007/2008 are given in note 28.2 to the Financial Statements on page 58.

Shareholders' Information

The distribution of shareholders is indicated on pages 63 and 64 in the Annual Report. There were 14,982 registered shareholders as at 31st March 2008.

Share Information

Information on share trading is given on page 63 of the Annual Report.

Fixed Assets

The movement in fixed assets during the year is given in Note 9 to the Financial Statements.

Capital Expenditure

Group Capital Expenditure including amount transferred from the capital work in progress account during the year amounted to Rs. 1,237.8 million.

Taxation

The Royal Ceramics Lanka PLC is liable to pay income tax at 35% on local taxable profits and 15% on export income as per the Inland Revenue Act No. 10 of 2006. Royal Porcelain (Pvt) Limited, in terms of the agreement entered into with BOI, received the tax exemption status in the year of assessment 2002/03 for a period of 12 years, which ends in the year of assessment 2013/2014.

Rocell Bathware Limited, in terms of the agreement entered into with Board of Investment of Sri Lanka is exempt from income tax for a period of 5 years, commencing from the year of assessment in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier.

Rocell Roofing Limited, in terms of the agreement entered into with the Board of Investment of Sri Lanka is exempt from income tax for a period of 5 years, commencing from the year of assessment in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier.

It is the Group's Policy to provide for deferred taxation on the liability method.

Group Investments

Details of investments held by the Company are given in Note 11 and 12 to the Financial Statements.

Market Value of the Company's Ordinary Shares

The Market value of the Company's ordinary shares as at 31st March 2008 was Rs. 42.50 compared to Rs. 35.00 as at 31st March 2007 as per official valuation of the Colombo Stock Exchange.

Group Employment

As at the Balance Sheet date, the Group has provided employment to 1178 people

Contingent Liabilities & Capital Commitments

Details of contingent liability and capital commitments as at the Balance Sheet date is given in note 25 and 26 respectively of the financial statements.

Going concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the directors have adopted the going concern basis in preparing the accounts.

Post Balance Sheet Events

There were no significant events after the Balance Sheet date that require adjustment to or disclosure in the Financial Statements.

Annual General Meeting

The 18th Annual General Meeting of the Company will be held at 'Vista', Level 32, East Tower, World Trade Centre Colombo 1 on 27th June 2008 at 11.00 a.m. The notice of the Annual General Meeting is on page 66 of this report.

Auditors

The Financial Statements for the year have been audited by M/s Ernst & Young, Chartered Accountants have expressed their willingness to continue in office. A resolution relating to their re-appointment and authorizing the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of

Royal Ceramics Lanka PLC

(Sgd.)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

22 May 2008

Financial Review

The Financial Statements of the Group and of the Company, which form a part of this Annual Report, set out the financial performance. The Financial Review discusses an overview of the Group's Financial Performance.

Group Results

The Net Turnover of Rs. 3.5 billion during the financial year was a remarkable achievement for the Group. This is a 34% growth further consolidating the position of 'Rocell' as the clear market leader in this industry.

The export turnover of Rs. 159 million which has a drop of 6.4% has contributed only 5% towards total sales. In the face of global price competition, the Company is taking necessary steps to counter these threats. The Company will continue to focus on this segment.

Profitability

The gross profit of the group has a remarkable growth of 42%. This was achieved from the growth in group sales by 34%. Net sales of the company has also increased by 34%.

There has been a better control of operational cost by improvement in production planning and production efficiencies.

The Group has a remarkable increase in earnings per share of 86%. This is mainly due to the remarkable growth reported in sales of the Group.

Profit from operations has increased by 72% to Rs.991 million during the year. Pre-tax profit has increased by 68% to Rs. 643 million during the financial year.

Taxation

The group made income tax provision of Rs. 32 million for the year under review. The profits of the Company and Royal Ceramics Distributors (Pvt) Ltd are chargeable to Income Tax. Royal Porcelain (Pvt) Ltd enjoys a 12 year tax holiday under Section 17(2) of BOI Law No. 4 of 1978 commencing from the year of Assessment 2002/03. In addition, Rs. 496 million was paid to the Government by way of direct sales taxes during the year.

Dividend

The Company has not proposed any dividend of the year under review.

Capital Expenditure

Capital expenditure of the Group was Rs. 1,237.8 million for the year, spent on upgrading plant and machinery, adopting newer technologies to meet future demands and showroom development etc.

Financial Indicators

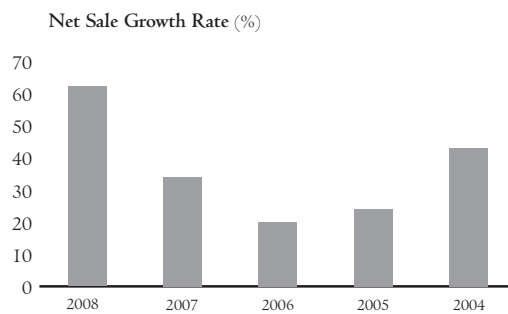
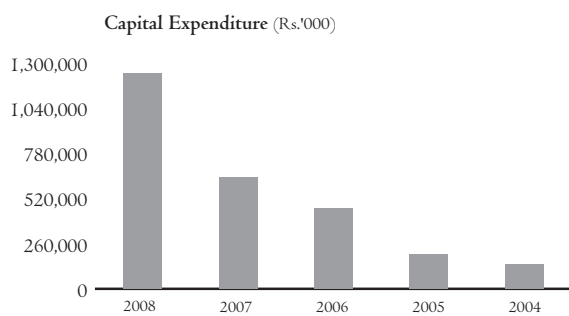
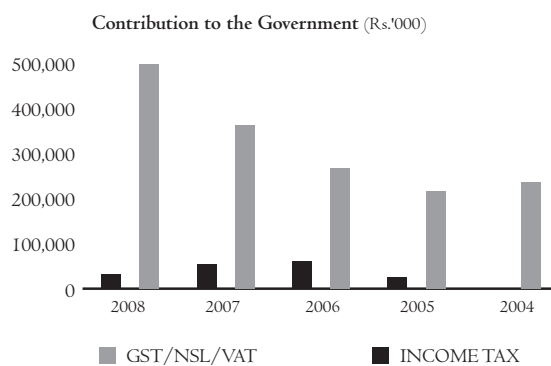
The Group's net outflow of funds was decreased to Rs. 117 million. The Group's long term borrowings have increased by 32% to Rs. 1361 million which has been mainly utilized for the upgradation of the existing production plants, for new show rooms and construction of new Sanitaryware factory. The Group's short term borrowings including overdrafts has increased by 22% to Rs. 1204 million. Shareholders' funds consist of 30% share capital, 19% capital reserves and 51% revenue reserves.

Accounting Policies and Disclosures

The accounting policies of the Group have been reviewed and amended where necessary, to comply with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Further, the format for the presentation of Financial Statements has been amended to conform to the requirements of SLAS 3 (Presentation of Financial Statements) and to the requirements of the Colombo Stock Exchange.

The Group has adopted the practice of making full disclosure of both financial and non-financial information to enable the existing and potential shareholders to assess the performance of the Group and its future.

Financial Review



Corporate Governance

It is the policy of the Group to manage its affairs in accordance with appropriate standards for good corporate governance.

The Group supports the Code of Best Practices on matters relating to the financial aspect of corporate governance issued by the Institute of Chartered Accountants of Sri Lanka as a useful guideline, on the subject of corporate governance practices.

A brief outline of the corporate governance practices that were in place during the year is included in this statement.

Board of Directors

The Board meets regularly and is responsible for the proper management of the Company.

The Directors are responsible for protecting the rights and interests of shareholders and are accountable to them for the overall management of the Company.

The main responsibilities of the Board are to:

Set strategies, direction and establish goals for Management.

Monitor performance against these goals and objectives.

Ensure that adequate internal controls and the highest ethical standards are maintained.

Appoint the Chief Executive Officer, determine the remuneration of senior executives and report to shareholders on their stewardship.

Composition of the Board

The names of the Directors of the Company who held office in the Company as at the date of the Annual Report are set out on page 8

The Board comprises of eight non-executive Directors and two Executive Directors being the Managing Director – Mr. Nimal Perera and the Director Marketing & Business Development – Mr. Tharana Thoradeniya.

There is a balance of Executive and Non Executive Directors to ensure that the decisions taken by the Board are collective decisions.

Board Meetings

The Board Meetings are scheduled on a monthly basis, to consider among other matters, the performance and financial statements for the period and to approve routine capital expenditure.

Audit Committee

The Board has appointed an Audit Committee consisting of three non-executive Directors to review the financial reporting process, the system of internal controls, the audit process and the Company's process for monitoring compliance with laws and regulations and with the code of conduct.

Report of the Audit Committee appears on page 24. Names of the members of the Audit committee are as follows.

Mr. M T L Fernando – Chairman

Mr. B M. Amerasekera

Mr. L T Samarawickrema

Remuneration Committee

Remuneration Committee consisting of three Directors meet when required to review the remuneration of the Senior Management.

Names of the members of the Remuneration Committee are as follows.

Mr. B M Amerasekera – Chairman

Mr. M T L Fernando

Mr. L T Samarawickrema

Relationship with Shareholders

The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting. However, this does not limit their communication with the Board, and they are free to communicate with the Managing Director, Company Secretaries or any of the senior managers depending on the matter to be addressed.

Internal Control

The Board places a high priority on internal controls to manage the day-to-day affairs of the company.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. This is ensured from the system is being designed to safeguard assets from unauthorized use or disposal and to ensure that proper records are maintained and reliable information is produced including financial, operational, compliance controls and risk management.

However, the Board is of the view that the company's system of internal controls provides only reasonable and not absolute assurance that material errors and irregularities are either prevented or detected within a reasonable time period.



Corporate Governance

Disclosure

The Board's policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgment, in addition to preparing the financial statements in accordance with Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and in conformity with Stock Exchange disclosure requirements.

Going concern

The Board of Directors after reviewing the financial position and cash flow of the Group is confident that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the "Going Concern Basis" has been adopted in the preparation of the financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues payable as at the Balance Sheet date have been paid or provided for in the accounts.

Other Information

The Annual Report contains statements from the Board including the responsibilities of the Directors for the preparation of the Financial Statements and the Directors are of the view that they have discharged their responsibilities as set out in this statement. The performance of the company and its subsidiaries during the year under review and the future prospects of the Group are covered in the Managing Director's review of operations.

Directors Responsibility for Financial Reporting

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Group. These differ from the responsibilities of the Auditors, which are set out in their report appearing on page 27.

The Companies Act No. 7 of 2007 requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the company for the financial year. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the financial statements comply with the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control to prevent and detect frauds and other irregularities.

The Directors continue to adopt the going concern basis in preparing accounts. The Directors, after making inquiries and following a review of the Company's budget for the financial year 2008/2009 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By order of the Board of

Royal Ceramics Lanka PLC

(sgd.)

Secretaries & Registrars (Pvt) Limited

Secretaries

Colombo

22 May 2008

Report of the Audit Committee

The Terms of Reference defines the roll of the committee and provides a framework of the company's organization and responsibilities. The Terms of Reference have been approved by the Board. The committee comprises 3 Non-Executive Independent Directors. The Managing Director and the Head of Finance attend meetings by invitation and other Executives do so as and when required.

The Audit Committee examines any matters relating to the Financial Reporting System of the Company and the external and internal audits of the Company. Its duties include a detailed review of the financial statements, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the overall adequacy of systems for compliance with legal, regulatory and ethical requirements as well as Company policies. It recommends to the Board, the appointment and fees of External Auditors, having given due consideration to the independence of External Auditors.

The Committee met on 3 occasions during the year to examine the Internal Audit reports which covered the head-office, show-rooms, stores, factory etc. with special reference to the internal controls regarding inventory and debtors.

The Company's Annual & Interim Financial Statements were reviewed and approved by the Committee prior to the final approval by the Board and there issuance.

The Committee assessed the major business and control risks and the control environment prevalent in the Company and advised the Board on action to be taken in areas where weaknesses were observed.

The Audit Committee recommended to the Board of Directors that M/s Ernst & Young be appointed as Auditors for the financial year ending 31st March, 2009, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

M T L Fernando

Chairman.

Audit Committee

22 May, 2008

Report of the Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors and the Managing Director of the Group and is chaired by a Non-Executive Director. The Managing Director assisted the Committee by providing relevant information and participating in deliberations except where their own compensation packages are reviewed.

The Committee is responsible for determining the compensation of the Managing Director and members of the Group management. They lay down guidelines and parameters for the compensation structures of all management staff.

The primary objective of the compensation package is geared to attract and retain quality executive staff and experienced work force and reward performance. These compensation packages are determined by reference to each employees level of expertise, contribution and general performance towards the Company's profitability and returns to stakeholders.

In arriving at the compensation packages the Committee reviews data and packages of competitors in the industry.

The Committee meets as often as is necessary and inter alia deal with bonus payments, staff increments, budgetary relief allowance and adherence to collective Agreements entered into by the company to ensure that the management and the work force are adequately rewarded for their performance and commitment to the Group's goals on a competitive basis. We have also addressed the issues as necessary to meet the concerns of the employees quus high inflation, food and fuel costs etc.

(Sgd.)

B M Amarasekera

Chairman

Remuneration Committee

22 May, 2008



Financial Calendar

Interim Report - 1st Quarter 2007/2008	17 August 2007
Interim Report - 2nd Quarter 2007/2008	22 November 2007
Interim Report - 3rd Quarter 2007/2008	26 January 2008
10% Final Dividend for the financial year 2006/2007	5 July 2007
Annual Report 2007/2008	22 May 2008
18th Annual General Meeting	27 June 2008



Independent Auditor's Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Royal Ceramics Lanka PLC ("Company"), the Consolidated Financial Statements of the Company and its Subsidiaries which comprise the Balance Sheet as at 31 March 2008, 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.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2008 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2008 and its profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31 March 2008 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

In our opinion, these Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

22 May, 2008

Colombo.

Partners: A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA
W K B S P Fernando FCA ACMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
A S M Ismail FCA FCMA H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Statement of Income

Year ended 31 March	Note	Company		Group	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Revenue	3	1,484,123,142	1,362,396,512	3,474,818,758	2,594,179,686
Cost of Sales		<u>(855,140,197)</u>	<u>(811,184,638)</u>	<u>(2,002,354,390)</u>	<u>(1,554,966,025)</u>
Gross Profit		628,982,945	551,211,874	1,472,464,368	1,039,213,661
Other Operating Income	4	202,217,315	200,300,359	59,351,229	12,976,295
Selling and Distribution Cost		<u>(364,628,646)</u>	<u>(270,435,058)</u>	<u>(402,170,324)</u>	<u>(289,450,785)</u>
Administrative Expenses		<u>(110,180,963)</u>	<u>(108,995,982)</u>	<u>(137,287,158)</u>	<u>(151,584,285)</u>
Other Operating Expenses		-	(34,758,145)	-	(34,758,145)
Finance Costs	5	<u>(207,114,173)</u>	<u>(126,997,888)</u>	<u>(348,962,197)</u>	<u>(192,901,349)</u>
Profit Before Tax	6	149,276,478	210,325,160	643,395,918	383,495,392
Income Tax Expense	19	<u>(27,310,442)</u>	<u>(57,511,209)</u>	<u>(32,610,039)</u>	<u>(54,463,636)</u>
Net Profit for the Year		<u>121,966,036</u>	<u>152,813,951</u>	<u>610,785,879</u>	<u>329,031,756</u>
Basic Earnings Per Share	7	2.20	2.76	11.03	5.94
Dividend Per Share	8	1.00	2.00	1.00	2.00

The Accounting Policies and Notes on pages 32 through 59 form an integral part of these Financial Statements.

Colombo
22 May 2008

Balance Sheet

As At 31 March	Note	Company		Group	
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	09	929,883,102	489,995,157	3,540,983,129	1,988,187,162
Intangible Assets	10	-	-	505,182	8,263,360
Investments in Subsidiaries	11	1,078,999,930	683,573,460	-	-
Other Investments	12	13,260,000	13,260,000	13,260,000	13,260,000
Amounts Due from Related Companies	13	138,005,983	127,170,578	138,005,983	127,170,578
		<u>2,160,149,015</u>	<u>1,313,999,195</u>	<u>3,692,754,294</u>	<u>2,136,881,100</u>
Current Assets					
Inventories	14	431,669,987	408,856,806	1,064,241,687	816,003,504
Trade and Other Receivables	15	449,778,015	205,157,120	330,409,014	359,501,472
Other Investments	12	541,754,198	482,898,987	541,754,198	482,898,987
Income Tax Recoverable		-	-	938,350	938,350
Cash and Cash Equivalents	23	37,801,945	47,891,566	49,357,279	70,038,689
		<u>1,461,004,145</u>	<u>1,144,804,479</u>	<u>1,986,700,528</u>	<u>1,729,381,002</u>
Total Assets		<u>3,621,153,160</u>	<u>2,458,803,674</u>	<u>5,679,454,822</u>	<u>3,866,262,102</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	16	814,726,453	814,726,453	814,726,453	814,726,453
Reserves	17	418,388,203	4,167,357	519,122,797	4,167,357
Retained Earnings		430,660,148	415,133,706	1,319,560,657	815,214,372
Total Equity		<u>1,663,774,804</u>	<u>1,234,027,516</u>	<u>2,653,409,907</u>	<u>1,634,108,182</u>
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	18	526,283,266	405,413,039	1,361,049,685	1,033,040,796
Deferred Tax Liabilities	19	85,527,941	42,392,270	85,527,941	42,392,270
Retirement Benefit Obligation	20	44,756,560	38,790,464	52,540,473	43,681,198
		<u>656,567,767</u>	<u>486,595,773</u>	<u>1,499,118,099</u>	<u>1,119,114,264</u>
Current Liabilities					
Trade and Other Payables	21	680,029,622	150,918,412	307,274,993	241,456,364
Dividend Payable	22	10,504,761	20,141,515	10,504,761	20,141,515
Income Tax Liabilities		2,246,009	11,345,896	3,639,483	12,032,758
Interest Bearing Loans & Borrowings	18	608,030,197	555,774,562	1,205,507,579	839,409,019
		<u>1,300,810,589</u>	<u>738,180,385</u>	<u>1,526,926,816</u>	<u>1,113,039,656</u>
Total Equity and Liabilities		<u>3,621,153,160</u>	<u>2,458,803,674</u>	<u>5,679,454,822</u>	<u>3,866,262,102</u>

These Financial Statements are in compliance with the requirements of the Companies Act No 7 of 2007.



H Somashantha

Head of Finance.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by,



A M Weerasinghe
Chairman



W D N H Perera
Managing Director

Colombo

22 May 2008

Statement of Changes in Equity

Year ended 31 March

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2006	814,726,453	4,167,357	373,109,139	1,192,002,949
Dividend - for 2005/2006	-	-	(55,394,692)	(55,394,692)
Dividend - for 2006/2007	-	-	(55,394,692)	(55,394,692)
Net Profit for the Year	-	-	152,813,951	152,813,951
Balance as at 31 March 2007	814,726,453	4,167,357	415,133,706	1,234,027,516
Surplus on Revaluation of Property, Plant & Equipment	-	414,220,842	-	414,220,846
Tax effect of Items Transferred from Equity	-	-	(51,044,902)	(51,044,902)
Net Profit for the Year	-	-	121,966,036	121,966,036
Dividend - for 2006/2007	-	-	(55,394,692)	(55,394,692)
Balance as at 31 March 2008	814,726,453	418,388,203	430,660,148	1,663,774,804

The Accounting Policies and Notes on pages 32 through 59 form an integral part of these financial statements.

Group

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2006	814,726,453	4,167,357	596,972,000	1,415,865,810
Dividend - for 2005/2006	-	-	(55,394,692)	(55,394,692)
Dividend - for 2006/2007	-	-	(55,394,692)	(55,394,692)
Net Profit for the year	-	-	329,031,756	329,031,756
Balance as at 31 March 2007	814,726,453	4,167,357	815,214,372	1,634,108,182
Surplus on Revaluation of Property, Plant & Equipment	-	514,955,440	-	510,955,440
Tax effect of Items Transferred from Equity	-	-	(51,044,902)	(51,044,902)
Net Profit for the year	-	-	610,785,879	610,785,879
Dividend - for 2006/2007	-	-	(55,394,692)	(55,394,692)
Balance as at 31 March 2008	814,726,453	519,122,797	1,319,560,657	2,653,409,907

The Accounting Policies and Notes on pages 32 through 59 form an integral part of these financial statements.

Cash Flow Statement

Year ended 31 March	Note	Company		Group	
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
Cash Flows From/(Used in) Operating Activities					
Profit from Operating Activities before tax		149,276,478	210,325,160	643,395,918	383,495,392
Adjustments for					
Dividend Income	4	(68,004,382)	(1,438,722)	(10,504,382)	(1,438,722)
Interest Income	4	(3,047,201)	(141,271)	(3,127,710)	(180,439)
Depreciation of Property, Plant & Equipment	9	58,092,167	51,364,239	202,537,204	113,550,785
(Profit)/Loss on Sale of Property, Plant & Equipment	4	(2,343,228)	(1,128,770)	(2,343,228)	(1,128,770)
Finance Costs	5	207,114,173	126,997,888	348,962,197	192,901,349
Gain from sale of Short-Term Investments	4	(1,214,335)	(66,488)	(1,214,335)	(66,488)
Amortization of Product development Cost	10	-	-	7,758,177	15,660,897
Provision for bad debts		-	301,060	-	2,163,092
Provision /(Reversal) for change in market value of the investments	4	(34,258,145)	34,758,145	(34,758,145)	34,758,145
Provision for Defined Benefit Plans - Gratuity	20	8,813,444	9,481,082	12,035,452	10,590,330
Operating Profit/(Loss) before Working Capital Changes		314,428,971	430,452,323	1,162,741,148	750,305,571
(Increase)/Decrease in Inventories		(22,813,180)	20,712,704	(248,238,186)	(153,621,647)
(Increase)/Decrease in Trade and Other Receivables		(187,120,896)	15,122,042	29,092,457	(231,753,828)
Increase/(Decrease) in Trade and Other Payables		529,111,210	27,126,404	65,818,629	74,283,789
Cash Generated from Operations		633,606,105	493,413,473	1,009,414,008	439,213,885
Finance Costs Paid	5	(207,114,173)	(126,997,888)	(348,962,197)	(192,901,349)
Defined Benefit Plan Costs Paid	20	(2,847,348)	(1,678,723)	(3,176,177)	(1,678,723)
Income Tax Paid		(44,319,560)	(59,849,684)	(48,912,541)	(61,954,861)
Net Cash Flows From/(Used in) Operating Activities		379,325,024	304,887,178	608,363,133	182,678,952
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	9	(81,225,766)	(85,813,654)	(1,237,844,229)	(643,106,418)
Proceeds from Sale of Property, Plant & Equipment		2,343,228	1,128,770	2,343,228	1,128,770
Proceeds from Sale of Short Term investments		5,379,674	62,233,781	5,379,674	62,233,852
(Acquisition)/Disposals of Short-Term Investment		(435,024,279)	(423,864,469)	(39,097,809)	(240,791,008)
Interest Received		3,047,201	141,271	3,127,710	180,439
Dividend Received		10,504,382	1,438,722	10,504,382	1,438,722
Net Cash Flows from/(Used in) Investing Activities		(494,975,560)	(444,735,579)	(1,255,587,044)	(818,915,643)
Cash Flows from/(Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings	18	665,946,300	735,693,464	1,129,466,332	1,542,166,468
Repayment of Interest Bearing Loans & Borrowings	18	(525,783,121)	(596,326,166)	(528,309,302)	(922,579,887)
Capital Repayments under Finance Lease Liabilities		(6,375,811)	(5,259,704)	(6,687,492)	(5,259,704)
Dividend Paid	22	(65,031,446)	(99,217,697)	(65,031,446)	(99,217,697)
Net Cash Flows from/(Used in) Financing Activities		68,755,922	34,889,897	529,438,093	515,109,180
Net Increase/(Decrease) in Cash and Cash Equivalents		(46,894,614)	(104,958,504)	(117,785,819)	(121,127,511)
Cash and Cash Equivalents at the beginning of the year	23	(186,058,587)	(81,100,083)	(268,082,104)	(146,954,593)
Cash and Cash Equivalents at the end of the year	23	(232,953,201)	(186,058,587)	(385,867,923)	(268,082,104)

The Accounting Policies and Notes on pages 32 through 59 form an integral part of these financial statements.

Notes to the Financial Statements

I. CORPORATE INFORMATION

I.1 General

Royal Ceramics Lanka PLC. ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No.10, R.A. De Mel Mawatha, Colombo 03.

The Consolidated Financial Statements of the Royal Ceramics Lanka PLC for the year ended 31 March 2008 comprise of the company and its subsidiaries, Royal Ceramics Distributors (Pvt.) Ltd, Royal Porcelain (Pvt.) Ltd., Rocell Bathware Ltd.

The Financial Statements of Royal Ceramics Lanka Plc, for the year ended 31 March 2008 were authorized for issue in accordance with the resolution of the Board of Directors on 22 May 2008.

I.2 Principal Activities and Nature of Operations

During the year the principal activities of the group were as follows:

Royal Ceramics Lanka PLC.

Manufacture and marketing of floor and wall tiles.

Royal Ceramics Distributors (Pvt.) Ltd.

Non Operational.

Royal Porcelain (Pvt.) Ltd.

Manufacture and marketing of floor tiles.

Rocell Bathware Ltd.

Manufacture and marketing of sanitaryware. The Company is in its test production stage.

I.3 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The Consolidated Financial Statements of the Company for the year ended 31 March 2008 comprise of the Company and its Subsidiaries. The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics		
Distributors (Pvt.) Ltd.	1993/1994	100%
Royal Porcelain (Pvt.) Ltd.	2000/2001	100%
Rocell Bathware Ltd	2005/2006	100%

2.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis, except for land and buildings that have been measured at fair value as explained in Accounting Note No.9.4 to the Financial Statements. The Financial Statements are presented in Sri Lankan Rupees.

The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 07 of 2007.

2.1.1 Statement of Compliance

The Consolidated Financial Statements of Royal Ceramics Lanka PLC and all its subsidiaries ('the Group') have been prepared in accordance with Sri Lanka Accounting Standards (SLAS)

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Group in consistent with those used in the previous year.

Certain prior year figures and phases are rearranged whenever necessary to conform to the current year presentation.

2.2 Basis of consolidation

- The Consolidated Financial Statements comprise the Financial Statements of Royal Ceramics Lanka PLC and its Subsidiaries as at 31 March each year. The Financial Statements of the Subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.
- All intra-group balances, income and expenses and unrealized gains and losses resulting from intra - group transactions are eliminated in full.
- Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign Currency Translation

The Consolidated Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

(a) Income Tax

The Provision for income tax is based on the elements of income and expenditure as reported in financial statements and computed in accordance with the provisions of the Inland Revenue act No. 10 of 2006. Relevant details are disclosed in note 19 to these Financial Statements.

Royal Porcelain (Pvt) Limited, in terms of the agreement entered with the BOI is exempt from Taxation for a period of 12 years commencing from the year of assessment 2002/2003.

Rocell Bathware Limited, in terms of the agreement entered with the BOI is exempt from Taxation for a period of 5 years commencing from the year of assessment in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever year is earlier.

(b) Deferred Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are

Notes to the Financial Statements

recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or subsequently enacted as at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity statement and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

(c) Economic Service Charge (ESC)

As per the provisions of the Economic Service Charges Act No 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for further four years.

(d) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No 5 of 2005, as amended by the Finance Act no II of 2006, SRL was introduced with effect from 1st January 2005. SRL is payable at the rate of 1% on all taxes and levies chargeable as specified in the First schedule of the Act.

(e) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Turnover Tax. The Group pays such Taxes in accordance with the respective statutes.

2.3.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to

acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

2.3.4 Development Cost

Development expenditure incurred on product development is recognized as an asset to the extent that such expenditure is expected to generate future economics benefits and amortized over the expected useful life time which is 5 years.

2.3.5 Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae

- (a) Raw material - at actual cost on first-in-first-out (FIFO) basis.
- (b) Finished goods & Work in progress - at the cost of direct material, direct labour and appropriated proportion of fixed production overheads based on normal operating capacity.
- (c) Goods in transit have been valued at cost.

2.3.6 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables

2.3.7 Cash and Cash Equivalents

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

Notes to the Financial Statements

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.8 Property, Plant and Equipment

(a) Cost and valuation

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant & equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, re-valued assets are carried at re-valued amounts less any subsequent depreciation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land, in order to write off the cost

and valuation over the estimated economic life of such assets. The annual rates of depreciation generally used by Companies in the group are as follows:

Building & Electricity Scheme	- 4%
Motor Vehicles, Furniture & Fittings and Construction & Other Equipment	- 20%
Sundry Inventory, Tools and Implements	- 50%
Factory Equipment, Plant & Machinery and Communication Equipment	- 10%
Office Equipment	- 15%
Household Items - Light	- 50%
Household Items - Heavy	- 20%

(d) Revaluation

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(e) De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount

Notes to the Financial Statements

of the asset) is included in the income statement in the year the asset is derecognised.

(f) Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and property, plant and equipment that are not ready for their intended use.

2.3.9 Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in note 2.3.8.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2.3.10 Investments

(a) Short Term Investments

Short-term investments are stated at lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognized in the income statement.

The cost of the investment is the cost of acquisition inclusive of brokering fee, duties and bank fees.

(b) Long Term Investments

Quoted and unquoted investments in shares held on long-term basis are stated at cost. The cost of the investment is the cost of acquisition inclusive of brokering fee, duties and bank fees.

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions, other than temporary declines in carrying amounts are charged to income statement.

2.3.11 Liabilities and Provision

Liabilities classified as current liabilities on the Balance Sheet are those, which fall due for payment on demand or within one year from the Balance Sheet date. Non-current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

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

(a) Trade and Other Payables

Trade and other payables are stated at their cost.

(b) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.12 Retirement Benefit Obligations

(a) Retirement benefit plan – gratuity

Gratuity is a Defined Benefit Plan. In order to meet this liability, a provision is carried forward in the Balance Sheet, based on a half month's salary as of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service.

The resulting differences between brought forward provision at the beginning of the year and the carried forward provision at the end of a year is dealt within the income statement.

However, as per the payment of gratuity Act. No. 12 of 1983, this liability only arises upon completion of five (05) years of continued service.

Notes to the Financial Statements

The gratuity liability is not externally funded nor actuarially valued. This item is shown under retirement benefit obligations in the Balance Sheet.

(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the income statement as incurred.

The group contributes 12% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.12 Impairment of Assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously re-valued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously

recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

2.4 Income Statement

2.4.1 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 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. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods has passed to the buyer; with the group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Interest Income

Interest Income is recognised as the interest unless collectibles is in doubt.

(c) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

(d) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(e) Rental Income

Rental income is recognised on an accrual basis.

(f) Other

Other income is recognised on an accrual basis.

Notes to the Financial Statements

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Earnings.

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.

2.4.2 Expenditure Recognition

- (a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- (b) For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the group's performance, and hence such presentation method is adopted.

2.5 Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

In accordance with SLAS 28 on Segment Reporting, segment information is presented in respect of the Group.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting the financial statements of the Group.

Year ended 31 March		Company		Group	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
3. REVENUE					
3.1 Summary					
Gross Revenue	- Export	151,132,767	157,225,104	159,497,002	170,063,888
	- Local	1,532,090,088	1,385,188,094	3,811,754,827	2,786,974,142
Less: Sales Taxes	- Value Added Tax	(199,099,713)	(180,016,686)	(496,433,071)	(362,858,344)
Net Revenue		<u>1,484,123,142</u>	<u>1,362,396,512</u>	<u>3,474,818,758</u>	<u>2,594,179,686</u>
3.2 Goods and Services Analysis					
Sale of Goods		1,484,123,142	1,362,396,512	3,474,818,758	2,594,179,686

Income from Investments with Related Parties - Non Quoted	57,500,000	115,000,000	-	-
Dividends on long-term & current investments	10,504,382	1,438,722	10,504,382	1,438,722
Profit/(Loss) on Disposal of Short Term Investments	1,214,335	66,488	1,214,335	66,488
Management Fee Income - Related Parties	90,000,000	80,000,000	-	-
Rent income - Related Parties	52,174	52,174	-	-
Profit/(Loss) on Disposal of Property, Plant & Equipment	2,343,228	1,128,770	2,343,228	1,128,770
Interest Income	3,047,202	141,271	3,127,710	180,439
Sundry Income	3,297,849	2,472,934	7,403,428	10,161,876
Reversal of provision for fall in value of short term investments	34,258,145	-	34,758,145	-
	<u>202,217,315</u>	<u>200,300,359</u>	<u>59,351,229</u>	<u>12,976,295</u>

Interest Expense on Overdrafts	48,639,325	25,414,170	71,336,258	35,918,754
Interest Expense on Loans & Borrowings	157,291,807	99,889,098	275,893,352	155,287,976
	205,931,132	125,303,268	347,229,610	191,206,730
Finance Charges on Lease Liabilities	1,183,041	1,694,620	1,732,587	1,694,619
	207,114,173	126,997,888	348,962,197	192,901,349

Notes to the Financial Statements

Year ended 31 March	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES				
Stated after Charging /(Crediting)				
Included in Cost of Sales				
Depreciation	29,164,752	30,419,370	153,259,688	91,055,545
Employee Benefits including the following	116,015,025	107,721,032	192,963,730	164,965,522
- Defined Benefit Plan Costs - Gratuity	4,445,922	3,696,795	7,432,216	4,806,043
- Defined Contribution Plan Costs - EPF & ETF	8,817,207	8,097,666	14,867,089	13,174,496
Export duty rebate	(1,247,290)	(685,580)	(1,299,251)	(685,580)
Provision for inventory	12,740,220	-	12,740,220	-
Included in Administrative Expenses				
Depreciation	8,326,224	8,594,529	9,306,224	13,410,710
Employee Benefits including the following	43,184,221	44,313,723	43,419,934	48,015,688
- Defined Benefit Plan Costs - Gratuity	1,384,592	2,572,902	1,620,305	2,572,902
- Defined Contribution Plan Costs - EPF & ETF	4,267,295	4,006,275	4,267,295	4,006,275
Loss on translation of foreign currency	475,533	2,842,572	4,315,267	15,612,206
Donations	1,098,148	479,136	1,198,148	482,136
Amortisation of intangible assets	-	-	7,758,177	7,758,177
Settlement of taxes in default in previous years	10,000,000	-	10,000,000	-
Included in Selling and Distribution Costs				
Depreciation	21,099,183	12,350,338	38,561,232	13,410,710
Damage Stocks net of insurance claims received	1,720,524	2,216,496	5,315,905	6,048,485
Sales Promotion	6,542,292	3,514,680	10,308,952	7,695,237
Employee Benefits including the following	115,018,678	82,331,890	115,018,678	82,331,890
- Defined Benefit Plan Costs - Gratuity	2,982,931	3,211,385	2,982,931	3,211,385
- Defined Contribution Plan Costs - EPF & ETF	6,253,741	5,127,289	6,253,741	5,127,289

7. EARNINGS PER SHARE

7.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

7.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Amount Used as the Numerator:				
Net Profit for the year	121,966,035	152,813,951	610,785,879	329,031,756
	Company		Group	
	2008 Number	2007 Number	2008 Number	2007 Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average number of Ordinary Shares in issue				
Applicable to basic Earnings Per Share	55,394,692	55,394,692	55,394,692	55,394,692

7.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

Notes to the Financial Statements

Year ended 31 March	Company & Group	
	2008	2007
	Rs.	Rs.
8. DIVIDEND PER SHARE		
Final Dividend 10% - 2005/2006	-	55,394,692
Interim Dividend 10% - 2006/2007	-	55,394,692
Final Dividend 10% - 2006/2007	55,394,692	-
Total Dividends	55,394,692	110,789,384
Total Dividend per Share	1.00	2.00

9. PROPERTY, PLANT & EQUIPMENT - COMPANY

	Balance As At 01.04.2007 Rs.	Additions / Transfers Rs.	Increase /(Decrease) in /Revaluation Rs.	Disposals /Transfers Rs.	Balance As at 31.03.2008 Rs.
9.1 Gross Carrying Amounts					
At Cost or Valuation					
Land	109,331,580	838,500	259,367,294	-	369,537,374
Building	176,890,326	24,171,876	154,853,552	(63,123,227)	292,792,527
Water Supply Scheme	295,687	-	-	-	295,687
Lab Equipment	2,661,123	79,747	-	-	2,740,870
Motor Vehicles	13,503,963	11,230,065	-	-	24,734,028
Electricity Distribution	8,080,645	-	-	-	8,080,645
Office Equipment	81,410,964	5,349,693	-	(3,950)	86,756,706
Communication Equipment	7,802,598	-	-	-	7,802,598
Furniture & Fittings	14,045,691	2,807,580	-	-	16,853,271
Tools & Implements	35,219,230	5,818,012	-	-	41,037,242
Other Equipment	10,797,130	5,703,022	-	-	16,500,153
Factory Equipment	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	635,193,696	8,647,031	-	(3,375,016)	640,465,711
Plant and Machinery - Polishing Plant	60,151,743	-	-	-	60,151,743
Household Item - Heavy	33,690	-	-	-	33,690
Household Item - Light	1,264,138	29,375	-	(250,000)	1,043,513
Showroom Fixtures & Fittings	42,368,769	41,285,220	-	(1,460,800)	82,193,190
Stores Buildings on Lease hold Land	3,965,135	-	-	-	3,965,135
	<u>1,228,510,146</u>	<u>105,960,121</u>	<u>414,220,846</u>	<u>(68,212,993)</u>	<u>1,680,478,120</u>
Assets on Finance Leases					
Office Equipment	18,739,926	-	-	-	18,739,926
Motor vehicles	-	2,533,500	-	-	2,533,500
	<u>18,739,926</u>	<u>2,533,500</u>	<u>-</u>	<u>-</u>	<u>21,273,426</u>
	<u>1,247,250,072</u>	<u>108,493,621</u>	<u>414,220,846</u>	<u>(68,212,993)</u>	<u>1,701,751,546</u>
	Balance As At 01.04.2007 Rs.	Incurred During the Year Rs.	Reclassified/ Transferred Rs.	Disposal/ Written off Rs.	Balance As at 31.03.2008 Rs.
In the Course of Construction					
Capital Work in Progress	62,087,894	35,032,838	(58,306,394)	-	38,814,338
Total Gross Carrying Amount	<u>1,309,337,966</u>				<u>1,740,565,884</u>

Notes to the Financial Statements

Year ended 31 March

9. PROPERTY, PLANT & EQUIPMENT - COMPANY (Contd....)

	Balance As At 01.04.2007 Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Disposals /Transfers Rs.	Balance As at 31.03.2008 Rs.
9.2 Depreciation					
At Cost or valuation					
Building	55,705,623	7,417,606	-	(63,123,229)	-
Water Supply Scheme	118,361	11,827	-	-	130,188
Lab Equipment	2,259,760	118,991	-	-	2,378,751
Motor Vehicles	10,230,545	3,754,693	-	-	13,985,238
Electricity Distribution	2,771,174	323,226	-	-	3,094,400
Office Equipment	57,442,001	7,510,887	-	(3,950)	64,948,938
Communication Equipment	4,266,767	629,437	-	-	4,896,204
Furniture & Fittings	7,333,135	2,110,155	-	-	9,443,290
Tools & Implements	26,279,692	7,026,480	-	-	33,306,172
Other Equipment	8,627,027	947,949	-	-	9,574,976
Factory Equipment	22,380,395	868,617	-	-	23,249,012
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	552,106,741	16,700,420	-	(3,375,016)	565,432,145
Plant and Machinery Polishing Plant	45,119,118	2,329,997	-	-	47,449,115
Household Item - Heavy	33,690	-	-	-	33,690
Household Item - Light	1,028,258	176,833	-	(250,000)	955,091
Showroom Fixtures & Fittings	16,305,635	4,711,166	-	-	21,016,801
Stores Buildings on Lease hold Land	1,189,544	396,514	-	-	1,586,058
	<u>815,433,513</u>	<u>55,034,797</u>	<u>-</u>	<u>(66,752,195)</u>	<u>803,716,116</u>
Assets on Finance Leases					
Office Equipment	3,909,296	2,810,989	-	-	6,720,285
Motor vehicles	-	246,381	-	-	246,381
	<u>3,909,296</u>	<u>3,057,370</u>	<u>-</u>	<u>-</u>	<u>6,966,666</u>
Total Value of Depreciation	<u>819,342,809</u>	<u>58,092,167</u>	<u>-</u>	<u>(66,752,195)</u>	<u>810,682,781</u>
9.3 Net Book Values					
At Cost or Valuation	413,076,633				876,762,004
On Finance Leases	<u>14,830,630</u>				<u>14,306,760</u>
	427,907,263				891,068,764
Capital Work in Progress	<u>62,087,894</u>				<u>38,814,338</u>
Total Net Book Value	<u>489,995,157</u>				<u>929,883,102</u>

9.4 The fair value of land and buildings was determined by means of a revaluation during the financial year 2008 by Mr. A.A.M. Fathihu, an independent valuer, in reference to market based evidence. The results of such valuation was incorporated in the Financial Statements from its effective date, which is 31 March 2008. The surplus arising from the revaluation net of deferred taxes was transferred to a Revaluation Reserve.

Notes to the Financial Statements

Year ended 31 March

9. PROPERTY, PLANT & EQUIPMENT - COMPANY (Contd. ...)

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less accumulated depreciation is as follows.

Class of Assets	Gross Carrying Amount Before Last Revaluation Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2008 Rs.	Net Carrying Amount 2007 Rs.
Land	108,795,080	-	108,795,080	6,881,000
Buildings	172,988,552	53,109,309	119,879,243	19,805,760
	<u>281,783,632</u>	<u>53,109,309</u>	<u>228,674,323</u>	<u>26,686,760</u>

9.5 During the financial year, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 81,225,766/- (2007 - Rs. 85,813,655/-)

9.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 626,148,619/- (2007 Rs. 564,563,177/-)

PROPERTY, PLANT & EQUIPMENT - GROUP

	Balance As At 01.04.2007 Rs.	Additions / Transfers Rs.	Increase / (Decrease) in / Revaluation Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2008 Rs.
9.7 Gross Carrying Amounts At Cost or Valuation					
Land	169,500,151	2,404,750	302,245,272	-	474,150,373
Buildings	367,333,980	64,186,859	212,892,143	(84,288,664)	560,124,318
Water Supply Scheme	295,687	-	-	-	295,687
Lab Equipment	2,661,123	79,747	-	-	2,740,870
Motor Vehicles	24,128,163	17,880,885	-	-	42,009,048
Electricity Distribution	8,080,645	4,511,500	-	-	12,592,145
Office Equipment	85,485,951	7,674,193	-	(3,950)	93,156,194
Communication Equipment	7,999,155	69,000	-	-	8,068,155
Furniture & Fittings	20,972,130	4,913,435	-	-	25,885,565
Tools & Implements	55,339,968	38,007,061	-	-	93,347,029
Other Equipment	19,843,897	13,095,193	-	-	32,939,090
Factory Equipment	24,136,343	6,869,647	-	-	31,005,990
Construction Equipment	2,293,595	595,093	-	-	2,888,688
Plant and Machinery	1,623,011,770	111,696,565	-	(3,375,016)	1,731,333,319
Plant and Machinery Polishing Plant	60,151,743	-	-	-	60,151,743
Household Item - Heavy	4,765,427	1,245,176	-	-	6,010,603
Household Item - Light	1,334,717	2,406,841	-	(250,000)	3,491,559
Showroom Fixtures & Fittings	42,368,769	41,285,221	-	(1,460,800)	82,193,190
Stores Buildings on Lease hold Land	16,275,164	-	(181,975)	(7,054,244)	9,038,945
	<u>2,535,978,379</u>	<u>316,921,166</u>	<u>514,955,440</u>	<u>(96,432,674)</u>	<u>3,271,422,511</u>
Assets on Finance Leases					
Office Equipment	18,739,926	-	-	-	18,739,926
Motor vehicles	-	16,633,500	-	-	16,633,500
	<u>18,739,926</u>	<u>16,633,500</u>	<u>-</u>	<u>-</u>	<u>35,373,426</u>
	<u>2,554,718,303</u>	<u>333,430,666</u>	<u>514,955,440</u>	<u>(96,432,674)</u>	<u>3,306,795,937</u>

Notes to the Financial Statements

Year ended 31 March

9. PROPERTY, PLANT & EQUIPMENT - GROUP (Contd....)

Year ended 31 March	Balance As At 01.04.2007 Rs.	Incurred During the Year Rs.	Reclassified/ Transferred Rs.	Disposal/ Written Off Rs.	Balance As at 31.03.2008 Rs.
Capital Work-in- Progress					
Capital Work in Progress	449,150,436	1,178,847,723	(268,586,764)	-	1,359,411,395
Total Gross Carrying Amount	3,003,868,739				4,666,207,332
	Balance As at 01.04.2007 Rs.	Charge for the Year Rs.	Transfers to Revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
9.8 Depreciation					
At Cost					
Building	68,753,199	15,535,469	-	(84,288,667)	-
Water Supply Scheme	118,361	11,827	-	-	130,188
Lab Equipment	2,259,760	118,991	-	-	2,378,751
Motor Vehicles	11,840,652	6,306,078	-	-	18,146,730
Electricity Distribution	2,771,174	623,993	-	-	3,395,167
Office Equipment	59,913,485	7,438,129	-	(3,950)	67,347,664
Communication Equipment	4,349,997	650,510	-	-	5,000,507
Furniture & Fittings	10,708,088	3,613,435	-	-	14,321,523
Tools & Implements	27,582,276	28,444,625	-	-	56,026,901
Other Equipment	8,629,763	994,301	-	-	9,624,064
Factory Equipment	22,751,457	1,148,689	-	-	23,900,146
Construction Equipment	7,995,273	1,964,414	-	-	9,959,687
Plant and Machinery	714,516,982	122,441,617	-	(3,375,016)	833,583,583
Plant and Machinery Polishing Plant	45,119,118	2,329,997	-	-	47,449,115
Household Item - Heavy	748,968	1,079,879	-	-	1,828,847
Household Item - Light	1,056,379	935,426	-	(250,000)	1,741,802
Showroom Fixtures & Fittings	16,305,635	4,711,167	-	-	21,016,802
Stores Buildings on Lease hold Land	6,351,716	2,288,586	-	(7,054,244)	1,586,058
	1,011,772,283	200,637,132	-	(94,971,877)	1,117,437,538
Assets on Finance Leases					
Office Equipment	3,909,296	2,810,989	-	-	6,720,285
Motor vehicles	-	1,066,380	-	-	1,066,380
	3,909,296	3,877,369	-	-	7,786,665
Total Value of Depreciation	1,015,681,579	204,514,501	-	(94,971,877)	1,125,224,203
9.9 Net Book Values					
At Cost	1,524,206,096				2,153,984,972
On Finance Leases	14,830,630				27,586,761
	1,539,036,726				2,181,571,733
Capital Work-in-progress	449,150,436				1,359,411,396
Total Net Book Value	1,988,187,162				3,540,983,129

Notes to the Financial Statements

Year ended 31 March

9. PROPERTY, PLANT & EQUIPMENT - GROUP (Contd....)

9.10 The fair value of land and buildings was determined by means of a revaluation during the financial year 2008 by Mr. A.A.M. Fathihu, an independent valuer, in reference to market based evidence. The results of such valuation was incorporated in the Financial Statements from its effective date, which is 31 March 2008. The surplus arising from the revaluation net of deferred tax was transferred to a Revaluation Reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

Class of Asset	Gross Carrying Amount Before Last Revaluation Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2008 Rs.	Net Carrying Amount 2007 Rs.
Land	162,978,902	-	162,978,902	6,881,000
Building	415,757,216	81,328,990	497,086,206	19,805,760
	<u>578,736,118</u>	<u>81,328,990</u>	<u>660,065,108</u>	<u>26,686,760</u>

9.11 During the financial year, the Group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 1,237,844,225/- (2007 - Rs. 643,242,888/-)

9.12 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 626,158,419/- (2007 Rs. 564,563,177/-)

	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
10. INTANGIBLE ASSETS & DEFERRED EXPENDITURE				
Balance at the beginning of the year	-	-	8,263,360	23,924,256
Amortized during the period	-	-	(7,758,178)	(15,660,896)
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>505,182</u>	<u>8,263,360</u>

Intangible Assets comprise the balance of development costs, which are being amortised over their useful economic lives of 5 years on a straight line basis. Amortisation of Intangible Assets are included under the administration expenses in the Income Statement.

11. INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Group Holding 2008 2007 % %		Cost 2008 Rs.	Directors' Valuation 2008 Rs.	Cost 2007 Rs.	Directors' Valuation 2007 Rs.
Non-Quoted							
Royal Ceramics Distributors (Pvt) Limited	Sri Lanka	100%	100%	500,000	-	500,000	500,000
Royal Porcelain (Pvt) Limited	Sri Lanka	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000
Rocell Bathware Limited	Sri Lanka	100%	100%	578,999,930	578,999,930	183,073,460	183,073,460
Total Non-Quoted Investments in Subsidiaries				1,079,499,930	1,078,499,930	683,573,460	683,573,460
Total Gross Carrying Value of Investments in Subsidiaries				1,079,499,930		683,573,460	
Provision for decline in value of investment in Royal Ceramics Distributors (Pvt) Ltd				(500,000)		-	
Net Carrying Amount				1,078,999,930		683,573,460	

Notes to the Financial Statements

Year ended 31 March	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
12. OTHER INVESTMENTS				
Non Current				
Non Quoted				
Investments in Equity Securities (Note 12.1)	13,260,000	13,260,000	13,260,000	13,260,000
Current				
Quoted				
Investments in Equity Securities (Note 12.2)	541,754,198	482,898,987	541,754,198	482,898,987
Total Carrying Value of Other Investments	555,014,198	496,158,987	555,014,198	496,158,987
	Company		Group	
	Cost 2008 Rs.	Cost 2007 Rs.	Cost 2008 Rs.	Cost 2007 Rs.
12.1 Investments in Equity Securities - Non Current				
Non-Quoted				
Vallibel Electrics (Pvt) Limited	13,260,000	13,260,000	13,260,000	13,260,000
	13,260,000	13,260,000	13,260,000	13,260,000
	Company		Group	
No. of Shares	Cost 2008 Rs.	Cost 2007 Rs.	Cost 2008 Rs.	Cost 2007 Rs.
2008				
2007				
12.2 Investments in Equity Securities - Current				
Quoted				
Lanka Walltiles PLC	1,250	1,250	40,490	48,470
Lanka Tiles PLC	1,370	1,142	51,510	43,530
Fort Land Investment PLC	-	50,000	-	1,189,287
Hotel Reefcomber PLC	1,327,000	1,327,000	3,907,213	3,907,213
L B Finance PLC	3,195,660	2,229,640	57,004,174	40,605,447
Lanka Ceramics PLC	6,669,000	6,416,000	238,479,633	229,823,169
The Fortress Resorts PLC	18,822,350	18,790,250	242,271,177	242,040,016
			541,754,197	517,657,132
Change in market value of investment		-	(34,758,145)	(34,758,145)
Total net Investments in Quoted Equity Securities			541,754,198	482,898,987
	Company		Group	
No. of Shares	Market Value 2008 Rs.	Market Value 2007 Rs.	Market Value 2008 Rs.	Market Value 2007 Rs.
2008				
2007				
Lanka Walltiles PLC	1,250	1,250	88,750	87,655
Lanka Tiles PLC	1,370	1,142	86,995	53,960
Fort Land Investment PLC	-	50,000	-	800,000
Hotel Reefcomber PLC	1,327,000	1,327,000	1,459,700	1,327,000
L B Finance PLC	3,195,660	2,229,640	73,500,180	78,594,810
Lanka Ceramics PLC	6,669,000	6,416,000	391,803,750	247,016,000
The Fortress Resorts PLC	18,822,350	18,790,250	131,756,450	155,019,562
Total Market Value			598,695,825	482,898,987

Notes to the Financial Statements

Year ended 31 March	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
13. AMOUNTS DUE FROM RELATED COMPANIES				
Rocell Ceramics Limited	137,495,993	127,170,578	137,495,993	127,170,578
Rocell Roofing Limited	509,990	-	509,990	-
	<u>138,005,983</u>	<u>127,170,578</u>	<u>138,005,983</u>	<u>127,170,578</u>

	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
14. INVENTORIES				
Raw Materials	109,866,436	115,464,478	274,112,782	217,813,915
Construction Consumables	2,719,560	2,198,335	2,719,560	2,198,335
Spares & Consumables	113,657,403	97,991,370	233,561,213	168,440,984
Work in Progress	18,470,667	26,667,106	47,397,592	33,457,584
Finished Goods	196,734,050	162,653,423	509,983,267	388,075,316
Goods in Transit	7,059,112	7,979,115	18,115,614	16,266,301
	<u>448,507,228</u>	<u>412,953,827</u>	<u>1,085,890,028</u>	<u>826,252,435</u>
Less : Provision for Obsolete & Slow Moving Stock	<u>(16,837,241)</u>	<u>(4,097,021)</u>	<u>(21,648,341)</u>	<u>(10,248,931)</u>
	<u>431,669,987</u>	<u>408,856,806</u>	<u>1,064,241,687</u>	<u>816,003,504</u>

	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
15. TRADE AND OTHER RECEIVABLES				
Trade Debtors	75,934,696	63,925,907	138,937,183	99,519,106
Provision for Bad & Doubtful Debts	<u>(301,060)</u>	<u>(301,060)</u>	<u>(567,054)</u>	<u>(567,054)</u>
	75,633,637	63,624,847	138,370,129	98,952,052
Receivables - Other	56,798,853	51,733,763	126,395,300	116,053,183
- From Related Parties (Note 15.1)	284,152,423	74,752,689	-	-
Advances and Prepayments	33,193,102	15,045,821	65,643,585	144,496,237
	<u>449,778,015</u>	<u>205,157,120</u>	<u>330,409,014</u>	<u>359,501,472</u>

15.1 Receivables from Related Parties				
Rocell Bathware Ltd	284,152,424	44,944,287	-	-
Royal Porcelain (Pvt) Ltd	-	29,808,402	-	-
	<u>284,152,424</u>	<u>74,752,689</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

Year ended 31 March

	2008		2007	
	Number	Rs.	Number	Rs.
16. STATED CAPITAL - COMPANY				
Fully Paid Ordinary Shares	55,394,692	814,726,453	55,394,692	814,726,453
	<u>55,394,692</u>	<u>814,726,453</u>	<u>55,394,692</u>	<u>814,726,453</u>

The Authorised Capital and Par Value concept in relation to share capital were abolished by the Companies Act No 07 of 2007.

Therefore comparative figures have been restated accordingly. The total amount received by the company or due and payable to company in respect of the issue and calls of the shares are referred to as Stated Capital.

	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
17. RESERVES				
Revaluation Reserve (Note 17.1)	418,388,203	4,167,357	519,122,797	4,167,357
	<u>418,388,203</u>	<u>4,167,357</u>	<u>519,122,797</u>	<u>4,167,357</u>
	Company		Group	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.

17.1 Revaluation Reserve

On: Property, Plant & Equipment

As at 1 April

Revaluation surplus during the year

4,167,357	4,167,357	4,167,357	4,167,357
414,220,846	-	514,955,440	-
<u>418,388,203</u>	<u>4,167,357</u>	<u>519,122,797</u>	<u>4,167,357</u>

The above revaluation surplus consists of the net surplus resulting from the revaluation of Property, Plant and Equipment as described in Note 9.4 and 9.10. The unrealized amount cannot be distributed to shareholders.

	2008			2007		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.

18. INTEREST BEARING

LOANS & BORROWINGS - COMPANY

Finance Leases

& Hire Purchases (Note 18.1)	4,507,830	1,682,161	6,189,991	6,002,873	4,032,929	10,035,802
Long Term Loans (Note 18.2)	220,805,680	524,601,105	745,406,785	201,050,688	401,380,110	602,430,798
Short Term loans (Note 18.3)	111,961,541	-	111,961,541	114,770,848	-	114,770,848
Bank Overdraft (Note 23.2)	270,755,146	-	270,755,146	233,950,153	-	233,950,153
	<u>608,030,197</u>	<u>526,283,266</u>	<u>1,134,313,463</u>	<u>555,774,562</u>	<u>405,413,039</u>	<u>961,187,601</u>

Notes to the Financial Statements

<i>Year ended 31 March</i>	As At 01.04.2007 Rs.	New Leases/ Hire Purchases Obtained Rs.	Repayments Rs.	As At 31.03.2008 Rs.
18. INTEREST BEARING				
LOANS & BORROWINGS - COMPANY (Contd.....)				
18.1 Finance Leases				
Commercial Bank of Ceylon limited	11,191,524	3,627,168	(7,558,852)	7,259,840
	11,191,524	3,627,168	(7,558,852)	7,259,840
Gross Liability	11,191,524			7,259,840
Finance Charges Allocated to Future Periods	(1,155,722)			(1,069,849)
Net liability	10,035,802			6,189,991
Payable within 1 year	6,002,873			4,507,830
Payable after 1 year before 5 years	4,032,929			1,682,161
	10,035,802			6,189,991
Security : Assets Leased				
Terms of Payment : 36 - 48 Installments				
	As At 01.04.2007 Rs.	Loans Obtained Rs.	Repayment Rs.	As At 31.03.2008 Rs.
18.2 Long Term Loans				
Commercial Bank of Ceylon PLC	183,235,000	185,000,000	(91,825,000)	276,410,000
Hatton National Bank PLC	215,065,838	-	(54,334,992)	160,730,846
DFCC Bank PLC	44,400,020	-	(20,492,328)	23,907,692
HSBC Bank	115,500,000	194,500,000	(58,333,333)	251,666,667
NDB Bank PLC	44,229,940	-	(11,538,360)	32,691,580
	602,430,798	379,500,000	(236,524,013)	745,406,785
Payable within 1 year	201,050,688			220,805,680
Payable after 1 year	401,380,110			524,601,105
	602,430,798			745,406,785
Details of the Long Term Loans;				
Details of the Long Term Loans of the company are given in note 18.7				
	As At 01.04.2007 Rs.	Loans Obtained Rs.	Repayment Rs.	As At 31.03.2008 Rs.
18.3 Short Term Loans				
Commercial Bank of Ceylon PLC	78,000,000	186,144,452	(174,144,452)	90,000,000
Seylan Bank PLC	9,529,000	44,263,000	(42,759,000)	11,033,000
Hatton National Bank PLC	4,027,350	1,852,950	(5,880,300)	-
Bank of Ceylon	-	10,261,800	(10,261,800)	-
Sampath Bank PLC	23,214,498	43,927,598	(56,213,555)	10,928,541
	114,770,848	286,449,800	(289,259,107)	111,961,541

Notes to the Financial Statements

Year ended 31 March

18.4 INTEREST BEARING

LOANS & BORROWINGS - GROUP

	2008			2007		
	Amount Repayable Within I Year Rs.	Amount Repayable After I Year Rs.	Total Rs.	Amount Repayable Within I Year Rs.	Amount Repayable After I Year Rs.	Total Rs.
Finance Leases						
& Hire Purchases (Note 18.5)	7,171,876	12,098,853	19,270,729	6,002,873	4,032,929	10,035,802
Long Term Loans (Note 18.6)	452,168,234	1,348,950,832	1,801,119,066	327,610,816	1,029,007,867	1,356,618,683
Short Term loans (Note 18.8)	310,942,268	-	310,942,268	167,674,537	-	167,674,537
Bank Overdraft (Note 24.2)	435,225,201	-	435,225,201	338,120,793	-	338,120,793
	<u>1,205,507,579</u>	<u>1,361,049,685</u>	<u>2,566,557,263</u>	<u>839,409,019</u>	<u>1,033,040,796</u>	<u>1,872,449,819</u>

	As At 01.04.2007 Rs.	New Leases/ Hire Purchases/ Obtained Rs.	Repayments Rs.	As At 31.03.2008 Rs.
18.5 Finance Leases				
Commercial Bank of Ceylon PLC	11,191,524	23,814,688	(9,007,179)	25,999,033
	<u>11,191,524</u>	<u>23,814,688</u>	<u>(9,007,179)</u>	<u>25,999,033</u>
Gross Liability	11,191,524			25,999,033
Finance Charges Allocated to Future Periods	(1,155,722)			(6,728,304)
Net liability	<u>10,035,802</u>			<u>19,270,729</u>
Payable within I year	6,002,873			7,171,876
Payable after I year before 5 years	4,032,929			12,098,853
	<u>10,035,802</u>			<u>19,270,729</u>
Security : Assets Leased				
Terms of Payment : 24 - 48 Installments				
	As At 01.04.2007 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2008 Rs.

18.6 Long Term Loans				
Commercial Bank of Ceylon PLC	742,344,108	419,926,062	(191,073,360)	971,196,810
Hatton National Bank PLC	304,632,965	212,413,154	(69,334,992)	447,711,127
DFCC Bank PLC	149,911,670	-	(52,058,788)	97,852,882
HSBC Bank	115,500,000	194,500,000	(58,333,333)	251,666,667
NDB Bank PLC	44,229,940	-	(11,538,360)	32,691,580
	<u>1,356,618,683</u>	<u>826,839,216</u>	<u>(382,338,833)</u>	<u>1,801,119,066</u>
Payable within I year	327,610,816			452,168,234
Payable after I year	<u>1,029,007,867</u>			<u>1,348,950,832</u>
	<u>1,356,618,683</u>			<u>1,801,119,066</u>

Notes to the Financial Statements

Year ended 31 March

18.7 Details of Loan term Loans

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs. Mn	Included Under
Company : Royal Ceramics Lanka PLC						
Hatton National Bank PLC	Rs.200 Million	Expansion of production capacity	96 equal monthly installments commencing from 3rd December 2002	Negative pledge over Company's unencumbered assets	200 Mn	Property Plant & Equipment
				Primary Floating Mortgage bond over Plant & Machinery & Land at Eheliyagoda	350.3 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs.75 Million	For the purpose of rescheduling of existing loan	96 equal monthly installments commencing from 10th December 2002	Negative pledge over Company's unencumbered assets	75 Mn	Property Plant & Equipment
				Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	350.3 Mn	Property Plant & Equipment
Commercial Bank PLC	Rs.20 Million	Refurbishment of showrooms & Head Office	48 equal monthly installments commencing from May 2004	Mortgage over lands at- 101 Nawala Road, Nugegoda, 472 High Level Road-Nugegoda & BaddeggedaraMulla-Meegoda.	137 Mn	Property Plant & Equipment
Commercial Bank PLC	Rs.85 Million	Refurbishment of showrooms & Head Office and purchasing land	60 equal monthly installments commencing from January 2005	Mortgage over lands at- 101 Nawala Road, Nugegoda, 472 High Level Road-Nugegoda & BaddeggedaraMulla-Meegoda.	137 Mn	Property Plant & Equipment
DFCC Bank PLC	Rs.100 Million	Expansion of production capacity	60 equal monthly installments commencing from July 2004	Mortgage over selected plant & machinery at factories in Eheliyagoda & Horana.	100 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs. 100 Million	Settlement of short term loan of NDB & to finance remaining capital expenditure	60 equal monthly installments commencing from Sept 2006	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	350.3 Mn	Property Plant & Equipment
Commercial Bank PLC	Rs. 73 Million	Purchase of premises at Nawala, Kottawa & land bordering Horana Factory premises, Changing the layout of the Head Office premises & construction of new showrooms at Nittabuwa, Gampaha and Ambalangoda.	60 equal monthly installments commencing from April 2006	Mortgage over lands at- 101 Nawala Road, Nugegoda, 472 High Level Road-Nugegoda & BaddeggedaraMulla-Meegoda.	137 Mn	Property Plant & Equipment
HSBC Limited	Rs. 310 Million	Purchase of machinery	48 installments- 6months grace period commencing from June 2008	Primary mortgage over selected machinery at Rocell Bathware	300 Mn	Property Plant & Equipment
NDB Bank PLC	Rs. 50 Million	Working capital requirements	60 equal monthly installments commencing from October 2006	Primary mortgage bond of 10 Million shares of Fortress Resorts PLC	100 Mn	Investments

Notes to the Financial Statements

Year ended 31 March

18.7 Details of Long term Loans (Contd.....)

Commercial Bank PLC	Rs. 185 Million	To finance the cost of machinery imported for Rocell Bathware Ltd.and /or to meet construction costs relating to the Rocell Bathware Ltd project.	65 equal monthly installments with 1 year grace period	Primary mortgage bond over shares of Fortress Resorts PLC, LB Finance PLC and Lanka Ceramics PLC	85Mn	Investments
Company : Royal Porcelain (Pvt) Ltd						
Hatton National Bank PLC	Rs.75 Million	Importation of machinery for the new walltile plant	60 equal monthly installments commencing from April 2005	Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (Between HNB, DFCC & Commercial) over the factory premises in Horana togetherwith existing machinery & the machinery to be Imported	55Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	75Mn	
DFCC Bank PLC	Rs.150 Million	Purchase of a Walltile manufacturing plant	60 equal monthly installments commencing from August 2005	Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (Between HNB, DFCC & Commercial) over the factory premises in Horana togetherwith existing machinery & the machinery to be Imported	Rs. 132 Mn	Property Plant & Equipment
Commercial Bank PLC	Rs. 400 Million	Capital expenditure of the group	60 equal monthly installments commencing from December 2006	Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (Between HNB, DFCC & Commercial) over the factory premises in Horana togetherwith existing machinery & the machinery to be Imported	Rs. 400 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 400Mn	
Commercial Bank PLC	Rs. 45 Million	Importation of a printing machine & a complete sorting & pallertizer machine for the walltile manufacturing project.	60 equal monthly installments commencing from July 2006	Primary Mortgage bond over a printing machine & a complete sorting & pallertizer machine.	Rs. 45 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 45 Mn	
Commercial Bank PLC	Rs. 55 Million	To finance the cost of 02 Ball Mills and Batch Feeder	60 equal monthly installments with 6 months grace commencing from april 2008	Primary Mortgage bond over 2 Ball Mills & batch Feeder.	Rs. 55 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 55 Mn	
Commercial Bank PLC	Rs. 22 Million	To finance the cost of a Rotocolor Machine	60 equal monthly installments with 6 months grace	Primary Mortgage bond over Rottocolor Machine.	Rs. 22 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 22 Mn	
Commercial Bank PLC	Rs. 14 Million	To finance the cost of a Dedusting System & Vaccum Cleaner	60 equal monthly installments with 6 months grace commencing from 2008	Primary Mortgage bond over Dedusting System & Vaccum cleaner.	Rs. 14 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 14 Mn	

Notes to the Financial Statements

Year ended 31 March

18.7 Details of Long term Loans (Contd....)

Commercial Bank PLC	Rs. 15 Million	To finance the the cost of an additional raw material storage building at the factory premises at Horana	60 equal monthly installments with 6 months grace commencing from June 2008	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 15 Mn	
Company : Rocell Bathware Limited						
Commercial Bank of Ceylon PLC	Rs. 150 Million	Machines imported/ to be imported	66 installments with grace period of 15 months commencing from Dece 2008	Primary concurrent mortgage bond with HNB over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs. 450Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn	
Hatton National Bank PLC	Rs. 300 Million	Importation of plant & machinery & to meet other cost associated with the Sanitary ware project.	66 installments with grace period of 15 months commencing from July 2008	Primary Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs.450 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 300 Mn	
Hatton National Bank PLC	Rs. 150 Million	To retire the L/Cs opened for Rocell Bathware Ltd. To import required plant & machinery/ pre-engineered structure	66 installments with grace period of 15 months commencing from March 2009	Primary Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs.600 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn	

	As At 01.04.2007 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2008 Rs.
18.8 Short Term Loans				
Commercial Bank of Ceylon PLC	92,009,575	360,938,060	(276,825,268)	176,122,365
Seylan Bank PLC	34,076,000	179,732,000	(185,810,000)	27,998,000
Hatton National Bank PLC	18,374,464	45,040,449	(59,602,372)	3,812,543
Bank of Ceylon	-	10,261,800	(10,261,800)	-
Sampath Bank PLC	23,214,498	43,927,598	(56,213,555)	10,928,541
Standard Chartered Bank	-	90,000,000	-	90,000,000
HSBC Limited	-	2,080,819	-	2,080,819
	<u>167,674,537</u>	<u>(731,980,726)</u>	<u>588,712,995</u>	<u>310,942,268</u>

Notes to the Financial Statements

Year ended 31 March

19 INCOME TAX EXPENSE (Contd....)

		Balance Sheet	
		2008	2007
		Rs.	Rs.
19.2 Deferred Tax Liability - Company & Group			
Capital allowances for tax purposes		49,236,296	55,968,932
Revaluation of land & building		51,044,902	-
		<u>100,281,198</u>	<u>55,968,932</u>
Deferred Tax Assets - Company & Group			
Defined benefit plan liability		(14,753,257)	(13,576,662)
Net Deferred Tax liability		<u>85,527,941</u>	<u>42,392,270</u>

Royal Ceramics Distributors (Pvt) Ltd which is a fully owned subsidiary of Royal Ceramics Lanka PLC has a Tax Loss that is available indefinitely for offset against future taxable profit of the Company subject to the limit of 35% of taxable profit each year of assessment. A deferred tax asset has not been recognized in respect of this tax loss as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

20. RETIREMENT BENEFIT OBLIGATIONS

	Balance 01.04.2007 Rs.	Charge for the Year Rs.	Payments during the Year Rs.	Balance 31.03.2008 Rs.
20.1 Retirement Benefit Obligations - Company				
Retirement Benefit Obligation - Gratuity	38,790,464	8,813,444	(2,847,348)	44,756,560
	<u>38,790,464</u>	<u>8,813,444</u>	<u>(2,847,348)</u>	<u>44,756,560</u>
	Charge Balance 01.04.2007 Rs.	Payments for the Year Rs.	Payments during the Year Rs.	Balance 31.03.2008 Rs.
20.2 Retirement Benefit Obligations - Group				
Retirement benefit Obligation - Gratuity	43,681,198	12,035,452	(3,176,178)	52,540,473
	<u>43,681,198</u>	<u>12,035,452</u>	<u>(3,176,178)</u>	<u>52,540,473</u>

	Company		Group	
<i>Year ended 31 March</i>	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
21. TRADE AND OTHER PAYABLES				
Trade Creditors	48,213,918	23,874,803	129,020,939	108,849,882
liabilities - Other	41,627,430	36,942,388	67,657,259	57,410,940
To Related Parties (Note 21.I)	519,391,147	40,202,477	-	-
Sundry Creditors Including Accrued Expenses	70,797,127	49,898,744	110,596,795	75,195,542
	680,029,622	150,918,412	307,274,993	241,456,364
21.I Payable to Related Parties				
Royal Porcelain (Pvt) Ltd	519,391,147	-	-	-
Royal Ceramics Distributors (Pvt) Ltd	-	40,202,477	-	-
	519,391,147	40,202,477	-	-
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
22. DIVIDEND PAYABLE				
Total Unclaimed Dividend	10,504,761	20,141,515	10,504,761	20,141,515
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
23. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT				
Components of Cash and Cash Equivalents				
23.1 Favorable Cash & Cash Equivalent Balances				
Cash & Bank Balances	37,801,945	47,891,566	49,357,279	70,038,689
23.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft	(270,755,146)	(233,950,153)	(435,225,201)	(338,120,793)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(232,953,201)	(186,058,587)	(385,867,922)	(268,082,104)

Notes to the Financial Statements

Year ended 31 March

24 SEGMENT INFORMATION & REVENUE

Primary reporting format - Business Segments. As at 31 March 2008, the qualifying segments under business segment reporting are as follows:

- Tiles
- Sanitaryware

	Tiles		Sanitaryware		Total	
	2008	2007	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue						
Sales to external customers	3,474,818,758	2,594,179,686	-	-	3,474,818,758	2,594,179,686
Inter-segment Sales	-	-	-	-	-	-
Total Revenue	<u>3,474,818,758</u>	<u>2,594,179,686</u>	<u>-</u>	<u>-</u>	<u>3,474,818,758</u>	<u>2,594,179,686</u>
Results						
Gross profit	1,472,464,368	1,039,213,661	-	-	1,472,464,368	1,039,213,661
Other Income					59,351,229	12,976,295
Unallocated Expenses					(539,457,482)	(475,793,215)
Profit before tax, finance costs					992,358,115	576,396,741
Finance Costs					(348,962,197)	(192,901,349)
Profit before Income Tax					643,395,918	383,495,392
Income Tax Expense					(32,610,039)	(54,463,636)
Net Profit for the year					<u>610,785,879</u>	<u>329,031,756</u>
Assets and Liabilities						
Segment Assets	4,283,591,631	3,424,634,073	1,395,863,191	441,628,029	5,679,454,822	3,866,262,102
Total assets					<u>5,679,454,822</u>	<u>3,866,262,102</u>
Segment Liabilities	2,192,366,081	2,232,153,920	833,678,834	269,194,204	3,026,044,915	2,501,348,124
Total Liabilities					<u>3,026,044,915</u>	<u>2,501,348,124</u>
Other Segment Information						
Property, Plant & Equipment acquired on cash	310,288,169	305,677,064	927,556,060	337,429,354	1,237,844,229	643,106,418
Depreciation	201,557,204	113,060,785	980,000	490,000	202,537,204	113,550,785
Provisions of Employee Benefit Liabilities during the year	11,799,739	10,590,330	235,713	-	12,035,452	10,590,330

Notes to the Financial Statements

Year ended 31 March

25. CONTINGENT LIABILITIES

Company has issued corporate guarantees in favour of its subsidiaries Royal Porcelain (Pvt) Ltd and Rocell Bathware Ltd securing the loan amount, interest and other charges relating to as stated in note 18.7

26. CAPITAL COMMITMENTS

The Group and Company's commitment for acquisition of Property, Plant and Equipments incidental to the ordinary course of business as at 31 st March, as follows

	Company		Group	
	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.
Contracted but not provided for	91,035,447	33,227,241	130,547,839	497,636,864
Authorised by the Board, but not contracted for	-	-	-	50,820,000
	<u>91,035,447</u>	<u>33,227,241</u>	<u>130,547,839</u>	<u>548,456,864</u>

No provision has been made in these Financial Statements in this regard as at 31 March 2008

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date that require adjustment or disclosure in the Financial Statements

28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

28.1 Transaction with the Related Entities

	Subsidiaries *	
	2008	2007
	Rs.	Rs.
Nature of Transaction		
Sale of Goods/Services	17,529,722	4,897,298
Purchase of Goods/Services	(26,725,545)	(12,199,670)
Rendering of Services	60,000	60,000
Dividend Income	57,500,002	115,000,000
Management Fees	103,500,000	80,000,000
Investments made by the Company	-	(159,452,715)
Net of Fund Transfers	935,116,802	378,422,627
Guarantees Given	(1,076,000,000)	(970,000,000)

* Subsidiaries of the Group include Royal Porcelain (Pvt) Limited, Rocell Bathware Limited and Royal Ceramics Distributors (Pvt) Limited.

	2008	2007
	Rs.	Rs.
28.2 Compensation to Key Management Personnel (*)		
Short Term Employee Benefit	<u>23,740,592</u>	<u>22,533,010</u>

(*) Key management personnel include the Board of Directors of the Company and Directors in subsidiary companies.

Notes to the Financial Statements

<i>Year ended 31 March</i>	Other Related Companies	
	2008	2007
	Rs.	Rs.
28. RELATED PARTY DISCLOSURES (Contd.....)		
28.5 Transactions, arrangements and agreements involving companies controlled by the shareholder with significant influence.		
Nature of Transaction		
Sales of Goods/Services	1,959,596	10,101,918
Purchase of goods/services	(1,359,651)	(659,160)
Dividend Received	-	1,433,340
Investments made	(16,629,888)	(48,472,083)
Loans Obtained	43,927,598	50,000,000
Net of Fund Transfers	-	9,000,000

*Other Related Companies as cited below represent transactions with entities either controlled or in which significant influence is held by Key Management Personnel or their close family members.

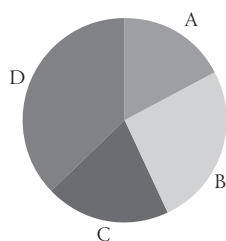
- Connaissance Holdings PLC ,Kandyan Resorts (Pvt) Limited, L B Finance PLC, Hotel Reefcomber PLC, Vallible Electrics (Pvt) Limited, Vallible Lanka (Pvt) Limited, The Fortress Resorts PLC.

Refer notes 13, 15 and 21 to these Financial Statements for the outstanding balances with Related Parties.

Group Value Added Statement

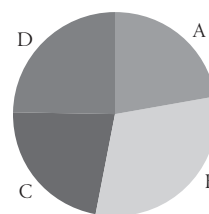
	2007/2008 Rs.000's			2006/2007 Rs.000's		
Turnover		3,971,252			2,957,038	
Other Income		59,351			12,976	
		<u>4,030,603</u>			<u>2,970,014</u>	
Less: Cost of Material & Services bought in		<u>(1,985,245)</u>			<u>(1,615,337)</u>	
		<u>2,045,358</u>			<u>1,354,678</u>	
Value Allocated to Employees						
Salaries, Wages and other benefits	354,908	354,908	17.4%	301,872	301,872	22.3%
To Government						
Income Tax	32,610			54,464		
GST, NSL, VAT & TT	496,433	529,043	25.9%	362,858	417,322	30.8%
To Providers of Capital						
Dividend	55,394			110,789		
Loan Interest	348,962	404,356	19.8%	192,901	303,690	22.4%
To Expansion & Growth						
Retained in Business	555,391			218,242		
Depreciation	201,660	757,051	37.0%	113,551	331,793	24.5%
		<u>2,045,358</u>	<u>100.0%</u>		<u>1,354,678</u>	<u>100.0%</u>

Value Added - 2008



	2008
A Value Allocated to Employees	17.4%
B To Government	25.9%
C To Providers of Capital	19.8%
D To Expansion & Growth	37.0%

Value Added - 2007

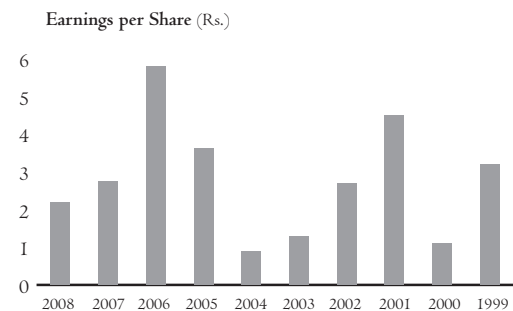
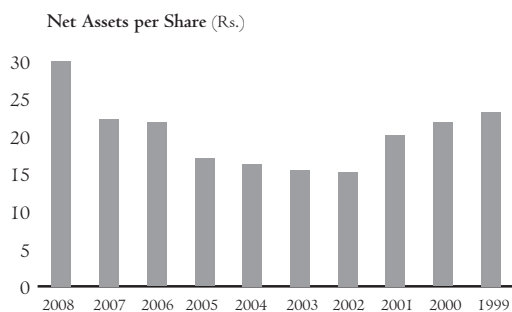
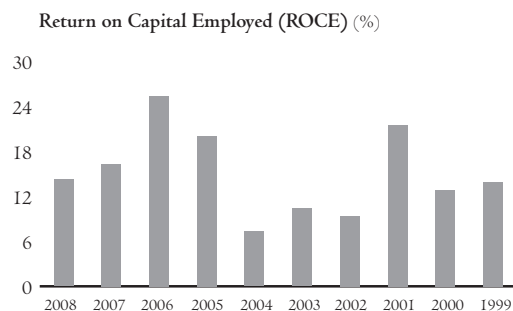
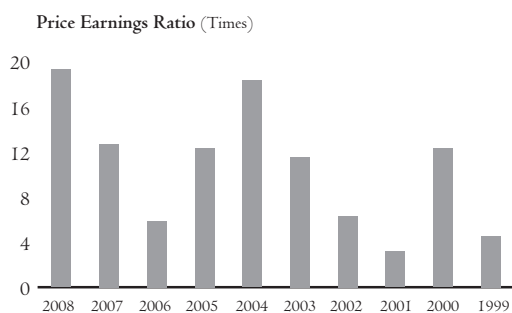
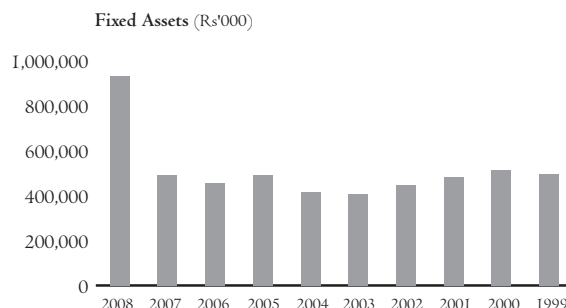
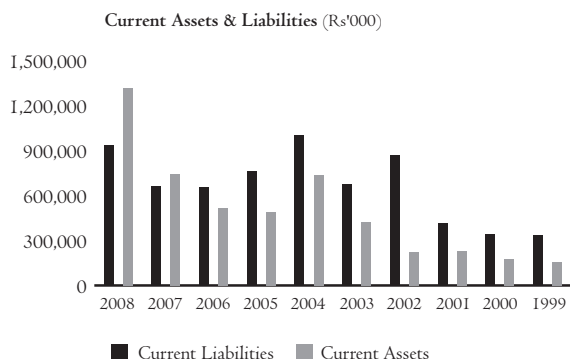


	2007
A Value Allocated to Employees	22.3%
B To Government	30.8%
C To Providers of Capital	22.4%
D To Expansion & Growth	24.5%

Ten Year Summary - Company

	2008 Rs'000	2007 Rs'000	2006 Rs'000	2005 Rs'000	2004 Rs'000	2003 Rs'000	2002 Rs'000	2001 Rs'000	2000 Rs'000	1999 Rs'000
Trading Results										
Net Turnover	1,484,123	1,362,397	1,193,481	976,298	703,429	665,488	610,692	624,387	573,336	564,193
Other Income	202,217	200,300	119,820	168,545	69,789	78,101	4,903	1,536	1,115	4,165
Profit before Interest	356,391	337,323	441,354	285,289	80,937	161,139	104,061	149,656	87,005	101,238
Interest	(207,114)	(126,998)	(76,291)	(60,309)	(39,523)	(48,263)	(9,551)	(5,584)	(3,587)	(3,119)
Profit after Interest before tax	149,276	210,325	365,063	224,980	41,414	112,876	94,510	144,072	83,418	98,119
Taxation	(27,310)	(57,511)	(44,048)	(23,093)	7,210	(41,097)	(2,035)	(5,666)	(209)	(1,227)
Profit after Taxation	121,966	152,814	321,015	201,887	48,624	71,779	92,475	138,406	83,209	96,892
Deferred Revenue Expenditure	-	-	-	-	-	-	-	-	-	(3,055)
Prior Year Adjustments	-	-	-	-	-	-	-	-	(50,000)	-
Net Profit	121,966	152,814	321,015	201,887	48,624	71,779	92,475	138,406	33,209	93,837
Balance Sheet										
Stated Capital	814,726	814,726	814,726	814,726	814,726	814,726	814,726	574,735	307,748	307,748
Capital Reserve	418,388	4,168	4,168	4,168	4,168	4,168	4,168	4,168	271,155	271,155
Retained Earnings	430,660	415,134	373,109	121,637	85,935	37,310	20,925	39,240	90,981	134,709
Share holders funds	<u>1,663,775</u>	<u>1,234,028</u>	<u>1,192,003</u>	<u>940,530</u>	<u>904,828</u>	<u>856,203</u>	<u>839,818</u>	<u>618,143</u>	<u>669,884</u>	<u>713,612</u>
Fixed Assets	929,883	489,995	455,546	490,390	415,689	403,628	444,604	482,094	510,831	493,809
Investments	1,772,020	1,306,903	979,964	545,519	522,911	500,500	500	500	500	50,500
Current Assets	919,250	661,905	650,981	762,052	1,001,260	676,892	864,372	417,487	342,279	333,131
Current Liabilities	(1,300,811)	(738,180)	(515,441)	(485,338)	(734,260)	(420,015)	(219,422)	(227,759)	(173,672)	(156,100)
Non Current Liabilities	(656,568)	(486,596)	(379,047)	(372,093)	(300,772)	(304,802)	(250,236)	(54,179)	(10,054)	(7,728)
	<u>1,663,775</u>	<u>1,234,028</u>	<u>1,192,003</u>	<u>940,530</u>	<u>904,828</u>	<u>856,203</u>	<u>839,818</u>	<u>618,143</u>	<u>669,884</u>	<u>713,612</u>
Ratios & Statistics										
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Ordinary Dividend (Rs.000's)	55,395	110,789	55,395	110,789	55,394	55,394	110,789	153,874	76,937	92,324
Effective Rate of Dividend (%)	10	20	10	20	10	10	20	50	25	30
Dividend per share	1.00	2.00	2.00	2.00	1.00	1.00	2.00	5.00	2.50	3.00
Earnings Per Share (Rs.)	2.20	2.76	5.81	3.64	0.90	1.30	2.70	4.50	1.10	3.20
Closing Market Value Per Share (Rs.)	42.50	35.00	34.00	45.00	16.50	15.00	17.00	14.30	13.50	14.50
Highest Market Value Per Share (Rs.)	45.00	43.00	50.00	57.50	28.20	22.50	33.00	18.00	17.00	18.00
Price Earnings Ratio (Times)	19.30	12.69	5.85	12.35	18.33	11.54	6.30	3.18	12.27	4.53
Net Assets Per Share (Rs.)	30.03	22.28	21.79	16.98	16.30	15.50	15.20	20.10	21.80	23.20
ROCE (%)	14.18	16.26	25.29	19.98	7.31	10.34	9.36	21.42	12.77	13.86

Graphical Review of Ten Year Summary - Company



Share Information

Shareholders

There were 14,982 registered shareholders as at 31st March 2008, distributed as follows

Number of Shares held	No. of shareholders	% of no. of Shareholders	No. of shares	% share holding
I - 1,000	13,794	92.07	2,020,243	3.65
1,001 - 5,000	840	5.61	1,925,834	3.48
5,001 - 10,000	147	0.98	1,114,537	2.01
10,001 - 50,000	151	1.01	3,235,378	5.84
50,001 - 100,000	24	0.16	1,731,910	3.13
100,001 - 500,000	19	0.13	4,011,307	7.24
500,001 - 1,000,000	2	0.01	1,513,960	2.73
over 1,000,000	5	0.03	39,841,523	71.92
Total	14,982	100	55,394,692	100

36.79% of shares were held by the public as 31st March 2008

Category Shareholders	No. of Shareholders	% of No. of Holding	Total Holding	Total Holding %
Individual	14,607	97.50	34,215,071	61.77
Institutional	375	2.50	21,179,621	38.23
Total	14,982	100	55,394,692	100

Category Shareholders	No. of Shareholders	% of No. of Holding	Total Holding	Total Holding %
Residents	14,885	99.35	54,141,139	97.74
Non- residents	97	0.65	1,253,553	2.26
Total	14,982	100	55,394,692	100

Share Information

Twenty Major Shareholders

Shareholder	No. of Shares as at 31.03.2008	% of Issued Capital	No. of Shares as at 31.03.2007	% of Issued Capital
1 Mr. Kulappuarachchige Don Dhammika Perera	28,351,686	51.18	28,351,686	51.18
2 Mr. Amarakone Mudiyansele Weerasinghe	5,664,012	10.22	5,674,712	10.24
3 Bank of Ceylon A/C Ceybank Unit Trust	4,644,626	8.38	3,612,126	6.52
4 Nuwara Eliya Property Developers (Pvt) Ltd	1,181,200	2.13	1,121,000	2.02
5 Mrs. Pushpa Narhari Bhatt	788,940	1.42	809,440	1.46
6 Ceylinco Shriram Capital Management Services Co. (Pvt) Ltd/Mr. D. L. B. C. Perera	725,020	1.31	725,020	1.31
7 Pershing LLC S/A Averbach Grauson & Co.	465,000	0.84	140,000	0.25
8 Bank of New York-Bear Stearns Securities Corporation	433,100	0.78	-	-
9 Mr. Felix Premachandra De Alwis	307,033	0.55	307,033	0.55
10 Mr. Rosanth Percival Leo Eheliyagoda	300,880	0.54	300,880	0.54
11 Seylan Bank PLC/Mr. Jayantha Dewage	268,500	0.48	200,000	0.36
12 Mr. Horanagamage Don Anton Damascene Perera	236,300	0.43	-	-
13 Eagle Insurance Company Limited A/c No. 3	230,000	0.42	-	-
14 Mr. Malawige Tissaka Lal Fernando	202,977	0.37	202,977	0.37
15 Bhadra Investments Limited	185,300	0.33	200,000	0.36
16 Hongkong And Shanghai Banking Corp-Com Trust Equipment Fund	182,700	0.33	-	-
17 Mrs. Nanda Padmini Dangampola	160,908	0.29	160,908	0.29
18 First Capital Markets Limited/Mr. P.A.F. Perera	150,000	0.27	150,000	0.27
19 Sampath Bank PLC - Account No. I	142,050	0.26	142,050	0.26
20 Sampath Bank PLC - Account No. 3	141,550	0.26	141,550	0.26

Market Values per Share

	2007/2008	2006/2007
Market Value per share	High	45.00
	Low	47.00
	Closing	26.00
		30.50
		42.50
		35.00

Glossary of Financial Terms

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Capital Employed

Total assets less interest free liabilities.

Capital Reserves

Profits of a Company that for various reasons are not regarded as distributable to shareholders as dividends. These include gains on revaluation of capital assets and share premium.

Cash and Cash Equivalent

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingencies

A condition or situation existing at balance sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Current Ratio

Current assets divided by current liabilities.

Deferred Taxation

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

Dividend Cover

Post-tax profit divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Earnings Per share

Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

Gearing

Borrowings to permanent capital. Borrowings include all interest bearing liabilities.

Gross Dividend

Portion of profits inclusive of tax withheld distributed to shareholders.

Net Assets Per Share

Shareholders' Funds divided by the number of ordinary shares issued.

Operating Profit Margin

Operating profit divided by group turnover.

Price Earnings Ratio

Market price of a share divided by earnings per share.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on Capital Employed

Profit before interest divided by average capital employed.

Return on Shareholders' Funds

Attributable profits divided by average Shareholders' Funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Shareholders' Funds

Total of issued & fully paid up capital and reserves.

Value Addition

The quantum of wealth generated by the activities of the group and its application.

Working Capital

Capital required to finance the day-to-day operations (current assets minus current liabilities).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Royal Ceramics Lanka PLC will be held at 11.00 a.m on Tuesday the 27th June 2008 at 'Vista', Level 36, East Tower, World Trade Centre, Colombo 01. for the following purpose:-

1. To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st March, 2008 together with the Report of the Auditors thereon.

2. To re-elect Mr. T. G. Thoradeniya, who retires by rotation in terms of Article 85 of the Articles of Association as a Director of the Company.

3. To re-elect Mr. M. T. L. Fernando as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

"RESOLVED that Mr. M. T. L. Fernando who has reached the age of 81 be and is hereby re-elected as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007."

4. To re-elect Mr. B. M. Amarasekera as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr. B. M. Amarasekera who has reached the age of 78 be and is hereby re-elected as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

5. To re-elect Mr. F. P. de Alwis as a director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr. F. P. de Alwis who has reached the age of 86 be and is hereby re-elected as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

6. To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorized the Directors to determine their remuneration.

7. Special Business

To authorize the Directors to determine payments for the year 2008/2009 for charitable and other purposes as set out in the Companies donations Act (Cap. 147)

By Order of the Board of

Royal Ceramics Lanka PLC

(sgd)

Secretaries & Registrars (Private) Ltd.

Secretaries

Colombo

22nd May, 2008

Notice of Meeting

Note:

- i. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend instead of him/her. A Proxy may vote on a poll (any join in demanding a poll) but not on a show of hands.
- ii. A form of Proxy is enclosed in this Report.
- iii. The completed form of Proxy should be deposited at the Registered office of the Company at No. 10, R. A. De Mel Mawatha, Colombo 03 not less than 48 hours before time for holding the Meeting.
- iv. Shareholders/ Proxies attending the meeting are requested to bring their National Identity Card or Passport.

Form of Proxy

* I/We of.....
being * a Member /Members of Royal Ceramics Lanka PLC, do hereby appoint
..... of.....
.....or failing him /her

Mr. A.M. Weerasinghe	of Colombo or failing him
Mr. K. D. D. Perera	of Colombo or failing him
Mr. F.P.de Alwis	of Colombo or failing him
Mr. M. T .L. Fernando	of Colombo or failing him
Mr. B.M. Amarasekera	of Colombo or failing him
Mr. R.B. Thambiyah	of Colombo or failing him
Mr. W. D.N. H. Perera	of Colombo or failing him
Mr. T.G. Thoradeniya	of Colombo or failing him
Mr. K.D.H. Perera	of Colombo or failing him
Mr. L T. Samarawickrema	of Colombo or failing him

as * my /our proxy to attend at the 18th Annual General Meeting of the Company to be held on Tuesday the 27th June 2008 at 'Vista', Level 36, East Tower, World Trade Centre, Colombo 01 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1. To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st March 2008 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. T. G. Thoradeniya who retires by rotation in terms of Article 85 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. M. T. L. Fernando, who retires in terms of section 210 of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. B. M. Amarasekera, who retires in terms of section 210 of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. F. P. de Alwis, who retires in terms of section 210 of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize the Directors to determine payments for the year 2008/2009 for charitable and other purposes as set out in the Companies Donations Act (Cap. 147)	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday ofTwo Thousand Eight.

Notice

- 1 * Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.
3. If you wish your proxy to speak at the meeting you should interpolate the words "and to speak" immediately after the words "to vote"

INSTRUCTIONS AS TO COMPLETIONS

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 67 of the Articles of Association of the Company;
 - (i) in the case of an individual shall be signed by the appointer or by his attorney; and
 - (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the Corporation
4. In terms of Article 62 of the Articles of Association of the Company

In the case of joint-holders of a share the senior who tenders a vote, whether in person or by proxy or by attorney or by representatives, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 10, R. A. De Mel Mawatha, Colombo 3 not less than forty eight (48) hours before the appointed time for the meeting.