



Royal Ceramics Lanka PLC
Annual Report 2008-2009



*experience
perfection*

At Rocell, we're not just manufacturing the finest quality tiling and bathware solutions for every application. We're giving you the opportunity to experience perfection.

Our flawlessly crafted, yet highly functional wall and floor tiles offer you new ways to think about the environments you occupy... the colours and textures of your dreams and moods.

Experience it.



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



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

	2009 Rs. '000	2008 Rs. '000	Change %
Turnover			
- Gross	4,250,995	3,971,252	7%
- Net	3,741,172	3,474,819	8%
Profit before Taxation	537,892	643,396	-16%
Profit after Tax	517,882	610,786	-15%
Gross dividends	110,789	55,395	100%
Interest cover (No. of times)	2.28	2.84	-20%
Dividend cover (No. of times)	4.67	11.03	-58%
ROCE (%)	16.9%	23.0%	-27%

As at 31st March

Shareholders funds	3,060,502	2,653,410	15%
Total assets	6,198,462	5,679,455	9%
Group employment (No. of persons)	1,385	1,178	18%
Current ratio (current assets : current liabilities)	1.04:1	1.30:1	

Per share

(Issued & fully paid shares 55,394,692 of Rs.10/- each)

Earnings (Rs.)	9.35	11.03	-15%
Dividend (Rs.)	2.00	1.00	100%
Net Assets (Rs.)	55.25	47.90	15%
Market value (Rs.)	27.50	42.50	-26%
Cash flow from operations (Rs.)	6.13	10.98	-44%

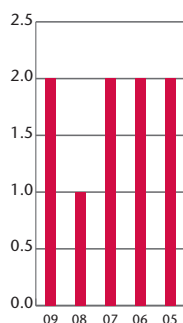
Net sales Rs. 3,741 Mn. (2008 - 3,475 Mn.)

Net profit for the year Rs. 518 Mn. (2008 - 611 Mn.)

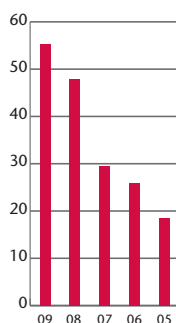
Earnings per share Rs. 9.35 (2008 - Rs. 11.03)

Dividend per share Rs. 2.00 (2008 - Rs. 1)

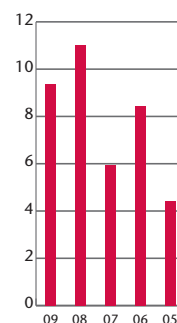
Dividend Per Share (Rs)



Net Assets Per Share (Rs)



Earnings Per Share (Rs)



hairman's Statement

It is my pleasure to present to you the annual report of Royal Ceramics Lanka Plc for the year 2008/09 and welcome you to our 19th annual general meeting of shareholders.

I am happy to report that your company recorded overall growth in terms of revenue for the year under review, despite operating amidst difficult conditions created by the global financial crisis and local macro economic constraints.

The global recession and its implications to the Sri Lankan economy made 2009 a very challenging one for not only Rocell, but for the entire ceramics industry. Despite a slowdown in the construction and housing markets, the Group achieved a growth of 7.7% in terms of revenue in 2008/09. Profit before tax (PBT) however saw a negative growth of 16.4% falling to Rs. 538 million mainly due to a fall in value of short term investments. Company achieved the same operating profit despite challenging macroeconomic environment. Similarly the Group achieved a net profit of Rs. 517 million, 15.21% lower than that experienced the previous year. Our earnings per share (EPS) was Rs. 9.35 for the year in review. An interim dividend of Rs. 1/- per share was paid to our shareholders in 2008/09.

Despite unfavourable macro economic conditions, Rocell marked a milestone in its expansion strategy by introducing a state of the art Bathware collection in 2009. Given that this investment was financed mainly through bank borrowings, there exists a high interest factor in the current environment. We are hopeful however, that within the next 2-3 years Rocell Bathware will generate the expected yield needed for greater economies of scale.

As a brand, Rocell continues to remain a strong and well respected name amongst our customers and in the market. We continued to penetrate the market despite the slowdown, with the opening of 5 new showrooms around the country. Our 40th showroom was opened in Ambalantota in January 2009, reflecting our commitment to continue the growth momentum and further strengthen our market position.

In terms of plant expansion, we enhanced our storage facilities at the main delivery points in 2008/09. However,

due to lower demand in 2009 and the ever increasing cost of production and stock build up, we temporarily curtailed operations at some of our factories for two months in order to ensure healthy levels of working capital.

Looking forward, we eagerly anticipate an end to the conflict in the North and East which has overshadowed and hampered the country's socioeconomic development over the past thirty years. An end to hostilities will not only open doors to the largely under tapped Northern and Eastern markets, but also assist the macro economy by spurring heightened economic activity and investment, thereby strengthening our markets.

The effects of the global economic meltdown are likely to be felt throughout 2009/2010 and as such, it will be a difficult year not only for the ceramics industry, but the entire domestic economy. We call on the government to consider assistance to the domestic ceramics industry, thereby enabling it to face challenges arising from a rising cost of production combined with a slowing construction market.

I take this opportunity to express my appreciation to the Managing Director, other directors and the very supportive management team for their dedication towards the growth of Rocell. To our loyal customers, in whom we place our vision, I thank you for the trust and continued confidence you have in us.

Finally, a special thanks to you, our shareholders, for the continuous support during the past years, and especially during times of an economic slowdown. Your trust and confidence will indeed drive us towards our vision and to greater strengths in the years to come.



A M Weerasinghe
Chairman

22 May 2009



“I am happy to report that your company recorded overall growth in terms of revenue for the year under review, despite operating amidst difficult conditions created by the global financial crisis and local macro-economic constraints.”

Managing Director's Review of Operations

It has been an year rife with challenges amidst a global meltdown and its cascading effects. Royal Ceramics Lanka PLC was able to confront these challenges satisfactorily, as a result of our prudent efforts to strategically expand and develop our business over the past few years. While our financial performance did not match the highs of last year when we recorded our best ever turnover and profitability, we were nevertheless encouraged by our Gross Turnover of Rs. 4.2 billion, a growth of 7% and our Profit Before Tax of Rs. 538 million.

We continue to be the market leader in our industry, a dominance that reflects our commitment to truly analyse and understand our customers and the marketplace. We stamped our leadership position further during the year, becoming the first Sri Lankan company to manufacture bathware in the country -our signature range of bathware now positions us as a provider of total bathroom solutions.

Creating Opportunity Amidst a Global Financial Slowdown

The highlight of the year 2008/09 for Rocell was the commencement of manufacturing at our newly commissioned Bathware plant, and the soft launch of the Rocell bathware collection. The bathware collection was available to the public by April 2009 and has been accepted well by our customers; we hope to undertake intense marketing efforts in the coming months in order to penetrate further into the local market. This was an Rs 1.8 billion investment by us which was financed purely through bank loans and internally generated funds. The significant level of borrowing however has made this a highly geared investment.

In anticipating our customer's future needs, we enhanced our storage facilities at our delivery point situated in Nawala, in order to meet expected demand during the coming years. In January '09, we reached a milestone by opening our 40th showroom in Ambalantota, reflecting our dominance and ever increasing consumer demand in all parts of the country.

In terms of share price performance, despite fluctuations, our shares performed considerably well in the Colombo

Stock Exchange. The main cause for fluctuations was the impact of the global financial crisis and the slowdown in the domestic economy. An interim dividend of Rs. 1/- per share was paid to our shareholders.

Domestic Economic Constraints and Our Financial Standing

Despite the global and local economic downturn, our Group experienced a commendable year during 2008/09. We saw a growth in revenue by 7.7% largely owing to the ceramics sector; our best performing sector. We experienced a dip in our Profit Before Tax (PBT) with a negative growth of 16.4% falling to Rs. 537 million for the year. This was mostly due to high cost of funds, provision in fall in share values and the adverse macroeconomic environment experienced during the latter part of 2008, and the first quarter of 2009. Company has achieved operationally the same profit as last year, despite the current economic conditions. Rocell also recorded a dip in Net Profit of -15% to Rs. 517 million on a year-on-year basis.

Given the current economic scenario, one of the main constraints we experienced during the year in review was the high interest rate factor. Our current outstanding of bank loans of Rs. 2.6 billion, of which Rs. 0.8 billion was invested in the Bathware sector, causes such investments to be highly geared. Given the long term loans, a significantly high interest factor is allocated for this project. The total amount of interest paid for the year in review amounted to about Rs 420 million.

The global recession also had its knock-on effects on the Colombo share market. We experienced significant fluctuations in most of the shares in which we have strategically invested. The Fortress is a prime example of such a scenario, where the share price declined significantly due to the global recession and its effect on the tourism industry. This however, is a short term set back for the company, as a recovery will be made once share prices commence their upward trend.

Despite a lower net profit than that enjoyed the previous year, it is indeed a great achievement for our Group to



“We continue to be the market leader in our industry, a dominance that reflects our commitment to truly analyse and understand our customers and the marketplace. We stamped our leadership position further during the year, becoming the first Sri Lankan company to manufacture bathware in the country -our signature range of bathware now positions us as a provider of total bathroom solutions.”

Managing Director's Review of Operations continued.

record a net profit of Rs. 517 million amidst an adverse market environment and interest constraints. No doubt in a more favourable economic scenario, Rocell would have achieved higher growth and profitability.

Domestic and International Market Scenario

We experienced slowing demand in the local market towards the latter part of 2008 and first quarter of 2009. This was caused by a slowdown in the local housing market and a resultant drop in the ceramics market, which affected our drive towards targeted profits. One of the main concerns however, remains the stiff competition coming from the manufacturers in China, India and Thailand, whose products are mostly of lower standard, and are sold at a cheaper rate in the domestic market.

As most importers tend to undervalue such goods, the government thereby stands to lose revenue in terms of import tax. This also affects the local competitors with regard to revenue and sales. It is important that the government takes action to secure the position of local suppliers in the ceramics industry. We eagerly welcome any assistance from the government to the ceramics industry given the bleak economic environment combined with lower demand.

Rocell Bathware and its Performance During the Year in Review

It was indeed a great achievement for Rocell to commence commercial production at its state of the art sanitaryware manufacturing plant and introduce our Bathware collection to the market in April 2009. The total investment of this project amounted to Rs. 1.8 billion, of which Rs 1.1 billion was financed through a long term loan, and Rs. 700 million from internally generated funds.

Given the magnitude of this project, a breakeven and profitable scenario is envisaged within the next 2-3 years. It is determined that in order to achieve the expected yield for economies of scale and thereby increase efficiency, more investments are likely to be required. The adverse economic environment and ever increasing cost of production are the key restraints in achieving our forecasted results.

Overcoming Challenges

The Ceramics industry performed significantly well given the domestic slowdown experienced during the past year. The performance in the Tiles sector is commendable given the current environment. We achieved our targets during 2008 in terms of turnover. The first quarter of 2009 however saw a significant slowdown in the construction and building sectors. This undoubtedly had its effects on the Rocell Group which experienced a negative turnover during this period. The housing, apartment, and building market as a whole has seen a drastic slowdown during the year in review.

Given the level of productivity in our factories, lower sales resulted in an imminent stock build up and thereby an issue in terms of working capital. As a temporary precaution, the Rocell Group decided on halting operations in our factories for two months in order to control working capital, reduce stock build up, and will undoubtedly reduce the negative effect on our cash flow.

In an attempt to increase our market share and further expand our opportunities in the domestic market, the Rocell Group undertook a feasibility study for the newest sector in terms of diversification; the Roofing sector. This however failed to showcase a positive scenario for our company, given the current economic conditions.

As detailed in last year's review, our Group eagerly initiated the construction of a new porcelain plant in Kiriwaththuduwa; a 33 acre land already acquired by us. Given lower consumer demand and the slowdown in the economy, this too failed to depict a positive outlook for the future.

Nurturing Our Most Valuable Asset

It is no doubt that all our success and achievements enjoyed throughout the years are the products of our highly dynamic and committed workforce. We are proud to maintain a very low turnover rate in our Group.

In striving towards our vision, we have successfully signed yet another 3 year collective agreement with our unions which demonstrates the determination and dedication our workforce possess.

Training and development remains a fundamental component in retaining our workforce. This also includes overseas training and exposure to international markets through extensive participation of exhibitions and trade fairs in the main hubs around the world.

Future Outlook

We look forward to government assistance to our industry given high energy costs, rapidly increasing cost of production and the ever increasing competition from low cost international competitors. We believe the local manufacturers should be well protected in order to resist such tough competition.

An end to the ethnic conflict in Sri Lanka will be warmly welcomed by us. This will not only stimulate our developing economy, but also help the ceramics industry in particular, with the opening of the Northern and Eastern economies and the expected surge in construction and development activities in the region.

With the recovery of international markets, we anticipate higher demand from our international customers which will improve our revenue growth. We expect lower fluctuations in currency markets, in terms of exchange rates.

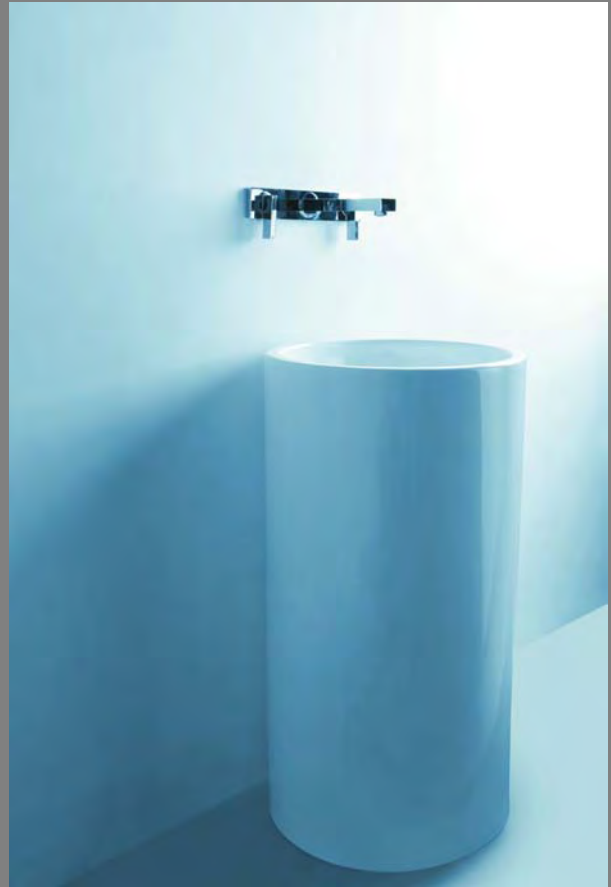
We expect the year 2009/2010 to be yet another challenging one in terms of the negative global economic environment and lower consumer demand. However I am firmly of the belief that when faced with challenges, we are always spurred to think harder and do better, and I am confident that this will hold true in our performance in the coming year. The Rocell Group will thus continue to strive towards our vision with the help of our valuable employees and with the confidence that you, our shareholders have in us.

I take this opportunity to sincerely thank the Board of Directors and the management team for the level of dedication demonstrated throughout the year. This has indeed ensured that Rocell continues to strive towards our vision, and create a sustainable and leading brand in the industry.



Nimal Perera
Managing Director

22 May 2009



"The highlight of the year 2008/09 for Rocell was the commencement of commercial production at our newly commissioned Bathware plant, and the soft launch of the Rocell bathware collection. The bathware collection was available to the public by April 2009 and has been accepted well by our customers..."



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*B*oard of Directors



A M Weerasinghe - Chairman



K D D Perera - Deputy Chairman



W D N H Perera -
Managing Director



T G Thoradeniya -
Director Marketing & Business
Development



F P de Alwis



B M Amarasekera



R B Thambiayah



M T L Fernando



K D H Perera



L T Samarawickrama

Mr. 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 the Gem industry, Real Estate, Construction Industry and Transportation and Landed Proprietor. Chairman of Weerasinghe Gems Lanka (Pvt) Ltd. Director of LB Finance PLC and Vallibel Electric (Pvt) Ltd.

Mr. K D D Perera - Deputy Chairman

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) and a member of Petroleum Resources Development Committee. Mr. Perera is a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Shipping, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance Ltd, Vallibel Holdings (Pvt) Ltd and holds directorships in his other private sector companies. He is the Deputy Chairman of LB Finance PLC, Amaya Leisure PLC (Formerly Connaissance Holdings PLC). Director Sampath Bank PLC, Hayleys PLC, Asian Alliance Insurance PLC & Hotel Reefcomber PLC.

Mr. W D N H Perera - Managing Director

Deputy Chairman of Pan Asia Banking Corporation PLC, Managing Director of The Fortress Resorts PLC, Group Finance Director of Amaya Leisure PLC and Hotel Reefcomber PLC. He also serves as a Director to LB Finance PLC, Vallibel Power Erathna PLC, Asian Alliance Insurance PLC, Sathosa Motors PLC and Vallibel Finance Ltd. 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.

Mr. 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 & Manufacturing. He is the Director- Marketing & Business Development of Royal Ceramics Lanka PLC, and the Chief Executive Officer of Rocell Bathware Limited and consultant to Vallibel Companies.

Mr. 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 in which he 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, 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 Islands 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.

Mr. 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 1990. As a Member of the Bar Council, he 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 Jayawardenapura 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.

Mr. R B Thambiayah

Mr. Ravi Thambiayah 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.

Mr. M T L Fernando

Mr. Fernando has been associated with the Company since its inception in 1991 and has been a Director since then. He is a 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 Asian Hotels & Properties Ltd., Chevron Lubricants (Lanka) Ltd., Lanka Orix Leasing Company Ltd., Brown & Co. Ltd., and Vallibel Power Erathna Ltd. He has also served on the Board of the Colombo Stock Exchange and was a Member of the Council of the Institute of Chartered Accountants of Sri Lanka, past Chairman - Taxation Committee and past Committee Member of the Ceylon Chamber of Commerce.

Mr. K D H Perera

Mr. Harendra Perera is a Director of Vallibel Holdings (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd and is a Director of several Vallibel companies. He is also a Director of Amaya Leisure PLC.

Mr. L T Samarawickrama

Mr. Lalin Samarawickrama is an internationally qualified Hotelier and is the Managing Director of Amaya Leisure PLC. He is also a Director of The Fortress Resorts PLC and Hotel Reefcomber PLC, and represents Skanska International of Sweden and Siemens AG Austria.

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 Eheliyagoda
Complex



Mr. Chandrakasu Kumar
Head of Bathware
Complex



Mr. D J Silva
Head of IT



Mr. L 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



Mr. W K S Karunarathna
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



Mr. S A D M Ratnayake
Product Manager



Miss. W C Senaratne
Assistant Manager -
Marketing Services



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. M A R De Costa
HR Manager
Horana Complex



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



- 98, Nawala Road, Nugegoda. Tel: 4405160
- 440, R.A. de Mel Mawatha, Colombo 03. Tel: 4715513
- 106, Galle Road, Dehiwela North, Dehiwela. Tel: 4202815
- 555/3, New Kandy Road, Thaladena, Malabe. Tel: 4411775
- 158, Negombo Road, Wattala. Tel: 4818563
- 392, Gala Junction, Kandy Road, Kiribathgoda. Tel: 4817231
- 472/1, High Level Road, Makumbura, Kottawa. Tel: 4308413
- 116, Colombo Road, Piliyandala. Tel: 4210675
- 477/1, Galle Road, Rawathawatte, Moratuwa. Tel: 4210726
- 587, Negombo Road, Seeduwa. Tel: 4831987
- 562, Peradeniya Road, Mulgampola, Kandy. Tel: 081-4471581
- 42, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy. Tel: 081-4475825
- 504/1, Kandy Road, Meepitiya, Kegalle. Tel: 035-2230980
- 176, Colombo Road, Kurunegala. Tel: 037-4690467
- 46, Chilaw Road, Wennappuwa. Tel: 031-4874656
- 521/5 Stage 11, 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
- 132, Anguruwatota Road, Horana. Tel: 034-4285033
- 77, W.D.S. Abeygunawardena, Mawatha, Pettigalawatte, Galle. Tel: 091-4380033
- 164, 166, Gunawardena Mawatha, Kotuwegoda, Matara. Tel: 041-4390134
- 143, 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, Trincomalee Street, Matale. Tel: 066-4460928
- 88, Veyangoda Rd., Minuwangoda. Tel: 4969060
- 174/A/2, Colombo Rd., Gampaha. Tel: 033-4670937, 033-4670755
- 181, Hettipola Rd., Kuliyaipitiya. Tel: 037-4930870, 037-4696134
- 279, Katugastota Road, Kandy. Tel: 081-4481759, 081-4481760
- 574, Galle Rd, Kalutara South, Kalutara. Tel: 034-4280933, 034-4280934
- 101, Nawala Road, Nugegoda. Tel: 4548023, 4308080
- 278, Massale, Galle Road, Beruwala. Tel: 034-4288371, 034-4288372
- 39, Godagama Road, Athurugiriya. Tel: 4443641
- 52, Kandy Road, Nittambuwa. Tel: 0334929681
- 52, Barnes Ratwatta Mawatha, Balangoda. Tel: 045-4927365
- 70, Bank Road, Badulla. Tel: 055-4499780
- 76A, Tangalle Road, Thavaluwila, Ambalanthota. Tel: 047-4379092

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 2009. 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 the Company undertook maintenance of the showroom network from July 2005 onwards to distribute the products of the Company and its subsidiary, Royal Porcelain (Pvt) Ltd under the brand "Rocell".

Royal Porcelain (Pvt) Ltd, 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. 611,057,792/- for the year.

Royal Ceramics Distributors (Pvt) Ltd is a wholly owned subsidiary of Royal Ceramics Lanka PLC has recorded a loss of Rs. 185,232/- 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, was incorporated to manufacture and sell sanitaryware products to local and export market, has recorded a loss of Rs. 11,177,038/- for the year.

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 22 May 2009.

Business Review

The Chairman's Report and the Managing Directors 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 classified as stated capital. The stated capital of the Company as at 31st March 2009 was Rs. 814,726,453/-

Summarized Financial Position

The Summarized financial position of the Group is as follows.

	2008/2009	2007/2008
Group profit after taxation	517,882	610,786
Profit brought forward	1,370,606	815,215
Dividend	(110,790)	(55,395)
Unappropriated balance carried forward	1,777,698	1,370,606

Reserves

The total reserves of the Company stand at Rs. 943,945,102/-, comprising of capital reserves of Rs. 367,343,301/- and revenue reserves of Rs. 576,601,801

Statement of Changes in Equity

The movement in equity is shown in the Statement of Changes in Equity on page 34.

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.

Donations

The group made donations of Rs. 3,474,961/- towards charitable purposes during the year under review.

Dividends

The Directors recommended payment of an interim dividend of Rs.1/- per share (tax free) for year ended 31st March 2008 paid to the shareholders on 22nd July 2008 and an interim dividend at Rs.1/- per share (tax free) for the financial year ending 31st March 2009 paid to the shareholders on 31st December 2008.

Corporate Governance

The report on Corporate Governance is given on page 24. of the Annual Report.

Report of the Directors continued.

Statement of Director's Responsibilities

The statement of Director's Responsibilities for Financial Statements is given on page 26.

Financial Review

The Financial Review is given on page 22.

Directorate

The names of the Directors in office during the financial year are disclosed in page 12 of the Annual Report.

Mr. L.T Samarawickrama, retires by rotation in terms of Article 85 of the Articles of Association and being eligible, offers himself for re-election as a Director of the Company

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. 7 of 2007 and offer themselves for re-election as per Section 211 of the Companies Act No. 7 of 2007.

Director's Interest in Contracts

Directors interest 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.

The Company carried out transactions during the year 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 31/3/2009
Royal Porcelain (Pvt) Ltd	Mr. A M Weerasinghe	Chairman	A sum of Rs.131,326,240/-	(973,517,543)
	Mr. K D D Perera	Deputy Chairman	was received as	
	Mr. W D N H Perera	Managing Director	Service charges.	
	Mr. T G Thoradeniya	Director	A sum of Rs.60,000/- was	
		Marketing &	received as Rent	
		Business Development	A sum of Rs.6,524,380/- worth	
	Mr. F P De Alwis	Director	of damaged tiles	
	Mr. M T L Fernando	Director	were purchased.	
	Mr. R B Thambiyah	Director	A sum of Rs 287,500,000 /-	
	Mr. B M Amarasekera	Director	was received as dividends.	
	Mr. L T Samarawickrema	Director	Materials worth of Rs.9,985,020/-	
	Mr. K D H Perera	Director	were purchased	
			Materials worth of Rs 20,656,155/-	
			were sold	
			A sum of Rs.634,432,490 /-Was	
			received as short term funds	
			Guarantees of Rs.50,000,000/-	
			were given for loans	

Directors' Interest in Shares

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

Name	As at 31st March 2009 No of Shares	As at 31st March 2008 No of Shares
Mr. A M Weerasinghe	5,664,012	5,664,012
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	107,193	107,193
(including joint holding)		
Mr. R B Thambiyah	792	792
Mr. T G Thoradeniya	39,200	24,500
Mr. W D N H Perera	2,500	2,500
Mr. L T Samarawickrama	1,000	-
Mr. K D H Perera	-	-

Directors Remuneration

Directors Remuneration in respect of the Company and the Group for the financial year 2008/2009 are given in note 28.2 to the financial statements on page 70.

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/3/2009
Rocell Bathware 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 Thambiayah 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. 528,520,723 /- was given as short term funds Materials worth of Rs 1,576,944/- were sold	814,250,092
Royal Ceramics Distributors (Pvt) 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 Thambiayah Mr. B M Amarasekera Mr. L T Samarawickrema Mr. K D H Perera	Chairman Deputy Chairman Managing Director Director Marketing & Business Development Director Director Director Director Director Director	A sum of Rs. 1,284,467 /- was loans given as short term funds	(2,901,629)
Amaya Leisure PLC	Mr. K D D Perera Mr. K D H Perera Mr. W D N H Perera Mr. L T Samarawickrema	Deputy Chairman Director Director Director	Furniture worth of Rs. 2,842,032/- were purchased	Nil
Kandyan Resorts (Pvt) Ltd	Mr. K D D Perera Mr. L T Samarawickrema Mr. W D N H Perera	Director Director Director	Tiles worth of Rs.655,634/= were sold A sum of Rs.37,575/- Paid as accommodation charges	Nil
L B Finance PLC	Mr. K D D Perera Mr. W D N H Perera Mr. B M Amarasekera Mr. A M Weerasinghe	Deputy Chairman Director Director Director	Tiles worth of Rs.780,608/- were sold Investment in shares amounting to Rs. 6,724,591/- Disposal of shares amounting to Rs. 4,539,222/-	Nil

Report of the Directors continued.

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/3/2009
Hotel Reefcomber PLC	Mr. K D D Perera Mr. W D N H Perera Mr. L T Samarawickrema Mr. B M Amarasekera Mr. K D H Perera	Director Director Director Director Director	A sum of Rs.559,771/- Paid as accommodation charges	Nil
Culture Club Resorts (Pvt) Ltd	Mr. K D D Perera Mr. W D N H Perera Mr. L T Samarawickrema	Director Director Director	Tiles worth of Rs.985,792/- were sold A sum of Rs.408,547/- Paid as accommodation charges	Nil
Vallible Electrics (Pvt) Ltd	Mr. W D N H Perera Mr. A M Weerasinghe	Director Director	Electrical equipments worth of Rs.21,000 /- were purchased	9,000,000
Vallible Lanka (Pvt) Ltd	Mr. K D D Perera Mr. K D H Perera	Director Director	Tiles worth of Rs.463,461/- 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 Thambiayah	Director	Project loan balance	21,153,220
Pan Asia Bank PLC	Mr. W D N H Perera	Deputy Chairman	Current account balance	5,223,761
Sampath Bank PLC	Mr. K D D Perera	Director	Current account balance Short term loan settled 10,928,541/=	1,522,647
The Fortress Resorts PLC	Mr. K D D Perera Mr. W D N H Perera Mr. L T Samarawickrema	Director Director Director	Tiles worth of Rs.1,131,468/- were purchased Disposal of shares amounting to Rs. 45,045,000/-	Nil
Brown & Company Ltd	Mr. M T L Fernando	Director	A sum of Rs.368,850/- Paid for Services rendered	Nil
Rocell Ceramics Ltd	Mr. A M Weerasinghe Mr. K D D Perera Mr. W D N H Perera Mr. T G Thoradeniya	Director Director Director Director	A sum of Rs. 35,131,827/- was given as long term funds	172,627,820
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 Thambiayah Mr. B M Amarasekera Mr. L T Samarawickrema Mr. K D H Perera	Director Director Director Director Director Director Director Director Director Director	Investment worth of Rs. 2,156,121/- was written off during the year	Nil

Shareholders Distribution

The distribution of shareholders is indicated on page 74 in the Annual Report. There were 14,503 registered shareholders as at 31st March 2009.

Share Information

Information on share trading is given on pages 74 & 75 of the Annual Report

Fixed Assets

The movement on Fixed Assets during the year is given in Note 03 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. 634.4 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.

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

Group Investments

Details of investments held by the Group are given in Note 5 and 6 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 2009 was Rs. 27.50 compared to Rs. 42.50 as at 31st March 2008 as per official valuation of the Colombo Stock Exchange.

Group Employment

As at the Balance Sheet date, the Group has provided employment to 1,385 People.

Contingent Liabilities & Capital Commitments

Details of contingent liability and capital commitments as at the Balance Sheet date are given in note 24 and 25 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 19th Annual General Meeting of the Company will be held at 'On Golden Pond', Taj Samudra Hotel, Colombo on 29th June 2009 at 11.00 am. The Notice of the Annual General Meeting is on page 77 of this report.

Auditors

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

The Auditors, M/s Ernst & Young were paid Rs. 575,000/- for the year ended 31st March 2009 (Rs. 500,940/- in 2008), as Audit fees by the Company. The Group has paid Rs. 1,023,000/- for the year ended 31 March 2009 (Rs. 896,350/- in 2008) as Audit fees.

As far as Directors are aware, the Auditor does not have any other relationship with the Company or any of its subsidiaries.

By order of the Board of
Royal Ceramics Lanka PLC

(sgd)
Secretaries & Registrars (Pvt) Ltd
Secretaries

Colombo
22 May 2009

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. 3.7 billion during the financial year was a remarkable achievement for the Group. This is a 8% growth further consolidating the position of 'Rocell' as the clear market leader in this industry.

The export turnover of Rs. 174 million which has an increment of 9% 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 growth of 12%. This was achieved from the growth in group sales by 8%. Net sales of the company has decreased by 3%.

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

The Group has a decrease in earnings per share of 15%. This is mainly due to the lower net profit compared to the last year, due to loss incurred on fall in value of market securities.

Pre-tax profit has decreased by 16% to Rs. 537 million during the financial year.

Taxation

The group made income tax provision of Rs. 20 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. 515 million was paid to the Government by way of direct sales taxes during the year.

Dividend

The Company has paid an interim dividend of Rs.1/- per share for the year under review.

Capital Expenditure

Capital expenditure of the Group was Rs. 634 million for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands and showroom development etc.

Financial Indicators

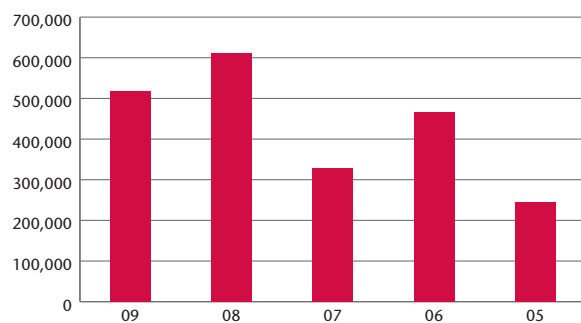
The Group's net inflow of funds was decreased by Rs. 118 million. The Group's long term borrowings have decreased by 16% to Rs. 1,509 million. The Group's short term borrowings including overdrafts have increased by 46% to Rs. 1,095 million. Shareholders' funds consist of 27% stated capital, 15% capital reserves and 58% revenue reserves.

Accounting Policies and Disclosures

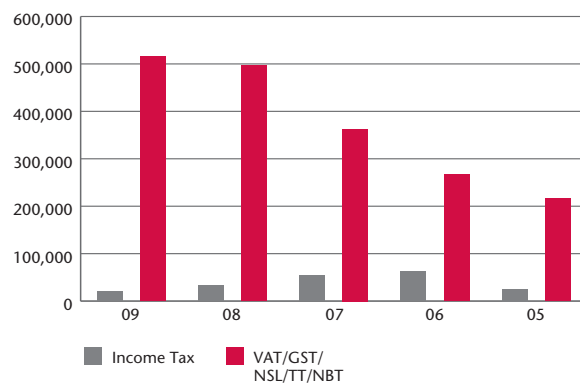
The accounting policies of the Group have been reviewed and amended where necessary, to comply with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Further, the format for the presentation of Financial Statements has been amended to conform to the requirements of SLAS 3 (Presentation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

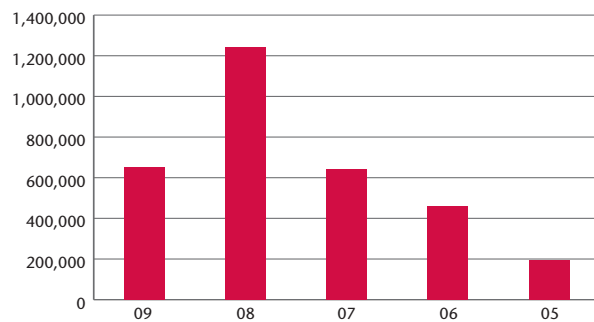
Profit After Taxation (Rs.000)



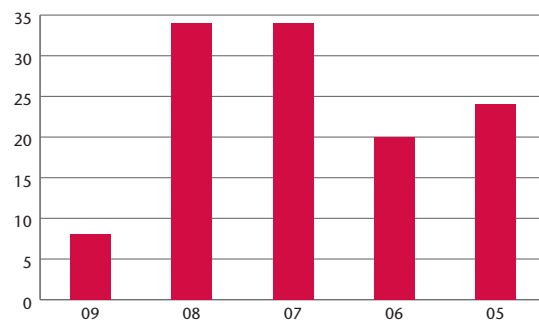
Contribution to Government (Rs.000)



Capital Expenditure (Rs.000)



Net Sales Growth Rate (%)





orporate Governance

The Group manages its affairs in accordance with appropriate standards for good corporate governance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted corporate governance practices as well as specific requirements under the listing rules of the Colombo Stock Exchange and the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka on matters relating to the financial aspect of corporate governance as a useful guideline.

Board of Directors

The Board comprises professional and experienced business leaders of high repute who together provide strategic direction to the company.

Core Duties of the Board

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 key officers, determine the remuneration of senior executives and report to shareholders on their stewardship

Composition of the Board

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. The Non-executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment.

Each Non-Executive Director has submitted a Declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

The Board has determined that Mr. M.T.L Fernando, Mr.B.M Amarasekera, and Mr.F.P De Alwis are independent directors in spite of being on the Board for more than 9 years and being directors of other subsidiary companies of Royal Ceramics Lanka PLC (RCL) in which majority of the other Directors of the Board are also directors , since they are not directly involved in the management of the company. The Board is of the view that Mr.L.T Samarawickrama also can be classified as an independent, Non-executive Director although he serves on the boards of other subsidiary companies of RCL in which majority of the other Directors of the Board are also directors.

Board Meetings

Regular Board Meetings are scheduled once in two months to consider among other matters, the performance and financial statements for the period and to approve routine capital expenditure. Special Board meetings are held as and when required to discuss urgent matters.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of financial statements of the Company by ensuring compliance with relevant financial reporting regulations and requirements. The Audit committee also oversees the relationship between the Company and the Auditor and reviews the Company's financial reporting system.

The Board has appointed an Audit Committee consisting of three non-executive - Independent Directors . Report of the Audit Committee appears on Page 27.

The names of the members of the Audit Committee are as follows.

Mr. M.T.L Fernando - Chairman
Mr. B.M Amarasekera
Mr. L.T Samarawickrama

Remuneration Committee

The Remuneration Committee consisting of three non-executive-Independent directors meets when required to review the remuneration of the Senior Management.

The names of the members of the Remuneration Committee are as follows.

Mr.B.M Amarasekera - Chairman
Mr. M.T.L Fernando
Mr. L.T Samarawickrama

The Report of the Remuneration Committee appears on Page 28.

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 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.

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. 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.

Statement of Directors' Responsibilities

The responsibility of the Directors in relation to the financial statements of the Company is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Independent Auditors' report appearing on page 31.

The Companies Act No. 7 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and place before a general meeting. Financial statements, comprising a Profit and Loss Account and a Balance Sheet which presents a true and fair view of the state of affairs of the Company as at the end of the financial year and which comply with the requirements of the above Act.

The financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

As per Section 148 of the Act, the Directors are required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorized use or disposition and prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Directors continue to adopt the going concern basis in preparing accounts and after making inquiries and following a review of the Company's budget for the financial year 2009/2010 including cash flows and borrowing facilities, consider that the company has adequate resources to continue in operation.

The Board of Directors is of the opinion that Board has discharged its responsibilities as set out above.

By order of the Board of
Royal Ceramics Lanka PLC
(sgd)
Secretaries & Registrars (Pvt) Ltd
Secretaries

Colombo
22 May 2009

*R*eport of the Audit Committee

The Terms of Reference defines the role 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, 2010, subject to the approval of the shareholders at the Annual General Meeting.

(sgd)

M T L Fernando

Chairman

Audit Committee

22 May 2009

*R*eport of the Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors. The Managing Director of the Group attends the meeting by invitation and the Committee 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 retain quality executive staff and experienced work force and reward performance. These compensation packages are determined by reference to each employee's 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 goal on a competitive basis. We have also addressed the issues as necessary to meet the concerns of the employees' high inflation, food and fuel costs etc.

During the year under review the Committee has taken into consideration the global and local scenarios that have retarded the growth pattern of the country's economy as well as the private sector and in keeping with the measures adapted by the private sector in general trimmed the Remuneration Scheme and Incentive Schemes to be in line with the Industry norms bearing in mind the constraints applicable to the Company in the way of agreements concluded with the Employees.

(sgd)

B.M. Amarasekera

Chairman

Remuneration Committee

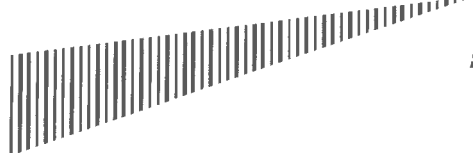
22 May 2009

Financial Calendar

Financial Calendar

Interim Report - 1st Quarter 2008/2009	14 August 2008
Interim Report - 2nd Quarter 2008/2009	27 November 2008
Interim Report - 3rd Quarter 2008/2009	16 February 2009
Rs. 1/- per share Final Dividend for the financial year 2007/2008	22 July 2008
Rs. 1/- per share Interim Dividend for the financial year 2008/2009	31 December 2008
Annual Report 2008/2009	22 May 2009
19th Annual General Meeting	29 June 2009

Independent Auditor's Report



ERNST & YOUNG

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 Sheets as at 31 March 2009, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements 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 2009 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2009 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 2009 and the Profit and Cash Flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiaries dealt with thereby, so far as concerns the 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. 7 of 2007.

22 May 2009

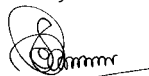
Colombo.

Partners: A D B Talwatte FCA FCMA 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

Balance Sheet

As at 31 March	Note	Company		Group	
		2009	2008	2009	2008
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current Assets					
Property, Plant and Equipment	3	970,404,245	929,883,102	3,917,726,281	3,540,983,129
Intangible Assets	4	-	-	-	505,182
Investments in Subsidiaries	5	1,078,999,930	1,078,999,930	-	-
Other Investments	6	13,260,000	13,260,000	13,260,000	13,260,000
Other Receivables	8	172,627,820	138,005,983	172,627,820	138,005,983
		<u>2,235,291,995</u>	<u>2,160,149,015</u>	<u>4,103,614,101</u>	<u>3,692,754,294</u>
Current Assets					
Inventories	7	602,821,383	431,669,987	1,497,195,318	1,064,241,687
Trade and Other Receivables	8	957,079,542	449,778,015	377,165,564	330,409,014
Other Investments	6	168,684,955	541,754,198	168,684,955	541,754,198
Income Tax Recoverable		4,604,832	-	5,543,183	938,350
Cash and Cash Equivalents	15	32,938,456	37,801,945	46,259,050	49,357,279
		<u>1,766,129,168</u>	<u>1,461,004,145</u>	<u>2,094,848,070</u>	<u>1,986,700,528</u>
Total Assets		<u>4,001,421,163</u>	<u>3,621,153,160</u>	<u>6,198,462,171</u>	<u>5,679,454,822</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	9	814,726,453	814,726,453	814,726,453	814,726,453
Reserves	10	367,343,301	367,343,301	468,077,895	468,077,895
Retained Earnings		576,601,801	481,705,050	1,777,697,822	1,370,605,559
Total Equity		<u>1,758,671,555</u>	<u>1,663,774,804</u>	<u>3,060,502,170</u>	<u>2,653,409,907</u>
Non-current Liabilities					
Interest Bearing Loans and Borrowings	11	389,373,505	526,283,266	978,282,689	1,361,049,685
Deferred Tax Liabilities	20	86,099,810	85,527,941	86,099,810	85,527,941
Retirement Benefit Liability	12	44,845,332	44,756,560	53,847,749	52,540,473
		<u>520,318,647</u>	<u>656,567,767</u>	<u>1,118,230,248</u>	<u>1,499,118,099</u>
Current Liabilities					
Trade and Other Payables	13	1,125,321,885	680,029,622	378,822,434	307,274,993
Dividend Payable	14	7,747,279	10,504,761	7,747,279	10,504,761
Income Tax Liabilities		-	2,246,009	-	3,639,483
Interest Bearing Loans and Borrowings	11	589,361,797	608,030,197	1,633,160,040	1,205,507,579
		<u>1,722,430,961</u>	<u>1,300,810,589</u>	<u>2,019,729,753</u>	<u>1,526,926,816</u>
Total Equity and Liabilities		<u>4,001,421,163</u>	<u>3,621,153,160</u>	<u>6,198,462,171</u>	<u>5,679,454,822</u>

I certify that these financial statements are in compliance with the requirements of the Companies Act No 7 of 2007.



H. Somashantha

Head of Finance & Treasury

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

The Accounting Policies and Notes on pages 36 through 70 form an integral part of these Financial Statements.

Colombo

22 May 2009

Income Statement

Year ended 31 March	Note	Company		Group	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Revenue	16	1,435,112,083	1,484,123,142	3,741,172,017	3,474,818,758
Cost of Sales		<u>(786,426,516)</u>	<u>(855,140,197)</u>	<u>(2,097,687,707)</u>	<u>(2,002,354,390)</u>
Gross Profit		648,685,567	628,982,945	1,643,484,310	1,472,464,368
Other Income and Gains	17	481,760,534	199,170,113	75,033,468	56,223,518
Selling and Distribution Cost		<u>(428,338,185)</u>	<u>(364,628,646)</u>	<u>(477,282,887)</u>	<u>(402,170,324)</u>
Administrative Expenses		<u>(156,147,165)</u>	<u>(110,180,963)</u>	<u>(179,052,653)</u>	<u>(137,287,158)</u>
Provision for diminution value of investment		<u>(121,745,574)</u>	-	<u>(121,745,574)</u>	-
Finance Cost	18.1	<u>(215,385,850)</u>	<u>(207,114,173)</u>	<u>(420,984,830)</u>	<u>(348,962,196)</u>
Finance Income	18.2	<u>16,867,439</u>	<u>3,047,202</u>	<u>18,440,444</u>	<u>3,127,710</u>
Profit Before Tax	19	225,696,766	149,276,478	537,892,278	643,395,918
Income Tax Expense	20	<u>(20,010,631)</u>	<u>(27,310,442)</u>	<u>(20,010,631)</u>	<u>(32,610,039)</u>
Net Profit for the Year/Net Profit					
Attributable to Equityholders of the Parent		<u>205,686,135</u>	<u>121,966,036</u>	<u>517,881,647</u>	<u>610,785,879</u>
Basic Earnings Per Share	21	3.71	2.20	9.35	11.03
Dividend Per Share	22	2.00	1.00	2.00	1.00

The Accounting Policies and Notes on pages 36 through 70 form an integral part of these Financial Statements.

Colombo
22 May 2009

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company				
Balance as at 1 April 2007	814,726,453	4,167,357	415,133,706	1,234,027,516
Surplus on Revaluation of Property, Plant & Equipment	-	414,220,846	-	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 01 April 2008	814,726,453	367,343,301	481,705,050	1,663,774,804
Net Profit for the Year	-	-	205,686,135	205,686,135
Final Dividend - for 2007/2008	-	-	(55,394,692)	(55,394,692)
Interim Dividend - for 2008/2009	-	-	(55,394,692)	(55,394,692)
Balance as at 31 March 2009	814,726,453	367,343,301	576,601,801	1,758,671,555

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Group				
Balance as at 1 April 2007	814,726,453	4,167,357	815,214,372	1,634,108,182
Surplus on Revaluation of Property, Plant & Equipment	-	514,955,440	-	514,955,440
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 1 April 2008	814,726,453	468,077,895	1,370,605,559	2,653,409,907
Net Profit for the Year	-	-	517,881,647	517,881,647
Final Dividend - for 2007/2008	-	-	(55,394,692)	(55,394,692)
Interim Dividend - for 2008/2009	-	-	(55,394,692)	(55,394,692)
Balance as at 31 March 2009	814,726,453	468,077,895	1,777,697,822	3,060,502,170

The Accounting Policies and Notes on pages 36 through 70 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March	Note	Company		Group	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Cash Flows From/(Used in) Operating Activities					
Profit from Operating Activities before tax		225,696,766	149,276,478	537,892,278	643,395,918
Adjustments for					
Dividend Income	17	(293,590,949)	(68,004,382)	(6,090,939)	(10,504,382)
Interest Income	18.2	(16,867,439)	(3,047,201)	(18,440,444)	(3,127,710)
Depreciation	3	64,560,424	58,092,167	234,889,789	202,537,204
(Profit)/Loss on Sale of Property, Plant & Equipment	17	(250,808)	(2,343,228)	(250,808)	(2,343,228)
Finance Costs	18.1	215,385,850	207,114,173	420,984,830	348,962,197
Gain on Sale of Short-Term Investments	17	(62,456,181)	(1,214,335)	(62,456,181)	(1,214,335)
Amortization of Product Development Cost	4	-	-	505,183	7,758,177
Provision/(Reversal) for change in Market Value of the Investments		121,745,574	(34,258,145)	121,745,574	(34,758,145)
Provision for Defined Benefit Plans - Gratuity	12	2,520,215	8,813,444	3,849,604	12,035,452
Operating Profit before Working Capital Changes		256,743,452	314,428,971	1,232,628,885	1,162,741,148
(Increase) in Inventories		(171,151,396)	(22,813,180)	(433,471,358)	(248,238,186)
(Increase)/Decrease in Trade and Other Receivables		(541,923,368)	(187,120,896)	(81,378,394)	29,092,457
Increase in Trade and Other Payables		732,792,272	529,111,210	71,547,440	65,818,629
Cash Generated From Operations		276,460,960	633,606,105	789,326,573	1,009,414,048
Finance Costs Paid		(215,385,850)	(207,114,173)	(420,984,830)	(348,962,197)
Defined Benefit Plan Costs Paid	12	(2,431,443)	(2,847,348)	(2,542,327)	(3,176,177)
Income Tax Paid	20	(26,289,599)	(44,319,560)	(26,289,603)	(48,912,541)
Net Cash Flows From/(Used in) Operating Activities		32,354,068	379,325,024	339,509,813	608,363,133
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	3	(105,081,566)	(81,225,766)	(611,202,265)	(1,237,844,229)
Proceeds from Sale of Property, Plant & Equipment		250,808	2,343,228	250,808	2,343,228
Proceeds from Sale of Short Term investments		399,389,803	5,379,674	399,389,803	5,379,674
(Acquisition)/Disposals of Short-Term Investment		(85,609,954)	(435,024,279)	(85,609,954)	(39,097,809)
Interest Received		16,867,439	3,047,201	18,440,444	3,127,710
Dividend Received		6,090,939	10,504,382	6,090,939	10,504,382
Net Cash Flows From/(Used in) Investing Activities		231,907,469	(494,975,560)	(272,640,225)	(1,255,587,044)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans & Borrowings		417,454,056	665,946,300	1,212,730,559	1,129,466,332
Repayment of Interest Bearing Loans & Borrowings		(553,961,089)	(525,783,121)	(1,276,085,935)	(528,309,302)
Capital Repayments under Finance Lease Liabilities		(4,525,212)	(6,375,811)	(8,495,633)	(6,687,492)
Dividend Paid		(113,546,866)	(65,031,446)	(113,546,866)	(65,031,446)
Net Cash Flows From/(Used in) Financing Activities		(254,579,111)	68,755,922	(185,397,875)	529,438,092
Net Increase/(Decrease) in Cash and Cash Equivalents		9,682,426	(46,894,614)	(118,528,333)	(117,785,819)
Cash and Cash Equivalents at the beginning of the year	15	(232,953,201)	(186,058,587)	(385,867,922)	(268,082,104)
Cash and Cash Equivalents at the end of the year	15	(223,270,775)	(232,953,201)	(504,396,255)	(385,867,922)

The Accounting Policies and Notes on pages 36 through 70 form an integral part of these Financial Statements.

Colombo
22 May 2009

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 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 company for the year ended 31 March 2009 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (together referred as the "Group"), Royal Ceramics Distributors (Pvt) Ltd, Royal Porcelain (Pvt) Ltd. and Rocell Bathware Ltd.

1.2 Parent Enterprise and Ultimate Parent Enterprise

Royal Ceramics Lanka PLC does not have an identifiable parent of its own.

1.3 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 and undertaking designing and laying of 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 commenced commercial production in April 2009.

1.4 Date of Authorization for Issue

The Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2009 were authorized for issue in accordance with the resolution of the Board of Directors on 22 May 2009.

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 Note No. 3.5 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. 7 of 2007.

2.1.1 Statement of Compliance

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

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Group in consistent with those used in the previous year except where the Group has adopted the Sri Lanka Accounting Standard No 16 Employee Benefits (Revised 2006) during the year. The principal effects of the change are discussed in Note 2.3 to the Financial Statements.

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

2.2 BASIS OF CONSOLIDATION

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 2009 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%

The Consolidated Financial Statements incorporating all Subsidiaries in the Group are prepared to common financial year ending March 31 using uniform Accounting Policies for like transactions and in similar circumstance and are applied consistently.

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.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except where the Group has made changes to be compliance with Sri Lanka Accounting Standard No 16 - Employee Benefits (Revised 2006), which is discussed below:

Measurement of Defined Benefits Plans

During the year ended 31 March 2009, the Group changed its accounting policy for the measurement of Retirement Gratuities. The Group now engages the service of an independent professionally qualified actuary and measures the liability actuarially, using the Projected Unit Credit Method.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the Balance Sheet and

amounts charged to the Income Statement. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant Notes to the Financial Statements.

Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 12.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Foreign Currency Translation

The 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.

2.5.2 Taxation

(a) Income Tax

Royal Ceramics Lanka PLC and Royal Ceramics Distributors (Pvt) Ltd.

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 20 to these Financial Statements.

Royal Porcelain (Pvt) Ltd

Pursuant to agreement dated 20th December 2001 entered into with Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 12 years from the year of assessment 2002/2003. This exemption expires on year of assessment 2013/2014.

Rocell Bathware Ltd

Pursuant to agreement dated 07 July 2006 entered into with Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 05 years 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 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.

Royal Porcelain (Pvt) Ltd and Rocell Bathware Ltd

As the Inland Revenue Act does not apply as stated above, temporary differences do not exist during the tax exemption period. Therefore deferred tax does not apply.

(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 11 of 2006, SRL was introduced with effect from 1 January 2005. SRL is payable at the rate of 1.5% 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), Turnover Tax and Nation Building Tax. The Company/Group pays such Taxes in accordance with the respective statutes.

2.5.3 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.

2.5.4 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.

2.5.5 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.

2.5.6 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.

2.5.7 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.

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.

2.5.8 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	Over 25 years
Motor Vehicles, Furniture & Fittings and Construction & Other Equipment	Over 05 years
Tools and Sundry Inventory	Over 02 years
Factory Equipment, Plant & Machinery and Communication Equipment	Over 10 years
Office Equipment	Over 6.67 years
Household Items - Light	Over 02 years
Household Items - Heavy	Over 05 years

(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 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.

2.5.9 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 2.5.8.

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

2.5.10 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.

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.

2.5.11 Provision

Liabilities classified as current liabilities on the Balance Sheet are those, which fall due for payment on Provisions are recognized when the Company/Group has a present obligation (legal or constructive) as a result of a past event, where 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. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.5.12 Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in every three (03) years using the Projected Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No 16, Employee Benefits (Revised 2006).

The item is stated under Retirement Benefit Liability in the Balance Sheet.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation.

The gains/losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Funding Arrangements

The Gratuity liability is not externally funded.

(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.

2.5.12 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.

2.6 Income Statement

2.6.1 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 not 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 on investment is recognised on an accrual basis 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.

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.

2.7 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.

	Balance As At 01.04.2008 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3. PROPERTY, PLANT & EQUIPMENT - COMPANY				
3.1 Gross Carrying Amounts				
At Cost or Valuation				
Freehold Land	369,537,374	-	-	369,537,374
Building	292,792,526	14,318,206	-	307,110,732
Water Supply Scheme	295,687	-	-	295,687
Lab Equipment	2,740,870	423,185	-	3,164,055
Motor Vehicles	24,734,028	3,556,811	(102,900)	28,187,939
Electricity Distribution	8,080,645	-	-	8,080,645
Office Equipment	86,756,706	3,610,181	18,687,406	109,054,293
Communication Equipment	7,802,598	-	-	7,802,598
Furniture and Fittings	16,853,271	4,158,540	-	21,011,811
Tools and Implements	41,037,242	3,363,840	(4,300)	44,396,781
Other Equipment	16,500,153	3,820,075	-	20,320,228
Factory Equipment	23,257,991	-	-	23,257,991
Construction Equipment	2,236,047	-	-	2,236,047
Plant and Machinery	640,465,711	6,404,424	-	646,870,135
Plant and Machinery -Polishing Plant	60,151,743	-	-	60,151,743
Household Item - Heavy	33,690	-	-	33,690
Household Item - Light	1,043,513	333,189	-	1,376,702
Showroom Fixtures and Fittings	82,193,190	40,742,919	(351,500)	122,584,609
Stores Buildings on Lease hold Land	3,965,135	-	-	3,965,135
	<u>1,680,478,120</u>	<u>80,731,370</u>	<u>18,228,706</u>	<u>1,779,438,196</u>
Assets on Finance Leases				
Office Equipment	18,739,926	-	(18,739,926)	-
Motor Vehicles	2,533,500	-	-	2,533,500
	<u>21,273,426</u>	<u>-</u>	<u>(18,739,926)</u>	<u>2,533,500</u>
	<u>1,701,751,546</u>	<u>80,731,370</u>	<u>(511,220)</u>	<u>1,781,971,696</u>
	Balance As At 01.04.2008 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3.2 In the Course of Construction				
Capital Work in Progress	38,814,338	59,147,120	(34,764,686)	63,196,772
Total Gross Carrying Amount	<u>1,740,565,884</u>	<u>139,878,490</u>	<u>(35,275,906)</u>	<u>1,845,168,468</u>

	Balance As at 01.04.2008 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd.)				
3.3 Depreciation				
At Cost or Valuation				
Building	-	11,711,701	-	11,711,701
Water Supply Scheme	130,188	11,827	-	142,015
Lab Equipment	2,378,751	172,489	-	2,551,240
Motor Vehicles	13,985,238	3,818,659	(102,900)	17,700,997
Electricity Distribution	3,094,400	323,226	-	3,417,626
Office Equipment	64,948,938	7,745,142	7,674,546	80,368,626
Communication Equipment	4,896,204	616,071	-	5,512,275
Furniture & Fittings	9,443,290	2,489,977	-	11,933,267
Tools and Sundry Inventory	33,306,172	6,946,343	(1,254)	40,251,261
Other Equipment	9,574,976	1,499,099	-	11,074,075
Factory Equipment	23,249,012	397	-	23,249,409
Construction Equipment	2,236,047	-	-	2,236,047
Plant and Machinery	565,432,145	16,663,873	-	582,096,018
Plant and Machinery -Polishing Plant	47,449,115	2,277,015	-	49,726,130
Household Item - Heavy	33,690	-	-	33,690
Household Item - Light	955,091	181,108	-	1,136,199
Showroom Fixtures & Fittings	21,016,801	8,193,502	(322,308)	28,887,995
Stores Buildings on Lease hold Land	1,586,058	396,514	-	1,982,572
	<u>803,716,115</u>	<u>63,046,943</u>	<u>7,248,084</u>	<u>874,011,142</u>
Assets on Finance Leases				
Office Equipment	6,720,285	1,006,781	(7,727,066)	-
Motor Vehicles	246,381	506,700	-	753,081
	<u>6,966,666</u>	<u>1,513,481</u>	<u>(7,727,066)</u>	<u>753,081</u>
Total Value of Depreciation	<u>810,682,781</u>	<u>64,560,424</u>	<u>(478,982)</u>	<u>874,764,223</u>
			2009	2008
			Rs.	Rs.

3.4 Net Book Values

At Cost or valuation	905,427,053	876,762,004
On Finance Leases	<u>1,780,419</u>	<u>14,306,760</u>
	907,207,472	891,068,764
In the Course of Construction	<u>63,196,773</u>	<u>38,814,338</u>
Total Carrying Amount of Property, Plant & Equipment	<u>970,404,245</u>	<u>929,883,102</u>

- 3.5** 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.

	Gross carrying Amount Before Last Revaluation Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2009 Rs.	Net Carrying Amount 2008 Rs.
Class of Assets				
Land	108,795,080	-	108,795,080	108,795,080
Building	<u>172,988,552</u>	<u>60,028,851</u>	<u>112,959,701</u>	<u>119,879,243</u>
	<u>281,783,632</u>	<u>60,028,851</u>	<u>221,754,781</u>	<u>228,674,323</u>

- 3.6** During the financial year, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 105,081,566/- (2008 - Rs. 81,225,766/-)
- 3.7** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 684,926,772/- (2008 Rs. 626,148,619/-)

	Balance As At 01.04.2008 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd....)				
3.8 Gross Carrying Amounts				
At Cost or Valuation				
Land	474,150,373	4,063,825	-	478,214,198
Building	560,124,318	534,174,380	-	1,094,298,698
Water Supply Scheme	295,687	-	-	295,687
Lab Equipment	2,740,870	2,759,315	-	5,500,185
Motor Vehicles	42,009,048	16,015,494	(102,900)	57,921,642
Electricity Distribution	12,592,145	-	-	12,592,145
Office Equipment	93,156,194	9,739,942	18,638,917	121,535,053
Communication Equipment	8,068,155	110,068	-	8,178,223
Furniture & Fittings	25,885,565	9,907,489	-	35,793,054
Tools & Implements	93,347,029	15,830,195	(4,300)	109,172,924
Other Equipment	32,939,090	9,490,008	-	42,429,098
Factory Equipment	31,005,990	44,016	-	31,050,006
Construction Equipment	2,888,688	279,340	-	3,168,028
Plant and Machinery	1,731,333,319	1,141,955,384	-	2,873,288,703
Plant and Machinery -Polishing Plant	60,151,743	-	-	60,151,743
Household Item - Heavy	6,010,603	797,205	-	6,807,808
Household Item - Light	3,491,559	944,627	-	4,436,186
Showroom Fixtures & Fittings	82,193,190	40,742,919	(351,500)	122,584,609
Stores Buildings on Lease hold Land	9,038,945	-	-	9,038,945
	<u>3,271,422,511</u>	<u>1,786,854,207</u>	<u>18,180,217</u>	<u>5,076,456,935</u>
Assets on Finance Leases				
Office Equipment	18,739,926	-	(18,739,926)	-
Motor Vehicles	16,633,500	-	-	16,633,500
	<u>35,373,426</u>	<u>-</u>	<u>(18,739,926)</u>	<u>16,633,500</u>
	<u>3,306,795,937</u>	<u>1,786,854,207</u>	<u>(559,709)</u>	<u>5,093,090,435</u>
	Balance As At 01.04.2008 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3.9 In the Course of Construction				
Capital Work in Progress	<u>1,359,411,395</u>	<u>536,719,692</u>	<u>(1,688,641,400)</u>	<u>207,489,687</u>
Total Gross Carrying Amount	<u>4,666,207,332</u>	<u>2,323,573,899</u>	<u>(1,689,201,109)</u>	<u>5,300,580,122</u>

	Balance As At 01.04.2008 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd....)				
3.10 Depreciation				
At Cost or Valuation				
Building	-	26,366,728	-	26,366,728
Water Supply Scheme	130,188	11,827	-	142,015
Lab Equipment	2,378,751	1,732,134	-	4,110,885
Motor Vehicles	18,146,730	7,832,532	(102,900)	25,876,363
Electricity Distribution	3,395,167	323,226	-	3,718,393
Office Equipment	67,347,664	8,854,680	7,674,546	83,876,890
Communication Equipment	5,000,507	648,761	-	5,649,268
Furniture & Fittings	14,321,523	4,764,323	-	19,085,846
Tools & Implements	56,026,901	37,014,805	(1,254)	93,040,452
Other Equipment	9,624,065	2,046,270	-	11,670,335
Factory Equipment	23,900,146	127,913	-	24,028,058
Construction Equipment	9,959,687	3,301,247	-	13,260,934
Plant and Machinery	833,583,583	145,339,125	-	978,922,708
Plant and Machinery - Polishing Plant	47,449,115	2,277,015	-	49,726,130
Household Item - Heavy	1,828,847	1,207,022	-	3,035,869
Household Item - Light	1,741,805	1,507,995	-	3,249,800
Showroom Fixtures & Fittings	21,016,801	8,193,502	(322,308)	28,887,995
Stores Buildings on Lease hold Land	1,586,058	2,226,034	-	3,812,092
	<u>1,117,437,538</u>	<u>253,775,139</u>	<u>7,248,084</u>	<u>1,378,460,761</u>
Assets on Finance Leases				
Office Equipment	6,720,285	1,006,781	(7,727,066)	-
Motor vehicles	1,066,380	3,326,700	-	4,393,080
	<u>7,786,665</u>	<u>4,333,481</u>	<u>(7,727,066)</u>	<u>4,393,080</u>
Total Depreciation	<u>1,125,224,203</u>	<u>258,108,620</u>	<u>(478,982)</u>	<u>1,382,853,841</u>
			2009	2008
			Rs.	Rs.

3.11 Net Book Values

At Cost or Valuation	3,697,996,174	2,153,984,973
On Finance Leases	<u>12,240,420</u>	<u>27,586,761</u>
	<u>3,710,236,594</u>	<u>2,181,571,734</u>
In the Course of Construction	<u>207,489,687</u>	<u>1,359,411,395</u>
	<u>3,917,726,281</u>	<u>3,540,983,129</u>

3.12 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.

	Gross Carrying Amount Before Last Revaluation Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2009 Rs.	Net Carrying Amount 2008 Rs.
Class of Asset				
Land	162,978,902	-	162,978,902	162,978,902
Building	415,757,216	97,959,279	317,797,937	334,428,226
	<u>578,736,118</u>	<u>97,959,279</u>	<u>480,776,839</u>	<u>497,407,128</u>

3.13 During the financial year, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 611,202,265/- (2008 - Rs. 1,237,844,229/-)

3.14 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 754,323,515/- (2008- Rs. 626,158,419/-)

3.15 During the year an amount of Rs. 88,135,713 (2008 Rs. 65,033,248/-) was capitalised as borrowing costs to Capital work in progress (under building, plant and machinery).

	Company		Group	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.

4. INTANGIBLE ASSETS

Balance at the beginning of the year	-	-	505,182	8,263,360
Amortized during the year	-	-	(505,182)	(7,758,178)
Balance at the end of the year	-	-	-	505,182

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. Amortization of Intangible Assets are included under the Administration Expenses in the income statement.

	Holding		Cost	Directors'	Cost	Directors'
	2009	2008	2009	Valuation	2008	Valuation
	%	%	Rs.	2009	Rs.	2008
				Rs.		Rs.
5. INVESTMENTS IN SUBSIDIARIES						
Company						
Non-Quoted						
Royal Ceramics Distributors (Pvt) Ltd	100%	100%	500,000	-	500,000	-
Royal Porcelain (Pvt) Ltd	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000
Rocell Bathware Ltd	100%	100%	578,999,930	578,999,930	578,999,930	578,999,930
Total Non-Quoted Investments						
in Subsidiaries			<u>1,079,499,930</u>	<u>1,078,999,930</u>	<u>1,079,499,930</u>	<u>1,078,999,930</u>
Total Gross Carrying Value of Investments			1,079,499,930		1,079,499,930	
Provision for decline in value			(500,000)		(500,000)	
Total Gross Carrying Value of						
Investments in Subsidiaries			<u>1,078,999,930</u>		<u>1,078,999,930</u>	
					Company/Group	
					2009	2008
					Rs.	Rs.
6. OTHER INVESTMENTS						
Non Current						
Non-Quoted						
Vallibel Electrics (Pvt) Ltd					13,260,000	13,260,000
Current						
Quoted						
Investments in Equity Securities (Note 6.1)					168,684,955	541,754,198
Total Carrying Value of Other Investments					<u>181,944,955</u>	<u>555,014,198</u>

	No. of Shares		Cost	Market Value	Cost	Market Value
	2009	2008	2009	2009	2008	2008
			Rs.	Rs.	Rs.	Rs.
6.1 Investments in Equity Securities - Current						
Quoted						
Lanka Walltiles PLC	1,750	1,250	40,490	69,125	40,490	88,750
Lanka Tiles PLC	1,918	1,370	51,510	54,662	51,510	86,995
Hotel Reefcomber PLC	1,327,000	1,327,000	3,907,213	1,459,700	3,907,213	1,459,700
L B Finance PLC	3,363,497	3,195,660	59,612,382	63,906,443	57,004,175	73,500,180
Lanka Ceramics PLC	100,000	6,669,000	3,852,986	2,975,000	238,479,633	391,803,750
The Fortress Resorts PLC	15,322,350	18,822,350	197,226,177	84,272,925	242,271,177	131,756,450
Hayleys PLC	177,190	-	25,739,771	15,947,100	-	-
			290,430,529	168,684,955	541,754,198	598,695,825
Change in market value of investment			(121,745,574)	-	-	-
Total net Investments in Quoted Equity Securities			168,684,955	168,684,955	541,754,198	598,695,825

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
7. INVENTORIES				
Raw Materials	129,430,557	109,866,436	298,562,302	274,112,782
Construction Consumables	2,229,489	2,719,560	2,229,489	2,719,560
Spares and Consumables	119,254,726	113,657,403	260,934,226	233,561,213
Work In Progress	31,714,416	18,470,667	70,576,662	47,397,592
Accessories	-	-	29,733,772	-
Finished Goods	335,606,923	196,734,050	850,450,631	509,983,267
Goods in Transit	1,422,513	7,059,112	6,356,577	18,115,614
	619,658,624	448,507,228	1,518,843,659	1,085,890,028
Less : Provision for Obsolete and Slow Moving Stock	(16,837,241)	(16,837,241)	(21,648,341)	(21,648,341)
	602,821,383	431,669,987	1,497,195,318	1,064,241,687

	Current 2009 Rs.	Non Current 2009 Rs.	Total 2009 Rs.	Current 2008 Rs.	Non Current 2008 Rs.	Total 2008 Rs.
8. TRADE AND OTHER RECEIVABLES						
8.1 COMPANY						
Trade Debtors	57,135,947	-	57,135,947	75,934,696		75,934,696
Provision for Bad and Doubtful Debts	(301,060)	-	(301,060)	(301,060)		(301,060)
	56,834,887	-	56,834,887	75,633,636		75,633,637
Receivables - Other	55,352,905	-	55,352,905	56,798,853		56,798,853
- Related Parties (Note 8.1.1)	814,250,092	172,627,820	986,877,912	284,152,424	138,005,983	422,158,407
Advances and Prepayments	30,641,658	-	30,641,658	33,193,102		33,193,102
	<u>957,079,542</u>	<u>172,627,820</u>	<u>1,129,707,362</u>	<u>449,778,015</u>	<u>138,005,983</u>	<u>587,783,998</u>
8.1.1 Receivables from Related Parties						
Rocell Bathware Ltd	814,250,092		814,250,092	284,152,424	-	284,152,424
Rocell Ceramics Ltd	-	172,627,820	172,627,820	-	137,495,993	137,495,993
Rocell Roofing Ltd	-	-	-	-	509,990	509,990
	<u>814,250,092</u>	<u>172,627,820</u>	<u>986,877,912</u>	<u>284,152,424</u>	<u>138,005,983</u>	<u>422,158,407</u>
	Current 2009 Rs.	Non Current 2009 Rs.	Total 2009 Rs.	Current 2008 Rs.	Non Current 2008 Rs.	Total 2008 Rs.
8.2 GROUP						
Trade Debtors	156,926,275	-	156,926,275	138,937,182	-	138,937,182
Provision for Bad and Doubtful Debts	(2,163,093)	-	(2,163,093)	(567,053)	-	(567,053)
	154,763,182	-	154,763,182	138,370,129	-	138,370,129
Receivable - Other	172,825,942	-	172,825,942	126,395,300	-	126,395,300
- Related Parties (Note 8.2.1)	-	172,627,820	172,627,820	-	138,005,983	138,005,983
Advances and Prepayments	49,576,440	-	49,576,440	65,643,585	-	65,643,585
	<u>377,165,564</u>	<u>172,627,820</u>	<u>549,793,384</u>	<u>330,409,014</u>	<u>138,005,983</u>	<u>468,414,997</u>
8.2.1 Receivables from Related Parties						
Rocell Ceramics Limited	-	172,627,820	-	-	137,495,993	137,495,993
Rocell Roofing Limited	-	-	-	-	509,990	509,990
	-	<u>172,627,820</u>	-	-	<u>138,005,983</u>	<u>138,005,983</u>

	2009		2008	
	Number	Rs.	Number	Rs.
9. STATED CAPITAL - Company/Group				
Fully Paid Ordinary Shares	<u>55,394,692</u>	<u>814,726,453</u>	<u>55,394,692</u>	<u>814,726,453</u>
	<u>55,394,692</u>	<u>814,726,453</u>	<u>55,394,692</u>	<u>814,726,453</u>
	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.

10. RESERVES

Revaluation Reserve (Note 10.1)	<u>367,343,301</u>	<u>367,343,301</u>	<u>468,077,895</u>	<u>468,077,895</u>
	<u>367,343,301</u>	<u>367,343,301</u>	<u>468,077,895</u>	<u>468,077,895</u>
	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.

10.1 Revaluation Reserve

On: Property, Plant & Equipment

As at 1 April	<u>367,343,301</u>	<u>4,167,357</u>	<u>468,077,895</u>	<u>4,167,357</u>
Revaluation surplus during the year	-	<u>414,220,846</u>	-	<u>514,955,440</u>
Tax effect of Items Transferred from Equity	-	<u>(51,044,902)</u>	-	<u>(51,044,902)</u>
As at 31 March	<u>367,343,301</u>	<u>367,343,301</u>	<u>468,077,895</u>	<u>468,077,895</u>

The above revaluation surplus consists of the net surplus resulting from the revaluation of Property, Plant and Equipment.
The unrealized amount cannot be distributed to shareholders.

	2009	2009	2009	2008	2008	2008
	Amount	Amount		Amount	Amount	
	Repayable	Repayable		Repayable	Repayable	
	Within 1 Year	After 1 Year		Within 1 Year	After 1 Year	
	Rs.	Rs.		Rs.	Rs.	

11. INTEREST BEARING LOANS

AND BORROWINGS - COMPANY

Finance Leases (Note 11.1)	<u>643,044</u>	<u>1,021,724</u>	<u>1,664,768</u>	<u>4,507,830</u>	<u>1,682,161</u>	<u>6,189,991</u>
Long Term Loans (Note 11.2)	<u>232,145,100</u>	<u>388,351,781</u>	<u>620,496,881</u>	<u>220,805,680</u>	<u>524,601,105</u>	<u>745,406,785</u>
Short Term loans (Note 11.3)	<u>100,364,422</u>	-	<u>100,364,422</u>	<u>111,961,541</u>	-	<u>111,961,541</u>
Bank Overdraft (Note 15.2)	<u>256,209,231</u>	-	<u>256,209,231</u>	<u>270,755,146</u>	-	<u>270,755,146</u>
	<u>589,361,797</u>	<u>389,373,505</u>	<u>978,735,302</u>	<u>608,030,197</u>	<u>526,283,266</u>	<u>1,134,313,463</u>

	As At 01.04.2008 Rs.	New Leases Obtained Rs.	Repayments Rs.	As At 31.03.2009 Rs.
11. INTEREST BEARING LOANS AND BORROWINGS				
- COMPANY (Contd..)				
11.1 Finance Leases				
Commercial Bank of Ceylon PLC	7,259,840	-	(5,138,076)	2,121,764
	<u>7,259,840</u>	<u>-</u>	<u>(5,138,076)</u>	<u>2,121,764</u>
Gross Liability	7,259,840			2,121,764
Finance Charges Allocated to Future Periods	(1,069,849)			(456,996)
Net liability	<u>6,189,991</u>			<u>1,664,768</u>
Payable within 1 year	4,507,830			643,044
Payable after 1 year before 5 years	<u>1,682,161</u>			<u>1,021,724</u>
	<u>6,189,991</u>			<u>1,664,768</u>

Security : Assets Leased

Terms of Payment : 48 Installments

	As At 01.04.2008 Rs.	Loans Obtained Rs.	Repayment Rs.	As At 31.03.2009 Rs.
11.2 Long Term Loans				
Commercial Bank of Ceylon PLC	276,410,000	-	(54,364,224)	222,045,776
Hatton National Bank PLC	160,730,846	100,000,000	(61,014,992)	199,715,854
DFCC Bank PLC	23,907,692	-	(20,492,328)	3,415,364
HSBC Ltd	251,666,667	-	(77,500,000)	174,166,667
NDB Bank PLC	<u>32,691,580</u>	<u>-</u>	<u>(11,538,360)</u>	<u>21,153,220</u>
	<u>745,406,785</u>	<u>100,000,000</u>	<u>(224,909,904)</u>	<u>620,496,881</u>
Payable within 1 year	220,805,680			232,145,100
Payable after 1 year	<u>524,601,105</u>			<u>388,351,781</u>
	<u>745,406,785</u>			<u>620,496,881</u>

Details of the Long Term Loans of the company are given in Note 11.7

	As At 01.04.2008 Rs.	Loans Obtained Rs.	Repayment Rs.	As At 31.03.2009 Rs.
11.3 Short term Loans				
Commercial Bank of Ceylon PLC	90,000,000	207,687,595	(205,988,173)	91,699,422
Seylan Bank PLC	11,033,000	63,782,000	(66,150,000)	8,665,000
Hatton National Bank PLC	-	11,430,690	(11,430,690)	-
Sampath Bank PLC	10,928,541	31,288,738	(42,217,279)	-
HSBC Ltd		3,265,033	(3,265,033)	-
	<u>111,961,541</u>	<u>317,454,056</u>	<u>(329,051,175)</u>	<u>100,364,422</u>

	2009			2008		
	Amount Repayable Within 1 Year Rs. Rs.	Amount Repayable After 1 Year Rs. Rs.	Total Rs. Rs.	Amount Repayable Within 1 Year Rs. Rs.	Amount Repayable After 1 Year Rs. Rs.	Total Rs. Rs.

11.4 Interest Bearing Loans & Borrowings - Group

Finance Leases						
& Hire Purchases (Note 11.5)	3,907,057	8,174,400	12,081,457	7,171,876	12,098,853	19,270,729
Long Term Loans (Note 11.6)	538,469,945	970,108,289	1,508,578,234	452,168,234	1,348,950,832	1,801,119,066
Short Term loans (Note 11.8)	540,127,733	-	540,127,733	310,942,268	-	310,942,268
Bank Overdraft (Note 15.2)	550,655,305	-	550,655,305	435,225,201	-	435,225,201
	<u>1,633,160,040</u>	<u>978,282,689</u>	<u>2,611,442,729</u>	<u>1,205,507,579</u>	<u>1,361,049,685</u>	<u>2,566,557,264</u>

	As At 01.04.2008 Rs.	New Leases Obtained Rs.	Repayments Rs.	As At 31.03.2009 Rs.
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11.5 Finance Leases

Commercial Bank of Ceylon PLC	25,999,033	-	(10,245,227)	15,753,806
	<u>25,999,033</u>	<u>-</u>	<u>(10,245,227)</u>	<u>15,753,806</u>
Gross Liability	25,999,033			15,753,806
Finance Charges Allocated to Future Periods	(6,728,304)			(3,672,349)
Net liability	<u>19,270,729</u>			<u>12,081,457</u>
Payable within 1 year	7,171,876			3,907,057
Payable after 1 year before 5 years	12,098,853			8,174,400
	<u>19,270,729</u>			<u>12,081,457</u>

Security : Assets Leased

Terms of Payment : 48 Installments

	As At 01.04.2008 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2009 Rs.
11.6 Long Term Loans				
Commercial Bank of Ceylon PLC	971,196,810	57,525,040	(192,492,304)	836,229,546
Hatton National Bank PLC	447,711,127	109,712,912	(126,064,992)	431,359,047
DFCC Bank PLC	97,852,882	-	(52,183,128)	45,669,754
HSBC Ltd	251,666,667	-	(77,500,000)	174,166,667
NDB Bank PLC	32,691,580	-	(11,538,360)	21,153,220
	<u>1,801,119,066</u>	<u>167,237,952</u>	<u>(459,778,784)</u>	<u>1,508,578,234</u>
Payable within 1 year	452,168,234			538,469,945
Payable after 1 year	<u>1,348,950,832</u>			<u>970,108,289</u>
	<u>1,801,119,066</u>			<u>1,508,578,234</u>

11.7 Details of the Long 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	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	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	350.3 Mn	Property, Plant & Equipment

11.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Commercial Bank Ceylon PLC	Rs.85 Million	Refurbishment of showrooms & Head Office and purchasing land	60 equal monthly installments Commencing from 3rd January 2005	Mortgage over lands at- 101 Nawala Road, Nugegoda, 472 High Level Road-Nugegoda & Baddegedaramulla-Meegoda.	162 Mn	Property, Plant & Equipment
DFCC Bank PLC	Rs.100 Million	Expansion of production capacity	60 equal monthly installments Commencing from July 2004	Mortgage over plant & machinery at factories in Eheliyagoda & Horana.	100 Mn	Property, Plant & Equipment
Hatton National Bank PLC	Rs 100 Million	To finance capital expenditure	60 equal monthly installments Commencing from September 2006	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	350.3 Mn	Property, Plant & Equipment
Commercial Bank of Ceylon PLC	Rs. 73 Million	Purchase of premises at Nawala, Kottawa & land bordering RPL Factory premises, Changing the layout of the Head Office premises & construction of new showrooms at Nittambuwa, Gampaha and Ambalangoda.	60 equal monthly installments Commencing from April 2006	Mortgage over lands at- 101 Nawala Road, Nugegoda, 472 High Level Road-Nugegoda & Baddegedaramulla-Meegoda.	162 Mn	Property, Plant & Equipment
HSBC Limited	Rs. 310 Million	Purchase of machinery	48 installments 6 months grace period Commencing from June 2008	Primary mortgage over selected machinery at Rocell Bathware Ltd. Corporate guarantee from Rocell Bathware Ltd	300 Mn 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 The Fortress Resorts PLC	100 Mn	Investments

11.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Commercial Bank of Ceylon 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 commencing from August 2008 .	Primary mortgage bond over shares of L B Finance PLC	28 Mn	Investments
Hatton National Bank PLC	Rs. 100 Million	For the expansion of the showroom network.	59 Equal monthly installment of Rs. 1.67 Mn each and final installment of Rs. 1.47 Mn	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	350.3 Mn	Property, Plant & Equipment

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 Commercial & DFCC) over the factory premises of RPL in Horana together with existing machinery & the machinery to be Imported	75Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	75 Mn	
DFCC Bank PLC	Rs.150 Million	Purchase of a Walltile manufacturing plant	60 equal monthly installments Commencing from August 2005 Rescheduled with effect from February 2008 for 29 equal monthly installments	Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (Between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery & the machinery to be Imported	Rs. 150 Mn	Property Plant & Equipment

11.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Commercial Bank of Ceylon 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) over the factory premises of RPL in Horana together with existing machinery & the machinery to be Imported	Rs. 460 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 450 Mn	
Commercial Bank of Ceylon 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 of Ceylon PLC	Rs. 55 Million	To finance the cost of 02 Ball Mills and Batch Feeder	60 equal monthly installments with 6 months grace period 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 of Ceylon PLC	Rs. 22 Million	To finance the cost of a Rotocolor Machine	60 equal monthly installments with 6 months grace period commencing from February 2008	Primary Mortgage bond over Rotocolor Machine.	Rs. 22 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 22 Mn	

11.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Commercial Bank of Ceylon PLC	Rs. 14 Million	To finance the cost of a Dedusting System & Vaccum Cleaner	60 equal monthly installments with 6 months grace period commencing from April 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	
Commercial Bank of Ceylon PLC	Rs. 15 Million	To finance the cost of an additional raw material storage building at the factory premises at Horana	60 equal monthly installments with 6 months grace period commencing from June 2008	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 15 Mn	
Commercial Bank of Ceylon PLC	Rs. 150 Million	For the expansion of the showroom network of the group and to finance the increased cost of the Ball Mill Batch Feeder and Raw Material Storage yard in Horana.	48 equal monthly installments with 3 months grace period commencing from first drawn	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn	
Commercial Bank of Ceylon PLC	Rs. 100 Million	To finance the Import Bills under One Off Letter of Credit Facility for Press and Sorting machine	59 equal monthly installments with 3 months grace period commencing from first drawn	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 100 Mn	Property Plant & Equipment
				Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (Between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery & the machinery to be Imported	Rs. 100 Mn	
Company : Rocell Bathware Limited						
Commercial Bank of Ceylon PLC	Rs. 150 Million	To finance the cost of machines imported/ to be imported	66 installments with 15 months grace period commencing from December 2008	Primary concurrent mortgage bond with HNB over Leasehold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs. 150 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn	

11.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Hatton National Bank PLC	Rs. 300 Million	Importation of plant & machinery & to meet other costs associated with the Rocell Bathware Project.	66 installments with grace period of 15 months commencing from May 2008	Primary Concurrent Mortgage bond with Commercial bank over Leasehold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 300 Mn Rs. 300 Mn	Property Plant & Equipment
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 Leasehold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn Rs. 150 Mn	Property Plant & Equipment
				As at 01. 04. 2008 Rs.	Loans Obtained Rs.	Repayment Rs.
						As at 31. 03. 2009 Rs.

11.8 Short term Loans

Commercial Bank of Ceylon PLC	176,122,365	488,886,210	(423,322,841)	241,685,734
Seylan Bank PLC	27,998,000	173,860,000	(186,618,000)	15,240,000
Hatton National Bank PLC	3,812,543	36,852,185	(38,587,184)	2,077,544
Standard Chartered Bank Ltd	90,000,000	255,000,000	(95,000,000)	250,000,000
Sampath Bank PLC	10,928,541	31,288,738	(42,217,279)	-
HSBC Ltd	2,080,819	50,196,475	(30,561,838)	21,715,455
Bank of Ceylon	-	9,409,000	-	9,409,000
	<u>310,942,268</u>	<u>1,045,492,608</u>	<u>(816,307,142)</u>	<u>540,127,733</u>

Company			Group	
2009	2008		2009	2008

12. RETIREMENT BENEFIT Liability

Retirement Benefit Obligation as at the beginning of the year	44,756,560	38,790,464	52,540,473	43,681,198
Charge for the year	2,520,215	8,813,444	3,849,603	12,035,453
Benefits Paid	(2,431,443)	(2,847,348)	(2,542,327)	(3,176,178)
Retirement Benefit Obligation as at the end of the year	<u>44,845,332</u>	<u>44,756,560</u>	<u>53,847,749</u>	<u>52,540,473</u>

Notes to the Financial Statements

Messrs. Actuarial & Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan-gratuity on 31 March 2009 . Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Principal Actuarial Assumptions

The principal financial assumptions underlying the valuation are as follows:

Discount Rate 12% p.a.

Salary Increases 10% p.a.

Staff Turnover

Up to 50 years

- Head Office - 13%
- Showroom - 6%
- Workers and Others - 3%

The demographic assumptions underlying the valuation are retirement age 55 years.

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
13. TRADE AND OTHER PAYABLES				
Trade Creditors	38,402,871	48,213,918	128,341,488	129,020,939
Payables - Other	46,103,269	41,627,430	110,379,671	67,657,259
- Related Parties (Note 13.1)	976,419,171	519,391,147	-	-
Sundry Creditors Including Accrued Expenses	64,396,574	70,797,127	140,101,275	110,596,795
	<u>1,125,321,885</u>	<u>680,029,622</u>	<u>378,822,434</u>	<u>307,274,993</u>

13.1 Payable to Related Parties	Relationship				
Royal Porcelain (Pvt) Ltd	Group Company	973,517,543	519,391,147	-	-
Royal Ceramics Distributors (Pvt) Ltd	Group Company	2,901,628	-	-	-
		<u>976,419,171</u>	<u>519,391,147</u>	<u>-</u>	<u>-</u>

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
14. DIVIDEND PAYABLE				
Total Unclaimed Dividend	<u>7,747,279</u>	<u>10,504,761</u>	<u>7,747,279</u>	<u>10,504,761</u>

		Company		Group	
		2009	2008	2009	2008
		Rs.	Rs.	Rs.	Rs.
15. CASH AND CASH EQUIVALENTS					
IN CASH FLOW STATEMENT					
Components of Cash and Cash Equivalents					
15.1 Favorable Cash & Cash Equivalent Balances					
Cash & Bank Balances		32,938,456	37,801,945	46,259,050	49,357,279
15.2 Unfavorable Cash & Cash Equivalent Balances					
Bank Overdraft		(256,209,231)	(270,755,146)	(550,655,305)	(435,225,201)
Total Cash and Cash Equivalents For the Purpose of cash flow statement		(223,270,775)	(232,953,201)	(504,396,255)	(385,867,922)
		Company		Group	
		2009	2008	2009	2008
		Rs.	Rs.	Rs.	Rs.
16. REVENUE					
16.1 Summary					
Gross Revenue	- Export	126,833,759	151,132,767	173,682,417	159,497,002
	- Local	1,495,467,346	1,532,090,088	4,077,312,794	3,811,754,827
Less: Sales Taxes - (Value Added Tax/Turnover Tax)		(187,189,022)	(199,099,713)	(509,823,194)	(496,433,071)
Net Revenue		<u>1,435,112,083</u>	<u>1,484,123,142</u>	<u>3,741,172,017</u>	<u>3,474,818,758</u>
16.2 Goods and Services Analysis					
Sale of Goods		<u>1,435,112,083</u>	<u>1,484,123,142</u>	<u>3,741,172,017</u>	<u>3,474,818,758</u>
		Company		Group	
		2009	2008	2009	2008
		Rs.	Rs.	Rs.	Rs.
17. OTHER INCOME AND GAINS					
Income from Investments with					
Related Parties - Non Quoted		287,500,010	57,500,000	-	-
Dividends on Long-Term & Current Investments		6,090,939	10,504,382	6,090,939	10,504,382
Profit on Disposal of Short Term Investments		62,456,181	1,214,335	62,456,181	1,214,335
Management Fee Income		120,000,000	90,000,000	-	-
Rent Income		52,523	52,174	-	-
Profit on Disposal of Property, Plant & Equipment		250,808	2,343,228	250,808	2,343,228
Sundry Income		5,410,073	3,297,849	6,235,540	7,403,428
Reversal of Provision for fall in value of					
Short term Investments		-	34,258,145	-	34,758,145
		<u>481,760,534</u>	<u>199,170,113</u>	<u>75,033,468</u>	<u>56,223,518</u>

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
18. FINANCE COST AND INCOME				
18.1 FINANCE COST				
Interest Expense on Overdrafts	56,975,233	48,639,325	106,544,033	71,336,258
Interest Expense on Loans & Borrowings	157,797,753	157,291,807	312,691,202	275,893,352
Finance Charges on Lease Liabilities	612,864	1,183,041	1,749,595	1,732,586
	<u>215,385,850</u>	<u>207,114,173</u>	<u>420,984,830</u>	<u>348,962,196</u>
18.2 FINANCE INCOME				
Interest Income	16,867,439	3,047,202	18,440,444	3,127,710
	<u>16,867,439</u>	<u>3,047,202</u>	<u>18,440,444</u>	<u>3,127,710</u>
	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
19. PROFIT BEFORE TAX				
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation	27,350,361	29,164,752	173,112,649	153,259,688
Employee benefits including the following	127,098,968	116,015,025	225,458,231	192,963,730
- Defined Benefit Plan Costs - Gratuity	(2,199,502)	4,445,922	(872,839)	7,432,216
- Defined Contribution Plan Costs - EPF & ETF	9,642,520	8,817,207	16,810,068	14,867,089
Export duty rebate	(1,076,639)	(1,247,290)	(1,499,260)	(1,299,251)
Provision for inventory	-	12,740,220	-	12,740,220
Included in Administrative Expenses				
Depreciation	9,018,725	8,326,224	9,998,726	9,306,224
Employee benefits including the following	66,357,116	43,184,221	67,359,842	43,419,934
- Defined Benefit Plan Costs - Gratuity	2,746,423	1,384,592	2,749,149	1,620,305
- Defined Contribution Plan Costs - EPF & ETF	6,793,746	4,267,295	6,793,746	4,267,295
Gain/(Loss) on translation of foreign currency	(81,245)	475,533	80,231	4,315,267
Donations	2,042,822	1,098,148	2,078,257	1,198,148
Amortisation of intangible assets	3,374,961	-	3,474,961	7,758,177
Settlement of taxes in default in previous years	-	10,000,000	505,183	10,000,000
Included in Selling and Distribution Costs				
Depreciation	27,859,558	21,099,183	51,917,623	38,561,232
Damage Stocks net of insurance claims received	2,902,073	1,720,524	7,659,435	5,315,905
Sales Promotion	9,082,650	6,542,292	12,754,211	10,308,952
Employee Benefits including the following	110,366,143	115,018,678	110,366,143	115,018,678
- Defined Benefit Plan Costs - Gratuity	1,973,292	2,982,931	1,973,292	2,982,931
- Defined Contribution Plan Costs - EPF & ETF	<u>6,140,572</u>	<u>6,253,741</u>	<u>6,140,572</u>	<u>6,253,741</u>

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
20. INCOME TAX EXPENSE				
The major components of income tax expense for the year ended 31 March are as follows :				
Income Statement				
Current Income Tax				
Current Income Tax charge	19,438,763	34,088,898	19,438,763	34,088,898
Under Provision of current taxes in respect of prior years	-	1,130,774	-	1,130,774
Unrecoverable ESC	-	-	-	5,299,597
	<u>19,438,763</u>	<u>35,219,672</u>	<u>19,438,763</u>	<u>40,519,269</u>
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 20.2)	<u>571,868</u>	<u>(7,909,230)</u>	<u>571,868</u>	<u>(7,909,230)</u>
Income tax expense reported in the income statement	<u>20,010,631</u>	<u>27,310,442</u>	<u>20,010,631</u>	<u>32,610,039</u>
Statement of Changes in Equity				
Deferred Income Tax related to items charged or credited directly to equity :	-	51,044,902	-	51,044,902
Income tax expense reported in equity	<u>-</u>	<u>51,044,902</u>	<u>-</u>	<u>51,044,902</u>

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
20. INCOME TAX EXPENSE (Contd..)				
20.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :				
Accounting Profit before tax from continuing operations	225,696,766	149,276,478	537,892,278	643,395,918
Accounting Profit before Income Tax	225,696,766	149,276,478	537,892,278	643,395,918
Income Tax at the statutory income tax rates -35% (2008 - 35%)	78,993,868	52,246,767	188,262,301	225,188,572
Adjustments in Respect to Current Income				
Tax of previous year	-	1,130,774	-	1,130,774
Depreciation in Excess of Capital allowances	7,893,480	7,079,564	7,893,480	7,079,564
Disallowable Expenses	61,339,909	16,511,384	61,339,909	16,511,384
Allowable Expenses	(3,587,082)	(15,016,476)	(3,587,082)	(15,016,476)
Income Exempt from Taxes	(124,640,677)	(25,051,246)	(233,909,110)	(192,688,889)
Income Taxed at Lower Rates	(748,602)	(2,018,609)	(748,602)	(2,018,609)
Social Responsibility Levy at 1.5% (2008-1%) of income tax	187,867	337,514	187,867	332,949
Deferred Tax Charged/(Reversed)	571,868	(7,909,230)	571,868	(7,909,230)
Income Tax Expense reported in the Income Statement at the Effective Income Tax Rate	20,010,631	27,310,442	20,010,631	32,610,039
Income Tax Expense for the year is made up as follows				
Income tax on profits of the local sales @ 35%	18,871,697	32,559,802	18,871,697	32,559,802
Income tax on profits of the export sales @ 15%	567,066	1,529,096	567,066	1,529,096
Under/(Over) provision of current taxes in respect of prior years		1,130,774	-	1,130,774
Unrecoverable ESC		-	-	5,299,597
Deferred Tax Charged/(reversed)	571,868	(7,909,230)	571,868	(7,909,230)
	20,010,631	27,310,442	20,010,631	32,610,039
Effective Tax Rate	9%	18%	4%	5%

	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
20.2 Deferred Tax Liability				
Company/Group				
Capital allowances for tax purposes	101,001,962	49,236,296	51,765,666	(6,732,636)
Revaluation of land & building	-	51,044,902	(51,044,902)	-
(Items charged or credited directly to equity)				
Deferred Tax Assets	101,001,962	100,281,198		
Defined benefit plan liability	(14,902,152)	(14,753,257)	(148,896)	(1,176,596)
Deferred income tax income / (expense)			571,868	(7,909,230)
Net Deferred Tax liability	86,099,810	85,527,941		

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.

21. EARNINGS PER SHARE

21.1 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.

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

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
Amount Used as the Numerator:				
Net Profit for the year	<u>205,686,135</u>	<u>121,966,036</u>	<u>517,881,647</u>	<u>610,785,879</u>
Number of ordinary shares used as Denominator	2009	2008	2009	2008
	Number	Number	Number	Number
Weighted Average number of Ordinary Shares in issue				
Applicable to basic Earnings Per Share	<u>55,394,692</u>	<u>55,394,692</u>	<u>55,394,692</u>	<u>55,394,692</u>

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

	2009	2008
	Rs.	Rs.
22. DIVIDEND PER SHARE		
Company / Group		
Final dividend for 2006/2007 : Rs 1 per share(2006: Rs 1 per share)	-	55,394,692
Final dividend for 2007/2008 : Rs 1 per share(2007: Rs 1 per share)	<u>55,394,692</u>	-
Interim dividend for 2008/2009 : Rs 1 per share(2008: Rs 1per share)	<u>55,394,692</u>	-
	<u>110,789,384</u>	<u>55,394,692</u>
Proposed for approval at AGM (not recognised as a liability as 31 March)		
Equity dividends on ordinary shares		
Final dividend for 2009: Nil (2008: Rs. 1 per share)	-	<u>55,394,692</u>

23. SEGMENT INFORMATION & REVENUE

Primary reporting format - Business Segments.

As at 31 March 2009, the qualifying segments under business segment reporting are as follows:

- Tiles
- Sanitaryware

The following tables present revenue and profit and certain assets and liability information regarding the Group's business segments:

	Tiles		Sanitaryware		Total	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Revenue						
Sales to external customers	<u>3,741,172,017</u>	<u>3,474,818,758</u>	-	-	<u>3,741,172,017</u>	<u>3,474,818,758</u>
Total Revenue	<u>3,741,172,017</u>	<u>3,474,818,758</u>	-	-	<u>3,741,172,017</u>	<u>3,474,818,758</u>
Results						
Gross Profit	<u>1,643,484,310</u>	<u>1,472,464,368</u>	-	-	<u>1,643,484,310</u>	<u>1,472,464,368</u>
Other Income					<u>93,473,911</u>	<u>59,351,229</u>
Unallocated Expenses					<u>(778,081,115)</u>	<u>(539,457,482)</u>
Profit before tax, finance costs					<u>958,877,107</u>	<u>992,358,115</u>
Finance Costs					<u>(420,984,831)</u>	<u>(348,962,197)</u>
Profit before Income Tax					<u>537,892,278</u>	<u>643,395,918</u>
Income Tax Expense					<u>(20,010,631)</u>	<u>(32,610,039)</u>
Net Profit for the year					<u>517,881,647</u>	<u>610,785,879</u>
Assets and Liabilities						
Segment Assets	<u>4,227,402,584</u>	<u>4,283,591,631</u>	<u>1,971,059,586</u>	<u>1,395,863,191</u>	<u>6,198,462,170</u>	<u>5,679,454,822</u>
Total assets					<u>6,198,462,170</u>	<u>5,679,454,822</u>
Segment Liabilities	<u>1,717,907,731</u>	<u>2,192,366,081</u>	<u>1,420,052,270</u>	<u>833,678,834</u>	<u>3,137,960,000</u>	<u>3,026,044,915</u>
Total Liabilities					<u>3,137,960,000</u>	<u>3,026,044,915</u>
Other Segment Information						
Property, Plant & Equipment acquired on cash	<u>250,275,696</u>	<u>310,288,169</u>	<u>369,084,312</u>	<u>927,556,060</u>	<u>619,360,008</u>	<u>1,237,844,229</u>
Depreciation	<u>241,636,855</u>	<u>201,557,204</u>	<u>980,000</u>	<u>980,000</u>	<u>242,616,855</u>	<u>202,537,204</u>
Provisions and Employee Benefit Liabilities during the year	<u>3,846,877</u>	<u>11,799,739</u>	<u>2,726</u>	<u>235,713</u>	<u>3,849,603</u>	<u>12,035,452</u>

24. 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 11.7.

25. CAPITAL COMMITMENTS

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

	Company		Group	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Contracted but not provided for	<u>12,204,464</u>	<u>91,035,447</u>	<u>20,416,713</u>	<u>130,547,839</u>
	<u>12,204,464</u>	<u>91,035,447</u>	<u>20,416,713</u>	<u>130,547,839</u>

No provision has been made in these Financial Statements in this regard as at 31 March 2009.

26. 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.

27. ASSETS PLEDGED

The Group has pledged its assets as security for the Interest Bearing Loans and Borrowings obtained as stated in Note 11.7.

28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follow :

	Company	
	2009 Rs.	2008 Rs.
28.1 Transactions with the Related Entities - Subsidiaries*		
Nature of Transactions		
Sale of Goods/Services	22,233,100	17,529,722
Purchase of Goods/Services	(16,509,400)	(26,725,545)
Investment Income Received	287,500,000	57,500,002
Management Fees Received	131,326,240	103,500,000
Net of fund transfers	1,960,997,940	935,116,802
Guarantees Given	<u>(50,000,000)</u>	<u>(50,000,000)</u>

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

Refer Notes 8 and 13 to these Financial Statements for the outstanding balances with Related Parties.

28.2 Transactions with Key Management Personnel

Key management personnel include the Board of Directors of the Company and Directors in Subsidiaries.

	Company/Group	
	2009	2008
	Rs.	Rs.
28.2.1 Compensation to Key Management Personnel		
Nature of Transactions		
Short Term Employee Benefits	31,368,380	23,740,592
Post Employee Benefits	591,794	550,000
	<u>31,960,174</u>	<u>24,290,592</u>

28.2.2 Other Transactions with Key Management Personnel

The Company has given an advance of Rs. 2,875,000/- to a key management personnel in relation to construction of a showroom, Rs. 7,059,900/- was paid as rent and Rs. 898,277/- was paid as transport charges to key management personnel during the year.

28.3 Transactions, Arrangements and Agreements involving companies controlled by or with significant influence of the key management personnel.*

	Company		Group	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
Nature of Transactions				
Sale of Goods/Services	2,885,495	10,101,918	2,885,495	10,101,918
Purchase of Goods/Services	(5,738,093)	(659,160)	7,048,709	659,160
Purchase of property, plant, and equipment	-	-	4,530,000	-
Dividend Received	-	1,433,340	-	1,433,340
Investment made	42,859,631	(48,472,083)	42,859,631	48,472,083
Loans Obtained/paid	(10,928,541)	50,000,000	(10,928,541)	50,000,000
Net of Fund Transfers	-	9,000,000	-	9,000,000

28.3.1 During the year, the Company has disposed 3,500,000 shares held of the Fortress Resort PLC to key management personnel at Rs. 12.67 per share.

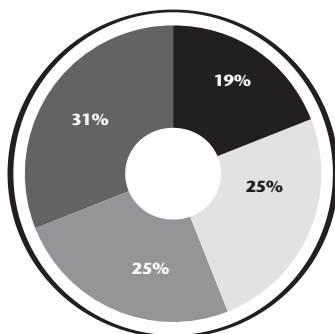
*Other Related Companies as cited below represent transactions with entities either controlled or in which significant influence is held by Key Management Personnel or their close family members.

- Amaya Leisure PLC ,Kandyan Resorts (Pvt) Ltd, L B Finance PLC, Hotel Reefcomber PLC, Vallibel Electrics (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Culture Club Resort (Pvt) Ltd and Sampath Bank PLC.

Group Value Added Statement

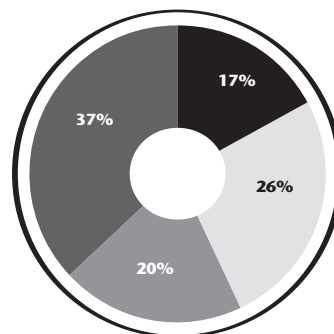
	2008/2009			2007/2008		
	Rs.000's			Rs.000's		
Turnover	4,250,995			3,971,252		
Other Income/(Loss)	75,033			56,224		
	4,326,029			4,027,476		
Less: Cost of Material & Services bought in	(2,206,807)			(1,982,118)		
	2,119,221			2,045,358		
Value Allocated to Employees						
Salaries & Wages and other benefits	402,184	402,184	19%	354,908	354,908	17.4%
To Government						
Income Tax	20,011			32,610		
VAT/GST/NSL/TT/NBT	515,544	535,554	25.3%	496,433	529,043	25.9%
To Providers of Capital						
Dividend	110,789			55,394		
Loan Interest	420,985	531,774	25.1%	348,962	404,356	19.8%
To Expansion & Growth						
Retained in Business	407,092			555,391		
Depreciation	242,617	649,709	30.7%	201,660	757,051	37.0%
	2,119,221		100.0%	2,045,358		100.0%

Value Added 2009



A Value Allocated to Employees	19%
B To Government	25%
C To Providers of Capital	25%
D To Expansion & Growth	31%

Value Added 2008



A Value Allocated to Employees	17%
B To Government	26%
C To Providers of Capital	20%
D To Expansion & Growth	37%

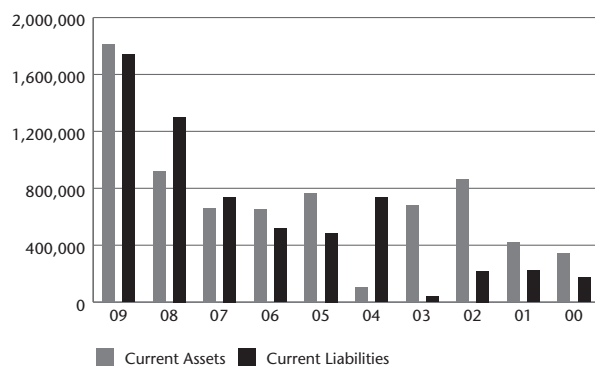
Ten Year Summary - Company

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Trading Results										
Net Turnover	1,435,112	1,484,123	1,362,397	1,193,481	976,298	703,429	665,488	610,692	624,387	573,336
Other Income	481,761	199,170	200,300	119,820	168,545	69,789	78,101	4,903	1,536	1,115
Profit before Interest	441,083	356,391	337,323	441,354	285,289	80,937	161,139	104,061	149,656	87,005
Interest	(215,386)	(207,114)	(126,998)	(76,291)	(60,309)	(39,523)	(48,263)	(9,551)	(5,584)	(3,587)
Profit after Interest										
before tax	225,697	149,276	210,325	365,063	224,980	41,414	112,876	94,510	144,072	83,418
Taxation	(20,011)	(27,310)	(57,511)	(44,048)	(23,093)	7,210	(41,097)	(2,035)	(5,666)	(209)
Profit after Taxation	205,686	121,966	152,814	321,015	201,887	48,624	71,779	92,475	138,406	83,209
Deferred Revenue										
Expenditure	-	-	-	-	-	-	-	-	-	-
Prior Year Adjustments	-	-	-	-	-	-	-	-	-	(50,000)
Net Profit	205,686	121,966	152,814	321,015	201,887	48,624	71,779	92,475	138,406	33,209
			152,814	321,783	201,887	48,624	71,779	92,475	138,406	33,209
			-	(768)	-	-	-	-	-	-
Balance Sheet										
Stated Capital	814,726	814,726	814,726	814,726	814,726	814,726	814,726	814,726	574,735	307,748
Capital Reserve	367,343	367,343	4,168	4,168	4,168	4,168	4,168	4,168	4,168	271,155
Retained Earnings	576,602	481,706	415,134	373,109	121,637	85,935	37,310	20,925	39,240	90,981
Share holders funds	1,758,671	1,663,775	1,234,028	1,192,003	940,531	904,829	856,204	839,819	618,143	669,884
Fixed Assets	970,404	929,883	489,995	455,546	490,390	415,689	403,628	444,604	482,094	510,831
Investments	1,260,945	1,772,020	1,306,903	979,964	545,519	522,911	500,500	500	500	500
Other Assets	1,770,072	919,250	661,905	650,981	762,052	1,001,260	676,892	864,372	417,487	342,279
Current Liabilities	(1,722,431)	(1,300,811)	(738,180)	(515,441)	(485,338)	(734,260)	(420,015)	(219,422)	(227,759)	(173,672)
Non Current Liabilities	(520,319)	(656,568)	(486,596)	(379,047)	(372,093)	(300,772)	(304,802)	(250,236)	(54,179)	(10,054)
	1,758,671	1,663,775	1,234,028	1,192,003	940,530	904,828	856,203	839,818	618,143	669,884
Ratios & Statistics										
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Ordinary Dividends (Rs.000's)	110,789	55,395	110,789	55,395	110,789	55,394	55,394	110,789	153,874	76,937
Effective Rate of Dividends (%)	20	10	20	10	20	10	10	20	50	25
Dividend per share *	2.00	1.00	2.00	2.00	2.00	1.00	1.00	2.00	5.00	2.50
Earnings Per Share (Rs.) *	3.71	2.20	2.76	5.81	3.64	0.90	1.30	2.70	4.50	1.10
Market Value Per Share (Rs.) *	27.50	42.50	35.00	34.00	45.00	16.50	15.00	17.00	14.30	13.50
Highest Market Value Per Share (Rs.) *	38.00	45.00	43.00	50.00	57.50	28.20	22.50	33.00	18.00	17.00
Price Earnings Ratio (Times)	7.41	19.30	12.69	5.85	12.35	18.33	11.54	6.30	3.18	12.27
Net Assets Per Share (Rs.) *	31.75	30.03	22.28	21.79	16.98	16.30	15.50	15.20	20.10	21.80
ROCE(%)	18.48	14.18	16.26	25.29	19.97	7.31	10.34	9.36	21.42	12.77

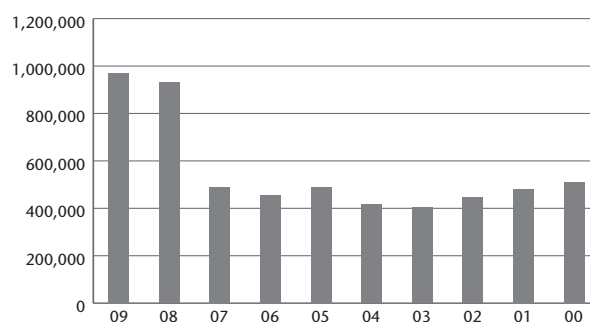
* All per share information has been restated to reflect the present share holding (Share Consolidation)

Graphical Review of Ten Year Summary - Company

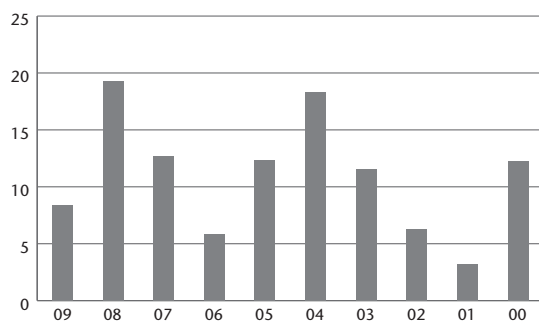
Current Assets & Liabilities (Rs.000)



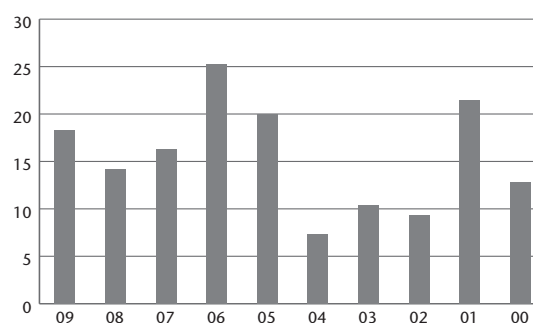
Fixed Assets (Rs.000)



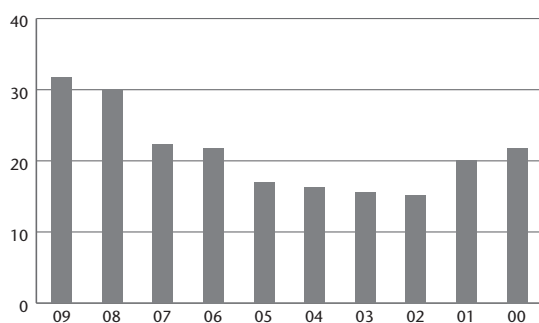
Price Earnings Per Share (Times)



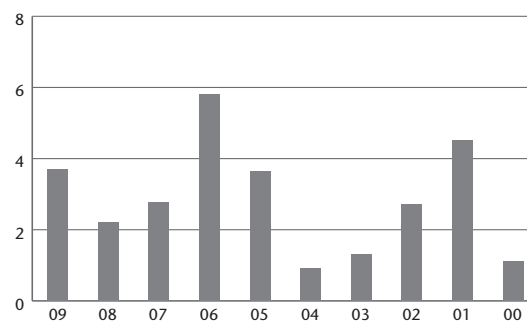
Return on Capital Employed (ROCE) (%)



Net Assets Per Share (Rs)



Earnings Per Share (Rs)



Share Information

Shareholders

There were 14,503 registered shareholders as at 31st March 2009, distributed as follows.

Number of Shares held			Number of Shareholders	% of number of shareholders	Number of Shares	% share holding
1	-	1,000	13,437	92.65	1,908,857	3.44
1,001	-	5,000	771	5.32	1,753,572	3.16
5,001	-	10,000	131	0.90	1,002,381	1.81
10,001	-	50,000	116	0.79	2,545,856	4.59
50,001	-	100,000	20	0.14	1,335,555	2.41
100,001	-	500,000	19	0.13	3,631,158	6.55
500,001	-	1,000,000	4	0.03	2,731,390	4.93
1,000,001 & OVER			5	0.03	40,485,923	73.09
Total			14,503	100	55,394,692	100

37.5% of shares were held by public as at 31st March 2009.

Category Shareholders	Number of Shareholders	% of Number of Holding	Total Holding	Total Holding %
Individual	14,158	97.62	33,282,202	60.08
Institutional	345	2.38	22,112,490	39.92
Total	14,503	100	55,394,692	100

Category Shareholders	Number of Shareholders	% of Number of Holding	Total Holding	Total Holding %
Residents	14,406	99.33	54,004,789	97.49
Non-Residents	97	0.67	1,389,903	2.51
Total	14,503	100	55,394,692	100

Twenty Major Shareholders

Shareholder	Number of Shares as at 31.03.09	% of issued capital	Number of Shares as at 31.03.08	% of issued capital
1 MR. KULAPPUARACHCHIGE DON DHAMMIKA PERERA	28,351,686	51.18	28,351,686	51.18
2 MR. AMARAKONE MUDIYANSELAGE WEERASINGHE	5,664,012	10.22	5,664,012	10.22
3 BANK OF CEYLON A/C CEYBANK UNIT TRUST	5,312,826	9.59	4,664,626	8.38
4 NUWARA ELIYA PROPERTY DEVELOPERS (PVT) LTD	1,157,400	2.09	1,181,200	2.13
5 MRS. PUSHPA NARHARI BHATT	788,940	1.42	788,940	1.42
6 CEYLINCO SHRIRAM CAPITAL MANAGEMENT SERVICES CO. (PVT) LTD / Mr.D.L.B.C PERERA	714,720	1.29	725,020	1.29
7 BANK OF NEW YORK-BEAR STEARNS SECURITIES CORPORATION	689,000	1.24	433,100	0.78
8 EMPLOYERS TRUST FUND BOARD	538,730	0.97		
9 PERSHING LLC S/A AVERBACH GRAUSON & CO.	465,000	0.84	465,000	0.84
10 BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	345,920	0.62		
11 MR. FELIX PREMACHANDRA DE ALWIS	307,033	0.55	307,033	0.55
12 MR. ROSANTH PERCIVAL LEO EHELIYAGODA	300,880	0.54	300,880	0.54
13 EAGLE INSURANCE COMPANY LIMITED A/C NO. 3	230,000	0.42	230,000	0.42
14 MR. MALAWIGE TISSAKA LAL FERNANDO	202,977	0.37	202,977	0.37
15 DEUTSCHE BANK AG-COM TRUST EQUITY FUND	183,700	0.33	182,700	0.33
16 SEYLAN BANK LIMITED/JAYANTHA DEWAGE	170,300	0.31	170,300	0.31
17 ASIAN ALLIANCE INSURANCE PLC - A/C NO. 02 (LIFE FUND)	164,700	0.3	158,200	0.29
18 SAMPATH BANK LIMITED - ACCOUNT NO. 3	153,550	0.28	153,550	0.28
19 FIRST CAPITAL MARKETS LIMITED/MR.P.A.F PERERA	150,000	0.27	150,000	0.27
20 MR.HUSEIN NURUDDAIN ESUFALLY	133,280	0.24	-	-

Market Values per Share

	2008/2009	2007/2008
Market Value per share	High	45.00
	Low	26.00
	Closing	42.50

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 after tax 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 Nineteenth Annual General Meeting of Royal Ceramics Lanka PLC will be held at 11.00 a.m. on Monday the 29th June 2009 at "On Golden Pond", Taj Samudra Hotel, Colombo for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the company for the year ended 31st March 2009.
- 2) To re-elect Mr. L.T Samarawickrama , 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 who retires in terms of Section 210 of the Companies Act No. 7 of 2007 as a Director of the Company and to adopt the following resolution :-

"RESOLVED that Mr. Malawige Tissaka Lal Fernando who has attained the age of 82 years 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. 7 of 2007 shall not apply to the said Director"

- 4) To re-elect Mr.B.M Amarasekera who retires in terms of Section 210 of the Companies Act No. 7 of 2007 as a Director of the Company and to adopt the following resolution :-

"RESOLVED that Mr. Bertram Manson Amarasekera who has attained the age of 79 years 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. 7 of 2007 shall not apply to the said Director"

- 5) To re-elect Mr. F.P de Alwis who retires in terms of Section 210 of the Companies Act No. 7 of 2007 as a Director of the Company and to adopt the following resolution:-

"RESOLVED that Mr. Felix Premachandra De Alwis who has attained the age of 87 years 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. 7 of 2007 shall not apply to the said Director"

- 6) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 7) To authorize the Directors to determine payments for the year 2009/2010 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 (Pvt) Ltd

Secretaries

Colombo

22 May 2009

Notes:

- 1) A member entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- 2) A form of Proxy is enclosed in this Report.
- 3) The completed form of Proxy should be deposited at the Registered Office of the Company, No. 10, R.A. de Mel , Mawatha, Colombo 03, not less than 48 hours before the time for holding the Meeting.

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

Mr. K. D. D. Perera

Mr. W. D. N. H. Perera

Mr. T. G. Thoradeniya

Mr. F. P. De Alwis

Mr. B. M. Amarasekera

Mr. M. T. L. Fernando

Mr. R. B. Thambiayah

Mr. K. D. H. Perera

Mr. L. T. Samarawickrama

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

of Colombo or failing him

as *my/our proxy to attend at the 19th Annual General Meeting of the Company to be held on Monday the 29th June 2009 at "On Golden Pond", Taj Samudra Hotel, Colombo and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the company for the year ended 31st March 2009.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. L.T Samarawickrema , 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 as a Director of the Company	<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 as a Director of the Company	<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 as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize the Directors to determine payments for the year 2009/2010 for charitable and other purposes as set out in the Companies Donations Act. (Cap 147)	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Nine.

.....
*Signature/s

Notes

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.
- 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 COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than 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 representative, 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 shall be deposited at the Registered Office of the Company situated at No. 10 R.A. de Mel Mawatha, Colombo 03 not less than forty eight (48) hours before the appointed time for the meeting.

Corporate Information

Name of the Company

Royal Ceramics Lanka PLC

Legal Form

A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 7 of 2007.

Date of Incorporation

29th August 1990

Company Registration Number

PQ 125

Nature of Business

Manufacture and Sale of Porcelain & Ceramic Tiles

Board of Directors

Mr. A.M. Weerasinghe - Chairman
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
Mr. M.T.L. Fernando
Mr. B.M. Amarasekera
Mr. R.B. Thambiayah
Mr. L.T. Samarawickreme
Mr. K.D.H. Perera

Head Office and Registered Office

10, R.A.de Mel Mawatha, Colombo 03.

Telephone: 011 4799400

Fax : 011 4720077

E-mail : ho.gen@rd.lk

Website : www.roccl.com

Subsidiary Companies

Royal Porcelain (Pvt) Ltd.

Rocell Bathware Ltd.

Royal Ceramics Distributors (Pvt) Ltd.

Secretaries

Secretaries and Registrars (Pvt) Ltd.

32 A, 1st Floor,

Sir Mohamed Macan Markar Mawatha,
Colombo 03.

Tel : 0112325761/01115426111

Fax : 0112342047

E-mail : s&r@eureka.lk

External Auditors

Ernst & Young, Chartered Accountants

201, De Saram Place,

P. O. Box 101, Colombo 10.

Bankers

Commercial Bank of Ceylon PLC.

Hatton National Bank PLC.

Seylan Bank PLC.

Bank of Ceylon.

Standard Chartered Bank Ltd.

Sampath Bank PLC.

PABC Bank PLC.

NDB Bank PLC.

DFCC Bank PLC.

HSBC Ltd.

