

PERFECTING PERFECTION



PERFECTION, A STATE WHERE EVERY ASPECT IS COMPLETE, WHERE EVERY FEATURE IS FLAWLESS AND WHERE ALL FACETS ARE TO THEIR UTMOST REQUIREMENTS. THIS IS OUR ESSENCE, AS WE PROVIDE YOU, THE MODERN DAY CUSTOMER WITH SOLUTIONS OF PERFECTION.

HOWEVER AT ROCELL WE ARE NEVER COMPLACENT ABOUT OUR ACHIEVEMENTS, NOR DO WE REST ON OUR LAURELS OF BEAUTIFUL DESIGN, FUNCTIONALITY, SIMPLICITY AND HIGH MANUFACTURING STANDARDS. INSTEAD, WE STRIVE TO GO BEYOND, CONTINUOUSLY IMPROVING, IN A SENSE - PERFECTING PERFECTION.

Our Brand Promise

Rocell is in the business of enhancing the quality of life by adding color, style, and elegance to life. It creates a sense of aspiration, expectation, fashion and style always stirring aspirations around good living. Creating sensorial pleasures of an aesthetically appealing living ambiance

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Group Financial Highlights

For the year ended 31 March

	2010 Rs. '000	2009 Rs. '000	Change %
Turnover - Gross	4,961,533	4,250,995	16.7%
- Net	4,451,169	3,741,172	19.0%
Profit before taxation	1,001,644	537,892	86.2%
Profit after tax	964,310	517,882	86.2%
Gross dividends	138,487	110,789	25%
Interest cover (No. of times)	3.62	2.28	59.1%
Dividend cover (No. of times)	6.96	4.67	49.0%
ROCE (%)	24.8%	16.9%	46.6%

As at 31 March

Shareholders funds	3,886,325	3,060,502	27.0%
Total assets	6,484,875	6,198,462	4.6%
Group employment (No. of persons)	1,301	1,385	-6.1%
Current ratio (current assets : current liabilities)	1.39:1	1.04:1	

Per share

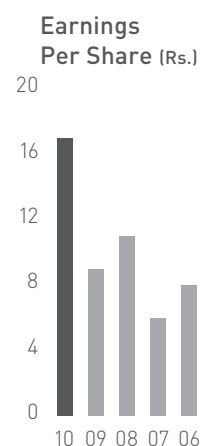
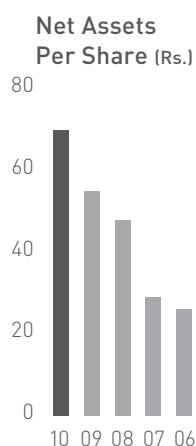
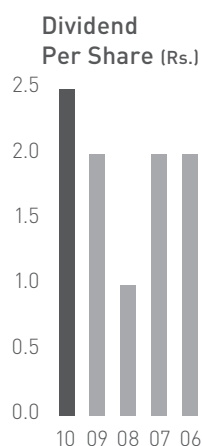
(Issued & fully paid shares 55,394,692 of Rs.10/- each)

Earnings (Rs.)	17.41	9.35	86.2%
Dividend (Rs.)	2.50	2.00	25.0%
Net assets (Rs.)	70.16	55.25	27.0%
Market value (Rs.)	113.00	27.50	310.9%
Cash flow from operations (Rs.)	18.29	6.13	197.9%

Dividend per share Rs.2.50 (2009 - Rs.2)

Net assets per share Rs.70.16 (2009 - Rs.55.25)

Earnings per share Rs.17.41 (2009 - Rs.9.35)



Chairman's Statement

It is with pleasure I welcome you to the 20th Annual General Meeting of Royal Ceramics Lanka PLC and present to you the annual report and financial statements for the financial year 2009/10.

The end of a three decade war in Sri Lanka has ushered in a period of peace, political and macroeconomic stability and high expectations of a prosperous future. The country grew 3.5% last year, a commendable performance given the effects of the global recession and the escalation in conflict that ended in May 2009. Post-war, Sri Lanka's priorities are to accelerate economic growth, reducing its budget deficit and inflation, with the country's GDP projected to grow by 6%

billion compared to Rs. 3.74 billion last year, while profitability before tax also grew from Rs. 538 million to Rs. 1 billion in the year under review.

This exceptional performance was led by several strategic initiatives that we adopted in addition to a favourable macroeconomic climate in the country. The group expanded into high value ceramics and porcelain products, and increased its distribution and dealer network. This allowed us to reach a wider customer base and give them more choice in product offerings. The decline in interest rates and energy costs also helped us reduce our financial costs and the cost of production significantly.

As the country prospers and new markets open up, Royal Ceramics is also poised for a period of growth. The Group performed exceedingly well in the year under review, posting the highest turnover and profitability in the history despite a year of global challenges.

in 2010. Investor confidence has returned as can be seen in the booming stock market and the upturn in the tourism industry, with high inflows of foreign investment also expected into the newly liberated areas of the North and East.

As the country prospers and new markets open up, Royal Ceramics is also poised for a period of growth. The Group performed exceedingly well in the year under review, posting the highest turnover and profitability in the history despite a year of global challenges. Group turnover was up to Rs. 4.45

A more detailed review of the Group's performance is available later in this report. It will suffice for me to say here that the Group has earned a reputation for being a high quality manufacturer of tile and sanitaryware products, which is reflected in our earnings this year. We have invested a great deal in building this brand and as such, have grown beyond our competition. I expect that this trend will continue in the year ahead as we expand our production capacity further, increase our exports and enter new markets in the North and East. With the effects of the global recession easing somewhat in 2010/11 and the local construction

industry booming, we expect global demand to pick up in the coming year, further strengthening our market position.

I take this opportunity to express my appreciation to the Board of Directors, Managing Director, the management team and all staff of the group for their commitment and dedication. I would also like to thank former Director, the late Mr. M.T.L Fernando, for his invaluable guidance in taking this company forward, and welcome the three new Directors to the Board – Mr. Mangala Goonetilleke, Mr. G.A.R.D. Prasanna and Mr. Rajan Asirwatham .

To our shareholders, it is your continued loyalty to this company that has helped us achieve these heights. I thank you for your support and I am confident that we will achieve greater heights in the year ahead.



A M Weerasinghe

Chairman

17 May 2010



Managing Director's Review of Operations



The year under review has been one of exceptional growth for the Royal Ceramics Group. We recorded our highest turnover and profitability in the history of this company, amidst the challenges of a global recession and a slowdown in consumer demand at the start of the year. The year also marked the end of a three decade ethnic conflict in Sri Lanka, and the start of a period of economic growth and prosperity. This was reflected in the turnaround seen in key sectors such as tourism and construction, which in turn had a positive impact on the company's business.

A strong macroeconomic climate that saw interest rates and energy prices fall, coupled with the expansion in the group's product mix to include higher value goods, took profitability of the company to new highs. Group turnover grew by 19% to Rs. 4.45 billion during the year, while profitability before tax was up from Rs. 538 million in 2008/09 to Rs. 1 billion in the year under review. This was led by a strong performance in the tiling business, in which we introduced new sizes and designs, at higher margins. The company's new range of sanitaryware products performed well in its first year of operations, though we expect that, given the magnitude of this new venture, this will take a few years to show profits.

A decline in interest rates in the last quarter of the year reduced financial costs significantly, despite new investments in the Bathware sector, in distribution and marketing. Energy prices also came down, which reduced costs of production, although both the tile-manufacturing factories had to be closed down for almost one and a half months at the start of the year due to lower sales and stock build-up, though these excess stocks were subsequently disposed of and operations returned to normal as demand picked up later in the year. The lack of the raw material feldspar, which makes up approximately 45% of the products' body input, is a significant challenge facing the business. Currently, there is a shortage of this raw material and the quality of available stocks is poor. Hence, we have linked up with local suppliers to ensure uninterrupted long-term supply. The Government can play a key role in improving the availability of this raw material through issuance of new permits for mining and I request the Government for their support in this area.

Group has invested substantially to build a strong brand presence in the market, positioning itself as a premium, high

value product. We have built up a loyal and satisfied customer base and through our extensive branch and dealer network, we are able to reach more people across the country. We have stayed ahead of the competition, and have achieved market leadership status. The Group is no longer threatened by imported tiles as it operates in a different market segment.

Looking ahead, the Royal Ceramics Group is well positioned to take advantage of the new growth opportunities that present itself as the country progressively takes steps towards economic recovery. The company hopes to expand

with continuous opportunities for professional development. This includes overseas training and international exposure at trade fairs and exhibitions. I am glad to say that relations between the company and its workers have always been strong and there have been no instances of industrial unrest.

I would like to take this opportunity to thank the Chairman and Board of Directors for their support and guidance in steering this Group forward, as well as the management team and all staff of Royal Ceramics Group for their hard work and dedication.

We recorded our highest turnover and profitability in the history of this Group, amidst the challenges of a global recession and a slowdown in consumer demand at the start of the year.

its presence in the North and East by opening up new showrooms in the new financial year. With a sustained boom in new construction that is expected around the country, the ceramics industry as a whole is poised to grow. With signs of international markets recovering post-recession, we expect higher demand and in the year ahead, the Group will expand its presence in export markets, introducing its range of sanitaryware products to Europe and India. I expect that the opportunities in the coming year will help us achieve a minimum of 15% growth in earnings.

The company recognises that its achievements are due to the dedicated efforts of all employees. Group continues to invest in the training and development of all staff, providing them

I am confident that with the support and loyalty of our team and our shareholders, Royal Ceramics will continue to grow and prosper.



Nimal Perera
Managing Director

17 May 2010



Given that the market for sanitaryware in Sri Lanka is small and Rocell's capacity is bigger than local requirements, the company will look at expanding its sales to export markets introducing its range of sanitaryware products to Europe, Australia, Singapore and India in the future.

Management Discussion and Analysis

Royal Ceramics Lanka PLC is a public limited company that operates two wholly owned subsidiaries – Royal Porcelain (Pvt) Ltd and the newly incorporated Rocell Bathware Limited. The primary business of the group is the manufacture and sale of porcelain and ceramic tiles and sanitaryware products under the brand names 'Rocell' and 'Rocell Bathware', in local and export markets.

Operational Highlights

Royal Ceramics Lanka PLC

The product range of Royal Ceramics Lanka PLC was expanded during the year to include new styles and sizes, that proved popular in both domestic and export markets.

Royal Porcelain (Pvt) Ltd



"Largest press-machine in Sri Lanka commercially producing 60cm x 60cm sized tiles"

During the year, the product mix of Royal Porcelain was expanded to include more value added products in new styles and sizes, giving customers more choice. This was done without a corresponding increase in capacity and resulted in higher gross margins of up to 49%, which contributed markedly to the record profitability of the group. Currently, sales are mainly confined to the domestic market as demand for these products are high.

Rocell Bathware Limited

Rocell Bathware began commercial production at its state of the art sanitaryware-manufacturing plant in April 2009. The project had a total investment of Rs. 1.8 billion, of which Rs. 1.1 billion was financed through a long term loan and Rs. 700



"Greenware pieces at the casting machine"

million through internally generated funds. The company has performed reasonably well during the year, with much emphasis being placed on brand building. It is expected that the new venture will begin recording profits in two to three years as it achieves greater economies of scale. Given that the market for sanitaryware in Sri Lanka is small and Rocell's capacity is bigger than local requirements, the company will look at expanding its sales to export markets in Europe, Australia, Singapore and India in the future.



"Robotised Glazing machine in operation"

Manufacturing Operations

Royal Ceramics Group operates three factories: The factory at Horana manufactures ceramic tiles, one at Eheliyagoda manufactures porcelain tiles and sanitaryware is manufactured at Homagama.

The Group's capital expenditure on purchasing and upgrading plant and machinery in both its tile-manufacturing

Management discussion and analysis

factories was approximately Rs. 150 million during the year under review. The factory improvements were carried out to improve efficiencies and introduce new sizes in its product range. Lower sales at the start of the year led to the build-up of stocks, resulting in factory operations being halted for one and a half months until excess stocks could be cleared. Falling energy prices also reduced the cost of production at the factories by 12%, contributing to the profitability of the group.

Although the company initiated plans to construct a new tile plant in Kiriwaththuduwa, it was decided that this would be put on hold due to low consumer demand during the preceding period of economic crisis. This decision will be reconsidered in time to come.

Distribution Network

The Royal Ceramics group currently has 41 showrooms and a network of 320 direct and sub dealers across the country. During the year, the company's distribution channels were expanded to reach a wider market, with 245 direct and sub-dealers added during the year under review. The company opened its first ultra-modern 'Concept Centre' during the year, which features new concepts in tiling and sanitaryware solutions for homes and businesses. The centre has proved popular among customers.



"Interior of Concept Centre"

Financial Performance

Group turnover increased by 19% in the year under review, from Rs. 3.74 billion in the previous year to Rs. 4.45 billion,

led by expansion into high value tiling products. Royal Ceramics Lanka PLC posted a net turnover of Rs. 1.53 billion in 2009/10, an increase of 6.5%, while net turnover of Royal Porcelain grew from Rs. 2.31 billion to Rs. 2.64 billion in the year under review. Rocell Bathware posted a net turnover of Rs. 287 million in its first year of operations.

Profitability of the group was at its highest on record at Rs. 1 billion before tax. Royal Ceramics contributed Rs. 747 million, a significant increase on the Rs. 226 million of the previous year. Royal Porcelain posted Rs. 904 million in profit before taxation, highlighting an increase on the Rs. 611 million in 2008/09. Rocell Bathware posted a loss of Rs. 49 million in its first year of operations, and is expected to record profits in two to three years once it is established in the market and achieves economies of scale.

Overall sales volumes of tiles were up by 7.6% and there was an improvement in margins due to the introduction of high value added products. The group exports to countries in Europe, to Singapore, Canada, Australia, New Zealand and India. As a result of the recession and the resulting decline in demand in these countries, export turnover grew only by a moderate 15% to Rs. 200 million.

Interest rates fell by an average of 8% in the year under review, which had a positive impact on the company's finance costs. Despite increased investments in some areas of the business and continuing interest payments by Rocell Bathware, the group's finance costs declined by 9% i.e. Rs. 40 million. Distribution costs were up by 13%. Administrative expenses were up by 98% mainly due to imposition of Notion Building Tax (NBT) in February 2009.

The boom in the country's stock market has had a positive impact on the share performance of Royal Ceramics, which has appreciated by more than 100%. The share has been trading at a closing of Rs. 113.00 during the year under review compared to Rs. 27.50 last year, reflecting the confidence of the public in the company. Royal Ceramics issued interim dividends of Rs. 5 per share in the year under review.

The group's investment through equity holdings also appreciated tremendously during the year due to the turnaround in the stock market following the end of the war

and the boom in tourism. Royal Ceramics holds 11% stake in LB Finance and a 12% stake in Fortress Hotels.

Internal Control systems

The group has a strong system of internal controls complemented by the contribution of its Internal Audit Department, in addition to the external audit that is conducted by an independent body. The group is also continuously strengthening its monitoring and staff reporting systems. A new Enterprise Resource Planning solution is to be implemented with Oracle in the new financial year, for which the groundwork has already been laid. This solution will introduce simpler, more efficient automated processes for functions like procurement, manufacturing, inventory management and sales, without compromising and in fact strengthening its system of internal controls.

Future Outlook

With the opening up of the North and the East, following the end of the conflict and the expected boom in the construction industry, Royal Ceramics will expand its presence in these areas. The company plans to open showrooms in Jaffna, Trincomalee, Batticaloa and Vavuniya, in addition to the dealers it already has, operating in these regions.

In order to cope with this demand, Royal Ceramics and Royal Porcelain will expand their respective factory production capacities with a total investment of approximately Rs. 300 million. The capacity at the Horana factory that manufactures ceramic tiles will be expanded by 3500 square meters a day, while capacity at the Eheliyagoda factory that manufactures porcelain tiles will be expanded by 1500 square meters a day. Royal Ceramics group will continue to introduce new designs and sizes, leading the market in innovation and providing our customers with a variety of choices.

Bathware is a growing business for the group and the Company will continue to invest in brand building in order to establish 'Rocell Bathware' as a high quality, premium product. The company also hopes to expand export orders to Europe, Australia, Singapore and India, as the local market for sanitaryware is limited.

With the expected growth in the economy, new opportunities are expected to open up for the group. Some of the challenges that the group faces include the scarce nature of the raw material feldspar and the fluctuating nature of energy costs, which could have an impact on profitability.

Board of Directors

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). Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA), 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, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, 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 and Director of Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Sampath Bank 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 Hayleys PLC, LB Finance PLC, Vallibel Power Erathna PLC, Sathosa Motors PLC and Vallibel Finance Ltd. He counts over 27 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 17 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. He also serves on the Boards of Hayleys Exports PLC and Dipped Products (Thailand) Ltd.

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

Mr. Amarasekera has been a Director of the Company since 1991. Attorney-at-Law by profession and counts over 50 years in the practice of law. Joined the law firm of Julius & Creasy in 1952 and retired as Precedent Partner of the firm in 1999.



As a Member of the Bar Council, he served as Chairman of the Law and Finance Committee and several other Committees of the Council. He has served as member of a three member Bench of Inquiry into the Professional Misconduct of Members of the Bar constituted by the then Honourable Chief Justice in the early 1980's for a term of five years. He has 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.

He also serves as Chairman/Director of several Public quoted and unquoted Companies and Private Limited Liability Companies.

Mr. R B Thambiayah

Mr. Ravi Thambiayah holds a degree in Economics from the University of Madras. He is a well known and highly respected figure in the Sri Lankan Hotel Industry. He was the President of Colombo City Tourist Hotels Association and Vice-President of the Tourist Hotels Association of Sri Lanka. He is the Chairman and Managing Director of several companies in the Renuka Hotels Group as well as of the Cargo Boat Development Company PLC. He is a fellow of the Chartered Management Institute (UK).

Mr. L T Samarawickrama

Director of Royal Ceramics PLC since 2003. Mr. Samarawickrama serves as the Managing Director of Amaya Leisure PLC. He is also a Director of Hotel Reefcomber PLC, The Fortress Resorts PLC, Hunas Falls PLC and Kelani Valley Plantations PLC & represents Skanska International of Sweden and Siemens AG Austria.

Mr. R N Asirwatham

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism. As at present, Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He is also a member of the Presidential Commission on Taxation, appointed by the Excellency of the President, a member of the Ceylon Chamber of Commerce Advisory Council and a member of the council of the University of Colombo. He also serves on the Boards of Ceylon Tea Services PLC, Brown & Company PLC, Lanka Orix Leasing Company PLC, Aitken Spence PLC and Lanka Orix Financial Company Limited.

Mr. G A R D Prasanna

Mr. Prasanna was appointed to the Royal Ceramics Board on 29th May 2009. He is the Managing Director of Grandmark (Pvt) Ltd and also serves as Director on the Boards of Tekro Holdings (Pvt) Ltd and Citytel (Pvt) Ltd.

Mr. M D S Goonatilleke

Mr. Goonatilleke is a Financial Professional with over 25 years post qualification experience. He has held senior managerial positions in leading public, multinational and private companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (U.K.), since 1987. He is a passed finalist of Institute of Chartered Accountants (Sri Lanka). Mr. Goonatilleke has obtained a Post Graduate Diploma in Management from PIM of University of Sri Jayawardenapura as well. He currently serves as a Group Executive Director of DSL Group of Companies. Mr. Goonatilleke also serves as an independent Director of Vallibel Finance Ltd, LB Finance PLC and Amaya Leisure PLC.



Corporate Management



Mr. W D N H Perera
Managing Director



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



Mr. Haresh 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 Kamar
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
Senior 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. D P K Ponnampereuma
QA & RD Manager
Bathware Complex



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
Assistant Manager
Merchandising

Our Showroom Network



- 98, Nawala Road, Nugegoda. Tel: 011-4405160
- 440, R.A. de Mel Mawatha, Colombo 03. Tel: 011-4209204/5/6
- 106, Galle Road, Dehiwela North, Dehiwala. Tel: 011-4202815/814
- 555/3, New Kandy Road, Thaladena, Malabe. Tel: 011-4411775
- 158, Negombo Road, Wattala. Tel: 011-4818563
- 392, Gala Junction, Kandy Road, Kiribathgoda. Tel: 011-4817231
- 472/1, High Level Road, Makumbura, Kottawa. Tel: 011-4308413
- 116, Colombo Road, Piliyandala. Tel: 011-4210675
- 477/1, Galle Road, Rawathawatte, Moratuwa. Tel: 011-4210726
- 587, Negombo Road, Liyanagemulla, Seeduwa. Tel: 011-4831987
- 562, Peradeniya Road, Mulgampola, Kandy. Tel: 081-4471581
- 37, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy. Tel: 081-4475825

- 504/1, Kandy Road, Kegalle. Tel: 035-2230980
- 176 & 176/A, Colombo Road, Kurunegala. Tel: 037-4690467
- 46, Chilaw Road, Wennappuwa. Tel: 031-4874656
- 521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura. Tel: 025-4580294
- 223, 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: 041-4933629
- 143, High Level Road, Maharagama, Tel: 011-4319514
- 504, Galle Road, Panadura. Tel: 038-4281898
- 509, Colombo Road, Kaduwela. Tel: 4948182
- 200, Colombo Road, Negombo. Tel: 031-4922192
- 721 & 721 A, Mandandawela, Trincomalee Street, Matale. Tel: 066-4460928
- 86, Weyangoda Road, Minuwangoda. Tel: 011-4969060
- 174/A/2, Colombo Road, Gampaha. Tel: 033-4670937, 033-4670755
- 181, Hettipola Road, Kuliyapitiya. Tel: 037-4930870, 037-4696134
- 279, Katugastota Road, Kandy. Tel: 081-4481759, 081-4481760
- 574, Galle Road, Kalutara South, Kalutara. Tel: 034-4280933, 034-4280934
- 101, Nawala Road, Nawala. Tel: 011-4311311
- 278, Massale, Galle Road, Beruwala. Tel: 034-4288371, 034-4288372
- 39, Godagama Road, Athurugiriya. Tel: 011-4443641
- 52, Kandy Road, Nittambuwa. Tel: 033-4929681
- 52, Barnes Ratwatta Mawatha, Balangoda. Tel: 045-4927365
- 70, Bank Road, Badulla. Tel: 055-4499780
- 76A, Tangalle Road, Thavaluwila, Ambalanthota. Tel: 047-4932446
- 30, Narahenpita Road, Nawala. Tel: 011-4651000
- 185 B, Rathnapura Road, Moragala, Eheliyagoda. Tel: 036-4922946

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 2010. 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 6th December 1991. The Shares were listed on the Colombo Stock Exchange on 3rd May 1994.

Group Activities

The Principal activity of the Group continues to be the manufacture and sale of porcelain & ceramic tiles, along with the manufacture and sale of Sanitaryware, the products of which were launched into the market on 1st April 2009 to both the local & export markets. The Company undertook maintenance of the showroom network from July 2005 onwards which currently distributes the products of the Company and its subsidiaries, Royal Porcelain (Pvt) Ltd and Rocell Bathware Limited, under the brand names "Rocell" & "Rocell Bathware".

Royal Porcelain (Pvt) Ltd, a wholly owned subsidiary of the Company, was incorporated to acquire a tile manufacturing factory at Horana and has recorded a profit of Rs. 903,614,825/- for the year.

Royal Ceramics Distributors (Pvt) Ltd is also a wholly owned subsidiary of Royal Ceramics Lanka PLC and has recorded a loss of Rs. 226,227/- during the year under review. This Company's operations were transferred to the parent Company during midyear ended 31st March 2006.

Rocell Bathware Limited, another wholly owned subsidiary of the Company, was incorporated to manufacture and sell sanitaryware products to the local and export markets and has recorded a loss of Rs. 49,691,316/- for the year.

The Company or its subsidiaries have not engaged in any activities that contravene laws and relevant regulations.

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 17th May 2010.

Internal Control

The Board is satisfied that the system of internal controls put in place, covering financial, operational and compliance controls, is sufficiently robust to identify and manage risks which have an impact on the company's performance.

Business Review

The Chairman's Statement, the Managing Directors Review of Operations and the Management Discussion and Analysis comprehensively cover the activities of the Company and the Group during the year under review.

Stated Capital

The stated capital of the Company as at 31 March 2010 was Rs. 814,726,453/-

Summarized Financial Position

The Summarized financial position of the Group (in Rs. '000) is as follows.

	2009/2010	2008/2009
Group profit after taxation	964,310	517,882
Profit brought forward	1,777,698	1,370,606
Transferred from		
Revaluation Reserve	1,629	-
Dividend	(138,487)	(110,790)
Un-appropriated balance carried forward	2,605,150	1,777,698

Reserves

The total reserves of the Group stand at Rs. 3,071,598,603/-, comprising of capital reserves of Rs. 466,448,833/- and revenue reserves of Rs. 2,605,149,770/-.

Statement of Changes in Equity

The movement in equity is shown in the Statement of Changes in Equity on page 42.

Payment of Statutory Expenses

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to employees have been made within the stipulated period and have been provided for during the financial year.

Dividends

The Directors recommended payment of an interim dividend of Rs. 2/50 per share (tax free) for the year ended 31st March 2010 paid to the shareholders on 19th April 2010.

The second interim dividend of Rs. 2/50 per share (tax free) for the year ended 31st March 2010 was paid to the shareholders on 17th May 2010 and is to be ratified by the shareholders as the final dividend for the year ended 31st March 2010

Corporate Governance

The report on Corporate Governance is given on page 28 of the Annual Report.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities for Financial Statements is given on page 33.

Financial Review

The Financial Review is given on page 26.

Directorate

The names of the Directors in office during the financial year are disclosed in page 12 and 13 of the Annual Report.

Mr. R.B. Thambiyah, 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. B.M Amarasekera and Mr. F.P. de Alwis retires in terms of Section 210 of the Companies Act No. 7 of 2007 and offers

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

Mr. M.T.L Fernando, Director passed away and ceased to be a Director of the Company with effect from 14th August 2009.

Mr. K.D. H Perera resigned from the Board with effect from 29th May 2009. Mr. M.D.S Goonatilleke and Mr.G.A.R.D Prasanna were appointed to the Directorate of the Company with effect from 29th May 2009.

Mr. R.N. Asirwatham was appointed to the Directorate of the Company with effect from 25th September 2009.

Directors' Interests in Shares

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

Name	As at 31 March 2010	As at 31 March 2009
	No of Shares	No of Shares
Mr. A.M. Weerasinghe	5,467,012	5,664,012
Mr. K.D.D. Perera	28,351,686	28,351,686
Mr. F.P. de Alwis	50,533	307,033
Mr. B.M. Amarasekera (including joint holding)	107,193	107,193
Mr. W.D.N.H. Perera	30,000	2,500
Mr. T.G. Thoradeniya	23,700	39,200
Mr. L.T. Samarawickrama	1,000	1,000
Mr. R.B. Thambiyah	792	792
Mr. G.A.R.D. Prasanna	-	-
Mr. M.D.S. Goonatilleke	-	-
Mr. R.N. Asirwatham	-	-

Directors Remuneration

Directors Remuneration in respect of the Company and the Group for the financial year 2009/2010 are given in note 27 to the financial statements on page 77.

Directors' Interests in Contracts

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

Report of the Directors

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 31/3/2010 (Rs.)
Royal Porcelain (Pvt) Ltd	Mr. A.M. Weerasinghe	Chairman	A sum of Rs.136,823,571/- was Received as Service charges.	(621,120,052)
	Mr. K.D.D. Perera	Deputy Chairman		
	Mr. W.D.N.H. Perera	Managing Director	A sum of Rs.60,000/- was received as Rent.	
	Mr. T.G. Thoradeniya	Director Marketing & Business Development	A sum of Rs.5,705,723/- worth of Damaged tiles were purchased.	
	Mr. F.P. De Alwis	Director	A sum of Rs 600,000,000 /- was received as dividends.	
	Mr. R.B. Thambiayah	Director		
	Mr. B.M. Amarasekera	Director	Materials worth of Rs.24,572,236/- were purchased.	
	Mr. L.T. Samarawickrama	Director		
	Mr. G.A.R.D. Prasanna	Director	Materials worth of Rs. 5,203,656/- were sold.	
	Mr. M.D.S. Goonatilleke	Director		
Rocell Bathware Ltd	Mr. R.N. Asirwatham	Director	A sum of Rs. 359,411,776/-was received as short term funds.	300,735,254
	Mr. A.M. Weerasinghe	Chairman		
	Mr. K.D.D. Perera	Deputy Chairman	Materials worth of Rs 1,962,136/- were sold.	
	Mr. W.D.N.H. Perera	Director	Materials worth of Rs.2,321,702/- were purchased.	
	Mr. T.G. Thoradeniya	Director/CEO		
	Mr. F.P. De Alwis	Director	Investment in shares amounting to Rs. 351,000,000/-.	
	Mr. R.B. Thambiayah	Director		
	Mr. B.M. Amarasekera	Director	A sum of Rs.162,155,271/-was received as short term funds.	
	Mr. L.T. Samarawickrama	Director		
	Mr. G.A.R.D. Prasanna	Director		
Royal Ceramics Distributors (Pvt) Ltd	Mr. M.D.S. Goonatilleke	Director		7,242,139
	Mr. R.N. Asirwatham	Director		
	Mr. A.M. Weerasinghe	Chairman	A sum of Rs. 10,143,767 /- was given as short term funds.	
	Mr. K.D.D. Perera	Deputy Chairman		
	Mr. W.D.N.H. Perera	Managing Director		
	Mr. T.G. Thoradeniya	Director Marketing & Business Development		
	Mr. F.P. De Alwis	Director		
	Mr. R.B.Thambiayah	Director		
	Mr. B.M.Amarasekera	Director		
	Mr. L.T. Samarawickrama	Director		

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/3/2010 (Rs.)
Amaya Leisure PLC	Mr. K.D.D. Perera Mr. K.D.H. Perera Mr. W.D.N.H. Perera Mr. L.T. Samarawickrama Mr. M.D.S. Goonatilleke	Deputy Chairman Director Director Director Director	A sum of Rs.1,385,569/- was Received as Service charges.	1,798,532
Kandyan Resorts (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. L.T. Samarawickrama	Director Director Director	A sum of Rs.1,833,890/- paid as hotel charges. Tiles worth of Rs.843,580/- were sold.	843,580
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.2,660,944/- were sold. Lease paid amounting Rs. 699,758/-.	(4,366,878)
Culture Club Resorts (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. L.T. Samarawickrama	Director Director Director	A sum of Rs.41,850/- paid as hotel bills. Tiles worth of Rs.6,332/- were sold.	Nil
Vallible Electric (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. A.M. Weerasinghe	Chairman Director Director	Investments amounting Rs. 13,260,000 was written off. Electrical equipments worth of Rs.6,360/- were purchased.	Nil
Vallible Lanka (Pvt) Ltd.	Mr. K.D.D. Perera Mr. K.D.H. Perera	Director Director	Tiles worth of Rs.206,176/- were sold.	856,002
National Development Bank PLC	Mr. R.B. Thambiayah	Director	Project loan repaid amounting Rs. 11,538,360/-. A Sum of Rs. 1,886,421/- was receivable as dividends.	9,616,860
Pan Asia Bank PLC	Mr. W.D.N.H. Perera	Deputy Chairman	Current account balance	1,266,918
Sampath Bank PLC	Mr. K.D.D. Perera	Director	Current account balance	2,080,488

Report of the Directors

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/3/2010 (Rs.)
Rocell Ceramics Ltd	Mr.A.M. Weerasinghe Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya	Chairman Deputy Chairman Director Director/CEO	A sum of Rs. 1,313,530/- was given as long term funds.	173,941,350
Hayleys PLC	Mr. K.D.D. Perera Mr. W.D.N.H.Perera	Director Director	A Sum of Rs. 885,950/- was received as dividends.	Nil
Renuka Hotels PLC	Mr. R.B. Thambiayah	Director	Tiles worth of Rs. 232,864/- were sold. A sum of Rs. 99,189/- was paid as hotel charges.	Nil

Shareholding

The distribution of shareholders is indicated on page 81 in the Annual Report. There were 11,899 registered shareholders as at 31st March 2010. The Company has made every endeavour to ensure the equitable treatment of shareholders.

Share Information

Information on share trading is given on pages 81 and 82 of the Annual Report

Fixed Assets

The movement on Fixed Assets during the year is given in Note 3 to the financial statements.

Capital Expenditure

Group Capital Expenditure during the year, including amount transferred from the capital work in progress account, amounted to Rs. 222 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) Ltd, in terms of the agreement entered into with the 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 the Board of Investment of Sri Lanka, is exempt from income tax for a period of 5 years, commencing from the year of assessment in which the Company commences to make profits, or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier.

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

Group Investments

Details of investments held by the Group are given in Note 4 and 5 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 2010 was Rs. 113/- compared to Rs. 27/50 as at 31st March 2009 as per official valuation of the Colombo Stock Exchange.

Group Employment

As at the Balance Sheet date, the Group has provided employment to 1,301 people.

Contingent Liabilities & Capital Commitments

Details of contingent liabilities and capital commitments as at the Balance Sheet date are given in Note 23 and 24 of the financial statements respectively.

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 required adjustment to or disclosure in the Financial Statements.

Annual General Meeting

The 20th Annual General Meeting of the Company will be held at Moonstone Ballroom, Ceylon Continental Hotel, Colombo on 29th June 2010 at 10.00 a.m.. The Notice of the Annual General Meeting is on page 84 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. 635,000/- for the year ended 31st March 2010 (Rs. 575,000/- for the year ended 31st March 2009), as Audit fees by the Company. The Group has paid Rs. 1,186,000/- for the year ended 31st March 2010 (Rs. 1,023,000/- for the year ended 31st March 2009) 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 (Private) Limited

Secretaries

Colombo

17 May 2010

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. 4.45 billion during the financial year was a remarkable achievement for the Group. This is a 19% growth further consolidating the position of 'Rocell' as the clear market leader in this industry.

The export turnover of Rs. 200 million which has an increment of 15% has contributed only 4% 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 29%. This was achieved from the growth in group sales by 19%. Net sales of the company has increased by 7%.

There has been a better control of operational cost by improvement in production planning and production efficiencies. Fall in energy costs also contributed towards the increase in gross profit of the Group.

The Group has a increase in earnings per share of 86%. This is mainly due to the higher net profit compared to the last year.

Pre-tax profit has increased by 86% to Rs. 1 billion during the financial year.

Other Income

Other income of the Group has increased by 109%. The main contributing factors were reversal of provision made for fall in value of investments in the previous year amounting to Rs. 122 million and the profit on disposal of property, plant & equipment amounting to Rs. 20 million.

Taxation

The group made income tax provision of Rs. 37 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. 632 million was paid to the Government by way of direct sales taxes during the year.

Dividend

The Company has paid an interim dividends of Rs.5/- per share for the year under review.

Capital Expenditure

Capital expenditure of the Group was Rs. 231 million for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands and showroom development etc.

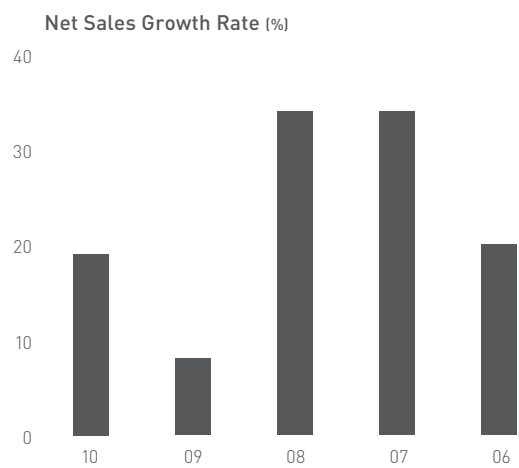
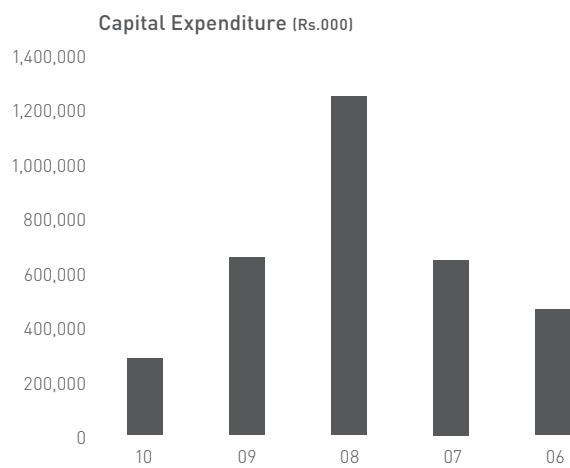
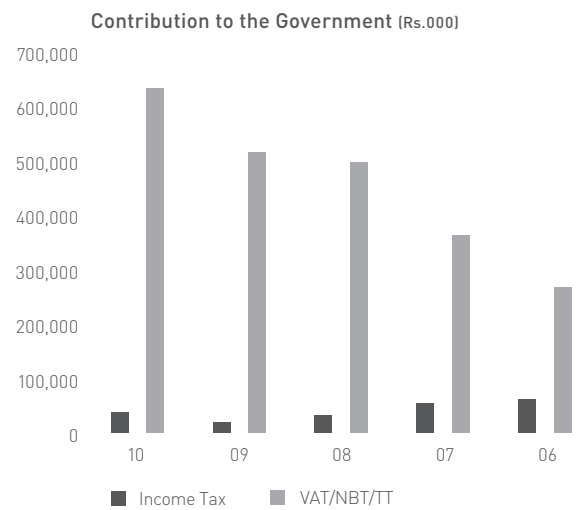
Financial Indicators

The Group's net inflow of funds was increased by Rs. 198 million. The Group's long term borrowings have decreased by 23% to Rs. 1,166 million. The Group's short term borrowings including overdrafts have decreased by 40% to Rs. 650 million. Shareholders' funds consist of 21% stated capital, 12% capital reserves and 67% 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.

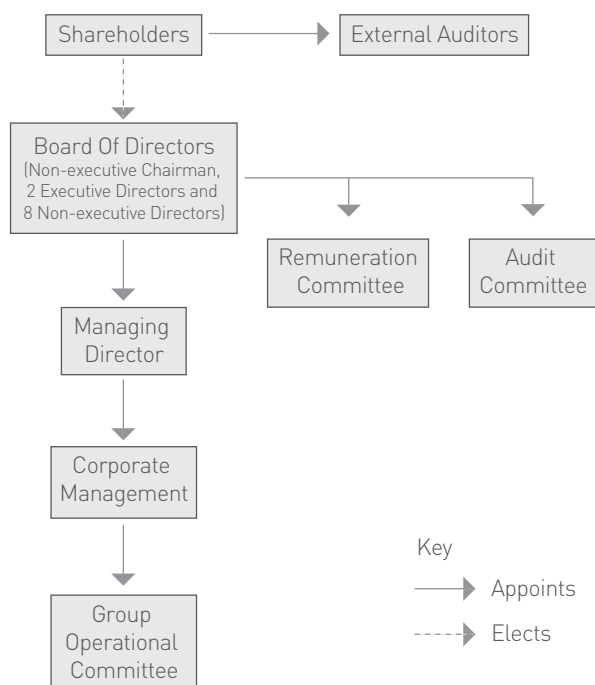
The group has adopted the practice of making full disclosure of both financial and non-financial information to enable the existing and potential shareholders to assess the performance of the Group and its future.



Corporate 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 rules set out in Section 7.10 of the Colombo Stock Exchange's New Listing Rules 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.

Rocell's Governance Guidelines provide Directors and management with a road map of their respective responsibilities. These guidelines, which will be updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review. The Group's Governance Framework is depicted in the following diagram.



In our framework of Governance, we have identified the importance of providing the Board information which is comprehensible, relevant, reliable and timely. Critical information needs to be presented in such a way that it cannot be ignored.

Strategic Direction and Implementation

Group strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year.

The Corporate Management has been delegated authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by the Board. The achievement of targets through implementation of strategies formulated, current performance and the short-term outlook are reviewed at Operational Committee meetings which are held monthly.

Board of Directors

The Board, comprising of professional and experienced business leaders of high repute, is entrusted with, and responsible for providing strategic direction to the company in an honest, fair, diligent and ethical manner.

Core Duties of the Board

The Board, which is elected by the shareholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to shareholders. The primary function of the Board is to exercise its collective business judgment to act in what it reasonably believes to be in the best interests of the Company and its shareholders. In exercising its business judgment, the Board acts as an advisor and counsellor to the senior management and defines and enforces standards of accountability – all with a view to enabling senior management to execute their responsibilities fully and in the interests of shareholders. The following are the Board's primary responsibilities, some of which may be carried out by Sub-Committees of the Board or the independent Directors as appropriate:

- Overseeing the conduct of the Company's business so that it is effectively managed in the long-term interests of shareholders;
- Selecting, evaluating and compensating the Managing Director and planning for Managing Director succession, as well as monitoring management's succession planning for other key executives;

- Overseeing and reviewing the Company's strategic direction and objectives, taking into account (among other considerations) the Company's risk profile and exposures;
- Monitoring the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls;
- Overseeing the Company's compliance with applicable laws and regulations; and
- Overseeing the processes that are in place to safeguard the Company's assets and mitigate risks.

In discharging its duties, the Board is entitled to rely on the advice, reports and opinions of management, auditors and outside experts. In that regard, the Board and its Committees shall be entitled, at the expense of the Company, to engage such independent legal, financial or other advisors as they deem appropriate, without consulting or obtaining the approval of any officer of the Company.

Composition of the Board

The Board consist of eleven Directors; nine Non-executive Directors and two Executive Directors being the Managing Director - Mr. Nimal Perera and the Director Marketing & Business Development – Mr. Tharana Thoradeniya. Mr. Mangala Goonatilleke and Mr. G.A.R.D. Prasanna were both appointed to the Board on 29th May 2009 and Mr. Rajan Asirwatham was appointed to the Board on 25th September 2009. Moreover, Mr. K.D.H. Perera and Late Mr. M.T.L. Fernando resigned from the Board on 29th May 2009 and 14th August 2009.

There is a balance of Executive and Non-executive Directors to ensure that the decisions taken by the Board are collective. 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. 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 a majority of the other members of the Board are also directors, since they are not directly involved in the management of the company. The Board is also of the view that Mr. R.B Thambiayah, Mr. L.T Samarawickrama, Mr. M. D.S. Goonatilleke, Mr. G.A.R.D. Prasanna and Mr. R.N. Asirwatham can be classified as Independent Non-executive Directors although they serve on the boards of other subsidiary companies of RCL in which a majority of the other members of the Board are also Directors.

Board Sub-Committees

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 entirely of Non-executive Independent Directors which is chaired by Mr. M.D.S. Goonatilleke. A comprehensive Report of the Audit Committee appears on Page 34.

Remuneration Committee

The Remuneration Committee decides on the remuneration of Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Committee, consisting of Non-executive directors, all of whom are Independent, is chaired by Mr. B.M. Amarasekera.

The Report of the Remuneration Committee appears on Page 36 The total of Directors' Remuneration is reported in Note 27 to the Financial Statements, on page 77.

Board Meetings and Attendance

Scheduled Board and Board Sub-Committee meetings are arranged well in advance to ensure, as far as possible, that the Directors can manage their time commitments. All Directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so. Regular meetings of the Main Board are

Corporate Governance

scheduled once a month during the year (since July 2009, prior to which, scheduled meetings were held once in two months) to consider, among other matters, the performance and financial statements for the period and to approve

routine capital expenditure of the Company. Special Board meetings were also held as and when required to discuss urgent matters. Attendance at the scheduled Board and sub committee meetings is set out below.

Name	Directorship Status	Main Board	Audit Committee	Remuneration Committee
Total Number of Meetings Held		10	3	2
A M Weerasinghe	Non-executive Chairman	10/10*	N/A	1/1•
K D D Perera	Non-executive Director	5/10	N/A	N/A
W D N H Perera	Managing Director	9/10	3/3•	2/2•
T G Thoradeniya	Executive Director	10/10	N/A	N/A
F P De Alwis	Independent Non-executive Director	8/10	N/A	N/A
B M Amarasekera	Independent Non-executive Director	9/10	3/3	2/2*
R B Thambiayah	Independent Non-executive Director	8/10	N/A	N/A
M T L Fernando (Resigned w.e.f. 14.08.2009)	Independent Non-executive Director	0/2	0/1*	0/0
K D H Perera (Resigned Main Board w.e.f. 29.05.2009)	Non-executive Director	0/1	N/A	N/A
L T Samarawickrama	Independent Non-executive Director	7/10	3/3	2/2
M D S Goonatilleke (Appointed to the main Board w.e.f. 29.05.2009)	Independent Non-executive Director	9/9	3/3*	N/A
G A R D Prasanna (Appointed to the main Board w.e.f. 29.05.2009)	Independent Non-executive Director	9/9	N/A	0/0
R N Asirwatham (Appointed to the main Board w.e.f. 25.09.2009)	Independent Non-executive Director	6/6	0/0	N/A

* Chairman • By invitation

Relationship with Shareholders

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting. The Board believes the AGM as a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year. However, this does not limit the Shareholders' communication with the Board, and they are free to communicate anytime with the Managing Director, Company Secretary 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 internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable, and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Group's Internal Audit Department plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The Internal Audit reports are made available to the Managing Director, Head of Finance & Treasury and the Audit Committee.

The Group also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the Internal Audit Department.

The board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.

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 conducting necessary inquiries and reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Compliance

The Group's level of Compliance with the CSE's New Listing Rules – Section 7.10 on Corporate Governance are given in the following table.

Corporate Governance

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Rocell's level of Compliance
Non-executive Directors	7.10.1	Compliant	Nine out of eleven Directors are Non-executive
Independent Directors	7.10.2 (a) 7.10.2 (b)	Compliant Compliant	Seven out of nine Non-executive Directors are "Independent"
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading of Composition of the Board of this Report and also refer page 12 and 13.
Remuneration Committee	7.10.5 (a) 7.10.5 (b) 7.10.5 (c)	Compliant Compliant	The Committee comprises of three Non-executive Directors, all of whom are Independent Please refer Remuneration Committee Report on page 36. The aggregate remuneration paid to Executive and Non-executive Directors is given under note 27 to the Financial Statements on page 77.
Audit Committee	7.10.6 (a) 7.10.6 (b)	Compliant Compliant	The Committee comprises of four Non-executive Directors, all of whom are Independent. The Chairman of the Committee is a Member of a recognised professional accounting Body. The Managing Director and the Head of Finance & Treasury attend Committee meetings by invitation. Please refer Audit Committee Report on page 34. The names of the Audit Committee members and the basis of determination of the independence of the auditor is also given in the Audit Committee report

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 and the Management Discussion and Analysis.

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. 07 of 2007, is set out in the Independent Auditor's report appearing on page 39.

The Companies Act 07 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 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 2010/2011 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 (Private) Limited

Secretaries

Colombo

17 May 2010

Report of the Audit Committee

Committee Composition

The Audit Committee comprises of four Non Executive Directors, all of whom are Independent and is currently chaired by Mr. Goonatilleke, who is an associate member of the Institute of Chartered Management Accountants (U.K) and a passed finalist of the Institute of Chartered Accountants (Sri Lanka). The Committee was formerly chaired by Late Mr. M T L Fernando, until 14th August 2009, to whom the Committee extends its sincere appreciation and respect for the unstinted support and guidance in the past.

The members of the Board appointed Audit Committee are;
Mr. M D S Goonatilleke - Chairman
(w.e.f. 27th August 2009)

Mr. M T L Fernando - Ex-Chairman
(Resigned w.e.f. 14th August 2009)

Mr. B M Amarasekara

Mr. L T Samarawickrama

Mr. R N Asirwatham
(w.e.f. 25th March 2010)

The Board Secretary functions as the Secretary to the Audit Committee.

The Audit Committee has a written Terms of Reference, dealing clearly with its authority and duties. This is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, internal control, and compliance with legal and regulatory requirements, review of External Auditor's performances, independence and the internal audit functions.

Meetings

The Audit Committee met three times during the year. The Managing Director, Head of Finance & Treasury, External Auditor and Chief Internal Auditor also attended these meetings by invitation. The other executives do so as and when required. Attendance by the Committee members at each of these meetings is given in the Corporate Governance Report on page 28.

Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No 7 of 2007. Matters of special interest in the current environment and the processes that support certifications of the Financial Statements by the Company's Managing Director and Head of Finance & Treasury were also brought up for discussion.

Risks and Controls

During the year, 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 Committee reviewed reports on losses resulting from frauds and operational failures, and scrutinised the effectiveness of the Company's internal control system already in place and the processes for identification, evaluation and management of all significant risks.

External Audit

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit. In addition, the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process was also undertaken. The Lead Audit Partner is required to be rotated every five years, in order to ensure the independence of the Auditor.

The Committee reviewed the Management Letter issued by the External Auditor together with the management responses thereto. The Non-Audit Services provided by the External Auditor was also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under The Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

The Letter of Representation issued to the External Auditor was tabled at the Audit Committee Meeting.

The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the Auditor's remuneration, for approval by the shareholders at the Annual General Meeting.

Internal Audit

During the year, the Audit Committee reviewed the performance of the internal audit function, the findings of the audits completed which covered the head-office, showrooms, stores, factory, etc... with special reference to the internal controls regarding inventory and debtors, and the Department's resource requirements including succession planning and also approved the internal audit plan.

Regulatory Compliance

The Head of Finance & Treasury has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No 7.10 on Corporate Governance disclosure requirements, which is given on page 32.

Committee Evaluation

The annual evaluation of the Committee was conducted by the Non Executive Chairman, the Managing Director, the Head of Finance & Treasury, the Chief Internal Auditor and the External Auditor in accordance with International best practices and was deemed to be satisfactory.

(Sgd.)

M D S Goonatilleke

Chairman

Audit Committee

17 May 2010

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-executive Independent Directors.

Mr. B M Amarasekera

Chairman

Mr. L T Samarawickrama

Mr. G A R D Prasanna

(w.e.f. 25th March 2010)

Mr. M T L Fernando

(Resigned w.e.f. 14th August 2009)

Policy

The remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company.

The remuneration framework of the Company for the Non-executive Chairman, Managing Director and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment with the short and long-term interests of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

Scope

The Committee reviews all significant changes in the Corporate sector in determining salary structures and terms and conditions relating to staff at senior executive level. In this decision making process, necessary information and recommendations are obtained from the Managing Director. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Managing Director, members of the

Corporate Management and senior executive staff and lays down guidelines for the compensation structure for all executive staff and overviews the implementation thereof.

The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Fees

All Non Executive Directors receive a fee for attendance at Board meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 27 on page 77.

Meetings

The Committee met twice during the financial year under review. A report of the decisions approved and recommended to the Board by the Committee has been approved by the Board of Directors.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

Committee Evaluation

Self-assessment by Committee members was complied with at the commencement of 2009.

(Sgd.)

B M Amarasekera

Chairman

Remuneration Committee

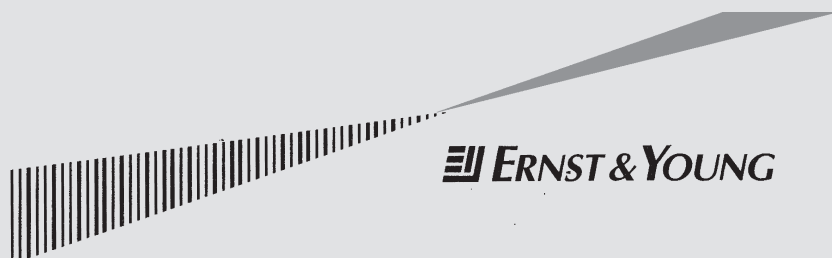
17 May 2010

Financial Reports

Financial Calendar

Interim Report - 1st Quarter 2009/2010	11 August 2009
Interim Report - 2nd Quarter 2009/2010	4 November 2009
Interim Report - 3rd Quarter 2009/2010	2 February 2010
Interim Report - 4th Quarter 2009/2010	5 May 2010
Rs. 2/50 per share First Interim Dividend for the financial year 2009/2010	19 April 2010
Rs. 2/50 per share Second Interim Dividend for the financial year 2009/2010	17 May 2010
Annual Report 2009/2010	17 May 2010
20th Annual General Meeting	29 June 2010

Independent Auditors' Report



Chartered Accountants

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

Tel : (0) 11 2463500
Fax : (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 2010, 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 2010 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2010 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 2010 and the Profit and Cash Flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiaries dealt with thereby, so far as concerns the 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.

17 May 2010

Colombo.

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA 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)
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 2010 Rs.	2009 Rs.	Group 2010 Rs.	2009 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	03	1,034,176,105	970,404,245	3,859,607,438	3,917,726,281
Investments in Subsidiaries	04	1,429,999,930	1,078,999,930	-	-
Other Investments	05	-	13,260,000	-	13,260,000
Other Receivables	07	173,941,350	172,627,820	173,941,350	172,627,820
		2,638,117,385	2,235,291,995	4,033,548,788	4,103,614,101
Current Assets					
Inventories	06	610,670,432	602,821,383	1,515,947,557	1,497,195,318
Trade and Other Receivables	07	494,858,344	957,079,542	566,534,674	377,165,564
Other Investments	05	312,524,052	168,684,955	312,524,052	168,684,955
Income Tax Recoverable		-	4,604,832	938,350	5,543,183
Cash and Cash Equivalents	14	42,376,554	32,938,456	55,381,434	46,259,050
		1,460,429,382	1,766,129,168	2,451,326,067	2,094,848,070
Total Assets		4,098,546,767	4,001,421,163	6,484,874,855	6,198,462,171
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	08	814,726,453	814,726,453	814,726,453	814,726,453
Reserves	09	365,714,239	367,343,301	466,448,833	468,077,895
Retained Earnings		1,150,356,468	576,601,801	2,605,149,770	1,777,697,822
Total Equity		2,330,797,160	1,758,671,555	3,886,325,056	3,060,502,170
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	10	177,811,872	389,373,505	670,024,875	978,282,689
Deferred Tax Liabilities	19	82,272,745	86,099,810	82,272,745	86,099,810
Retirement Benefit Liability	11	61,260,542	44,845,332	76,911,968	53,847,749
		321,345,159	520,318,647	829,209,588	1,118,230,248
Current Liabilities					
Trade and Other Payables	12	832,712,134	1,125,321,885	444,440,259	378,822,434
Dividend Payable	13	145,820,062	7,747,279	145,820,062	7,747,279
Income Tax Liabilities		20,028,743	-	20,028,743	-
Interest Bearing Loans and Borrowings	10	447,843,509	589,361,797	1,159,051,147	1,633,160,040
		1,446,404,448	1,722,430,961	1,769,340,211	2,019,729,753
Total Equity and Liabilities		4,098,546,767	4,001,421,163	6,484,874,855	6,198,462,171

I certify that these financial statements are in accordance 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 44 through 77 form an integral part of these financial statements.

Colombo
17 May 2010

Income Statement

Year ended 31 March	Note	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Revenue	15	1,529,016,778	1,435,112,083	4,451,169,377	3,741,172,017
Cost of Sales		(771,755,243)	(786,426,516)	(2,332,449,181)	(2,097,687,707)
Gross Profit		757,261,535	648,685,567	2,118,720,196	1,643,484,310
Other Income and Gains	16	876,798,612	481,760,534	156,699,503	75,033,468
Distribution Expenses		(489,694,305)	(428,338,185)	(538,169,687)	(477,282,887)
Administrative Expenses		(266,003,930)	(156,147,165)	(355,236,715)	(179,052,653)
Provision for Diminution Value of Investment		-	(121,745,574)	-	(121,745,574)
Finance Cost	17.1	(132,419,091)	(215,385,850)	(381,851,950)	(420,984,830)
Finance Income	17.2	1,280,546	16,867,439	1,482,840	18,440,444
Profit Before Tax	18	747,223,367	225,696,766	1,001,644,187	537,892,278
Income Tax Expense	19	(36,611,032)	(20,010,631)	(37,334,571)	(20,010,631)
Net Profit for the Year attributable to					
Equity holders of the Parent		710,612,335	205,686,135	964,309,616	517,881,647
Basic Earnings Per Share	20	12.83	3.71	17.41	9.35
Dividend per share	21	2.50	2.00	2.50	2.00

The Accounting Policies and Notes on pages 44 through 77 form an integral part of these financial statements.

Colombo

17 May 2010

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company				
Balance as at 1 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
Dividends - 2007/08 - Final	-	-	(55,394,692)	(55,394,692)
Dividends - 2008/09 - Interim	-	-	(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
Net Profit for the Year	-	-	710,612,335	710,612,335
Realised Surplus on Disposal of Property, Plant and Equipment Transferred to Retained Earnings	-	(1,629,062)	1,629,062	-
Dividends - 2009/10 - Interim	-	-	(138,486,730)	(138,486,730)
Balance as at 31 March 2010	814,726,453	365,714,239	1,150,356,468	2,330,797,160

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Group				
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
Dividends - for 2006/2007 - Final	-	-	(55,394,692)	(55,394,692)
Dividends - for 2008/2009 - Interim	-	-	(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
Net Profit for the year	-	-	964,309,616	964,309,616
Realised Surplus on Disposal of Property, Plant & Equipment Transferred to Retained Earnings	-	(1,629,062)	1,629,062	-
Dividends - 2009/10 - Interim	-	-	(138,486,730)	(138,486,730)
Balance as at 31 March 2010	814,726,453	466,448,833	2,605,149,770	3,886,325,056

The Accounting Policies and Notes on pages 44 through 77 form an integral part of these financial statements.

Cash Flow Statement

Year ended 31 March	Notes	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit from Operating Activities before tax		747,223,367	225,696,766	1,001,644,187	537,892,278
Adjustments for					
Dividend Income		(611,864,309)	(293,590,949)	(11,864,309)	(6,090,939)
Interest Income		(1,280,546)	(16,867,439)	(1,482,840)	(18,440,444)
Depreciation of Property, Plant & Equipment		67,228,138	64,560,424	283,946,167	234,889,789
(Profit)/Loss on Sale of Property, Plant & Equipment		(20,384,438)	(250,808)	(20,451,438)	(250,808)
Finance Costs		132,419,091	215,385,850	381,851,950	420,984,830
(Gain)/Loss from sale of Short-Term Investments		(170,086)	(62,456,181)	(170,086)	(62,456,181)
Investment written off		13,260,000		13,260,000	
Amortization of Product development Cost		-	-	-	505,183
Provision /(Reversal) for change in market value of the investments		(121,745,574)	121,745,574	(121,745,574)	121,745,574
Provision for Defined Benefit Plans - Gratuity		18,073,426	2,520,215	24,978,804	3,849,604
Operating Profit/(Loss) before Working Capital Changes		222,759,069	256,743,452	1,549,966,861	1,232,628,885
(Increase)/ Decrease in Inventories		(7,849,049)	(171,151,396)	(18,752,239)	(433,471,358)
(Increase)/ Decrease in Trade and Other Receivables		462,221,200	(541,923,368)	(189,369,109)	(81,378,394)
Increase/ (Decrease) in Trade and Other Payables		(292,609,751)	732,792,272	65,617,825	71,547,440
Cash Generated from Operations		384,521,469	276,460,960	1,407,463,338	789,326,573
Finance Costs Paid		(132,419,091)	(215,385,850)	(381,851,950)	(420,984,830)
Defined Benefit Plan Costs Paid		(1,658,216)	(2,431,443)	(1,914,586)	(2,542,327)
Income Tax Paid		(15,804,522)	(26,289,599)	(16,528,060)	(26,289,603)
Net Cash Flows From/(Used in) Operating Activities		234,639,640	34,354,068	1,007,168,742	339,509,813
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(136,500,560)	(105,081,566)	(231,264,675)	(611,202,265)
Proceeds from Sale of Property, Plant & Equipment		25,885,000	250,808	25,888,790	250,808
Proceeds from Sale of Short Term investments		40,248,047	399,389,803	40,248,047	399,389,803
(Acquisition)/Disposals of Short-Term Investment		(63,485,015)	(85,609,954)	(63,485,015)	(85,609,954)
(Acquisition)/Disposals of Investment in subsidiary		(351,000,000)			
Interest Received		1,280,546	16,867,439	1,482,840	18,440,444
Dividends Received		611,864,309	6,090,939	11,864,309	6,090,939
Net Cash Flows from/(Used in) Investing Activities		128,292,327	231,907,469	(215,265,704)	(272,640,225)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		244,322,774	417,454,056	931,984,499	1,212,730,559
Repayment of Interest Bearing Loans & Borrowings		(462,190,223)	(553,961,089)	(1,521,349,566)	(1,276,085,935)
Capital Repayments under Finance Lease Liabilities		(1,076,756)	(4,525,212)	(4,333,728)	(8,495,633)
Dividends Paid		(413,947)	(113,546,866)	(413,947)	(113,546,866)
Net Cash Flows from/(Used in) Financing Activities		(219,358,152)	(254,579,111)	(594,112,742)	(185,397,875)
Net Increase/(Decrease) in Cash and Cash Equivalents		143,573,815	9,682,426	197,790,296	(118,528,333)
Cash and Cash Equivalents at the beginning of the year	14	(223,270,775)	(232,953,201)	(504,396,255)	(385,867,922)
Cash and Cash Equivalents at the end of the year	14	(79,696,960)	(223,270,775)	(306,605,959)	(504,396,255)

The Accounting Policies and Notes on pages 44 through 77 form an integral part of these financial statements.

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 2010 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 2010 were authorized for issue in accordance with the resolution of the Board of Directors on 17 May 2010.

2. ACCOUNTING POLICIES

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. 3.4 to the Financial Statements. The Financial Statements are presented in Sri Lankan Rupees.

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

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 2010 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 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 11.

2.4 Summary of Significant Accounting Policies

2.4.1 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.

2.4.2 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 19 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.

Notes to the Financial Statements

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.

2.4.3 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.

2.4.4 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.

2.4.5 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 and 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.

2.4.6 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.

2.4.7 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.

2.4.8 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

Notes to the Financial Statements

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	25 to 40 years
Motor Vehicles, Furniture & Fittings and Construction & Other Equipment	Over 05 years
Tools and Sundry Inventory	Over 02 years
Factory Equipment, Plant & Machinery, Moulds and Communication Equipment	10 to 20 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.

2.4.9 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 2.4.8.

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

2.4.10 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.

2.4.11 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.

2.4.12 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.

Notes to the Financial Statements

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.

2.4.13 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.

2.5 Income Statement

2.5.1 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.

2.6 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.

2.7 Future Changes in Accounting Policies

Effect of Sri Lanka Accounting Standard issued but not yet effective

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka and are

effective for the accounting periods on the dates specified below.

a) Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44) and Sri Lanka Accounting Standard 45 Financial Instruments; Recognition and Measurement (SLAS 45)

SLAS 44 and 45 become effective for financial years beginning on or after 1 January 2011. Accordingly, the Financial Statements for the year ending 31 March 2012 will adopt SLAS 44 and 45, for the first time.

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

In order to comply with the requirements of these standards, the Group is in the process of assessing the effect of adoption of the aforesaid two standards. Due to the complex nature of the effect of these standards the impact of adoption is not estimable as at the date of publication of these Financial Statements.

b) Sri Lanka Accounting Standard 39 - Share Based Payments (SLAS 39)

SLAS 39 - Share based payments, effective for periods beginning on or after 1st January 2010 will be first adopted in the year ending 31 March 2011. This standard require an expense to be recognized where the Group buys goods or services in exchange for shares or rights over shares (equity - settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). For equity-settled share based payment transactions, the Group is required to apply SLAS 39 to grants of shares, share options or other equity instruments that were granted after 1 January 2010.

The Group is in the process of evaluating to impact of this standard, and the impact of the same is not currently estimable as at the date of the publication of these Financial Statements.

Notes to the Financial Statements

	Balance As At 01.04.2009 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - COMPANY				
3.1 Gross Carrying Amounts				
At Cost or Valuation				
Freehold Land	369,537,374	-	(5,500,562)	364,036,812
Building	307,110,732	8,347,035	-	315,457,767
Water Supply Scheme	295,687	-	-	295,687
Lab Equipment	3,164,055	179,643	-	3,343,698
Motor Vehicles	28,187,939	2,811,093	-	30,999,032
Electricity Distribution	8,080,645	-	-	8,080,645
Office Equipment	109,054,293	6,879,490	-	115,933,783
Communication Equipment	7,802,598	-	-	7,802,598
Furniture & Fittings	21,011,811	10,416,753	-	31,428,564
Tools & Implements	44,396,781	6,023,003	(10,980)	50,408,804
Other Equipment	20,320,228	1,758,673	-	22,078,901
Factory Equipment	23,257,991	-	-	23,257,991
Construction Equipment	2,236,047	-	-	2,236,047
Plant and Machinery	646,870,135	20,175,191	(120,000)	666,925,326
Plant and Machinery - Polishing Plant	60,151,743	2,143,983	-	62,295,726
Household Item - Heavy	33,690	-	-	33,690
Household Item - Light	1,376,702	1,174,609	-	2,551,311
Showroom Fixtures & Fittings	122,584,609	80,294,250	-	202,878,859
Stores Buildings on Lease hold Land	3,965,135	-	-	3,965,135
	1,779,438,196	140,203,723	(5,631,542)	1,914,010,376
Assets on Finance Leases				
Motor Vehicles	2,533,500	4,918,352	-	7,451,852
	2,533,500	4,918,352	-	7,451,852
	1,781,971,696	145,122,075	(5,631,542)	1,921,462,228
	Balance As at 01.04.2009 Rs.	Incurred During the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
In the Course of Construction				
Capital Work in Progress	63,196,772	104,841,693	(113,463,208)	54,575,258
Total Gross Carrying Amount	1,845,168,468	249,963,768	(119,094,750)	1,976,037,486

	Balance As at 01.04.2009 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd....)				
3.2 Depreciation				
At Cost or valuation				
Building	11,711,701	12,452,540	-	24,164,241
Water Supply Scheme	142,015	11,828	-	153,843
Lab Equipment	2,551,240	208,256	-	2,759,496
Motor Vehicles	17,700,997	3,159,880	-	20,860,877
Electricity Distribution	3,417,626	323,225	-	3,740,851
Office Equipment	80,368,626	8,643,858	-	89,012,484
Communication Equipment	5,512,275	578,032	-	6,090,307
Furniture & Fittings	11,933,267	3,715,193	-	15,648,460
Tools & Implements	40,251,261	4,018,802	(10,980)	44,259,083
Other Equipment	11,074,075	2,648,000	-	13,722,075
Factory Equipment	23,249,409	1,226	-	23,250,635
Construction Equipment	2,236,047	-	-	2,236,047
Plant and Machinery	582,096,018	15,640,055	(120,000)	597,616,073
Plant and Machinery - Polishing Plant	49,726,130	2,658,082	-	52,384,212
Household Item - Heavy	33,690	-	-	33,690
Household Item - Light	1,136,199	257,311	-	1,393,510
Showroom Fixtures & Fittings	28,887,995	11,490,543	-	40,378,538
Stores Buildings on Lease hold Land	1,982,571	396,515	-	2,379,086
	874,011,142	66,203,346	(130,980)	940,083,508
Assets on Finance Leases				
Motor Vehicles	753,081	1,024,792	-	1,777,873
	753,081	1,024,792	-	1,777,873
Total Value of Depreciation	874,764,223	67,228,138	(130,980)	941,861,381

3.3 Net Book Values

	2010 Rs.	2009 Rs.
At Cost or Valuation	973,926,868	905,427,053
On Finance Leases	5,673,979	1,780,419
	979,600,847	907,207,472
In the Course of Construction	54,575,258	63,196,773
Total Carrying Amount of Property, Plant and Equipment	1,034,176,105	970,404,245

Notes to the Financial Statements

- 3.4** The fair value of land and buildings was determined by means of a revaluation during the financial year 2008 by Mr. A.A.M. Fathihu, an independent valuer, in reference to market based evidence. The results of such valuation was incorporated in the Financial Statements from its effective date, which is 31st 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 2010 Rs.	Net Carrying Amount 2009 Rs.
Class of Assets				
Land	104,923,580	-	104,923,580	108,795,080
Building	172,988,552	66,948,393	106,040,159	112,959,701
	277,912,132	66,948,393	210,963,739	221,754,781

- 3.5** During the financial year, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 136,500,559/- (2009 - Rs.105,081,566/-)
- 3.6** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 711,529,634/- (2009 Rs. 684,926,772/-)

	Balance As at 01.04.2009 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd....)				
3.7 Gross Carrying Amounts				
At Cost or Valuation				
Freehold Land	478,214,198	-	(5,500,562)	472,713,636
Building	1,094,298,698	23,176,031	(6,308,922)	1,111,165,807
Water Supply Scheme	295,687	-	-	295,687
Lab Equipment	5,500,185	754,862	-	6,255,047
Motor Vehicles	57,921,642	1,889,666	(76,900)	59,734,408
Electricity Distribution	12,592,145	-	-	12,592,145
Office Equipment	121,535,053	12,809,779	(126,000)	134,218,832
Communication Equipment	8,178,223	1,438,390	(3,790)	9,612,823
Furniture & Fittings	35,793,054	58,044,936	47,361,794	141,199,784
Tools and Implements	109,172,924	7,022,124	(47,341,539)	68,853,509
Other Equipment	42,429,098	3,135,319	231,583	45,796,000
Factory Equipment	31,050,006	1,046,927	-	32,096,933
Moulds	118,393,076	4,461,079	-	122,854,155
Construction Equipment	3,168,028	-	(826,433)	2,341,595
Plant and Machinery	2,754,895,627	143,821,971	6,793,845	2,905,511,443
Plant and Machinery - Polishing Plant	60,151,743	2,143,983	-	62,295,726
Household Item - Heavy	6,807,808	1,428,359	-	8,236,167
Household Item - Light	4,436,185	332,940	-	4,769,125
Showroom Fixtures & Fittings	122,584,609	95,209,750	-	217,794,359
Stores Buildings on Lease hold Land	9,038,945	-	-	9,038,945
	5,076,456,935	356,716,116	(5,796,924)	5,427,376,127
Assets on Finance Leases				
Motor vehicles	16,633,500	4,918,352	-	21,551,852
	16,633,500	4,918,352	-	21,551,852
	5,093,090,436	361,634,468	(5,796,924)	5,448,927,980
	Balance As at 01.04.2009 Rs.	Incurred During the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
In the Course of Construction				
Capital Work in Progress	207,489,687	356,255,749	(486,669,988)	77,075,448
Total Gross Carrying Amount	5,300,580,123	717,890,217	(492,466,912)	5,526,003,428

Notes to the Financial Statements

	Balance As at 01.04.2009 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3.8 Depreciation				
At Cost or Valuation				
Building	26,366,728	34,634,908	(516,995)	60,484,641
Water Supply Scheme	142,015	11,828	-	153,843
Lab Equipment	4,110,885	2,016,553	-	6,127,438
Motor Vehicles	25,876,363	8,959,989	(430)	34,835,920
Electricity Distribution	3,718,393	323,225	-	4,041,618
Office Equipment	83,876,889	10,548,368	(129,350)	94,295,907
Communication Equipment	5,649,268	616,980	(126)	6,266,122
Furniture & Fittings	19,085,846	(2,578,526)	38,238,481	54,745,801
Tooled and Implements	93,040,452	7,098,813	(38,166,010)	61,973,255
Other Equipment	22,411,923	4,993,818	(26,435)	27,379,306
Factory Equipment	24,028,059	198,973	-	24,227,032
Construction Equipment	2,519,346	-	(200,150)	2,319,196
Plant and Machinery	977,739,851	179,144,894	396,997	1,157,281,742
Moulds	1,182,856	14,453,425	-	15,636,281
Plant and Machinery - Polishing Plant	49,726,130	2,658,082	-	52,384,212
Household Item - Heavy	3,035,869	1,323,704	-	4,359,573
Household Item - Light	3,249,801	1,436,798	-	4,686,599
Showroom Fixtures & Fittings	28,887,994	12,033,508	-	40,921,502
Stores Buildings on Lease hold Land	3,812,092	2,226,034	-	6,038,126
	1,378,460,761	280,101,374	(404,018)	1,658,158,117
Assets on Finance Leases				
Motor Vehicles	4,393,080	3,844,792	-	8,237,872
	4,393,080	3,844,792	-	8,237,872
Total Depreciation	1,382,853,841	283,946,166	(404,018)	1,666,395,989

3.9 Net Book Values

	2010 Rs.	2009 Rs.
At Cost on Valuation	3,769,218,010	3,697,996,174
On Finance Leases	13,313,980	12,240,420
	3,782,531,990	3,710,236,594
In the course of Construction	77,075,448	207,489,687
	3,859,607,438	3,917,726,281

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

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

Class of Asset	Gross Carrying Amount Before Last Revaluation Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2010 Rs.	Net Carrying Amount 2009 Rs.
Land	159,107,402	-	159,107,402	162,978,902
Building	415,757,216	114,589,568	301,167,648	317,797,937
	574,864,618	114,589,568	460,275,050	480,776,839

- 3.11** During the financial year, the Group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 231,264,675/- (2009 - Rs. 611,202,265/-)

- 3.12** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 745,800,065/- (2009 Rs.754,323,515/-)

	Holding		Cost	Directors' Valuation	Cost	Directors' Valuation
	2010	2009	2010	2010	2009	2009
	%	%	Rs.	Rs.	Rs.	Rs.

4. 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%	929,999,930	929,999,930	578,999,930	578,999,930

Total Non-Quoted Investments

in Subsidiaries			1,430,499,930	1,429,999,930	1,079,499,930	1,078,999,930
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Total Gross Carrying Value of Investments			1,430,499,930		1,079,499,930	
Provision for decline in value			(500,000)		(500,000)	

Total Gross Carrying Value of

Investments in Subsidiaries			1,429,999,930		1,078,999,930	
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Notes to the Financial Statements

	Company/Group	
	2010	2009
	Rs.	Rs.
5. OTHER INVESTMENTS		
Company		
Non Current		
Non Quoted		
Vallibel Electric (Pvt) Ltd	-	13,260,000
Current		
Quoted		
Investments in Equity Securities (Note 5.1)	312,524,052	168,684,955
Total Carrying Value of Other Investments	312,524,052	181,944,955

	No. of Shares		Cost		Market Value	
	2010	2009	2010	2010	2009	2009
			Rs.	Rs.	Rs.	Rs.
5.1 Investments in Equity Securities - Current						
Quoted						
Lanka Wall Tiles PLC	1,750	1,750	40,490	131,250	40,490	69,125
Lanka Tiles PLC	1,918	1,918	51,510	168,305	51,510	54,662
Hotel Reefcomber PLC	-	1,327,000	-	-	3,907,213	1,459,700
L B Finance PLC	3,363,497	3,363,497	59,612,382	208,536,814	59,612,382	63,906,443
Lanka Ceramics PLC	-	100,000	-	-	3,852,986	2,975,000
Heyleys PLC	177,190	177,190	27,704,543	39,867,750	25,739,771	15,947,100
NDB Bank PLC	240,000	-	49,073,880	50,400,000	-	-
The Fortress Resorts PLC	13,676,350	15,322,350	176,041,247	263,269,738	197,226,177	84,272,925
			312,524,052	562,373,857	290,430,529	168,684,955
Change in Market Value of Investment			-	-	(121,745,574)	-
Total Net Investments in Quoted Equity Securities			312,524,052	562,373,857	168,684,955	168,684,955

	Company		Group	
	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.

6. INVENTORIES

Raw Materials	98,504,320	129,430,557	240,308,100	298,562,302
Construction Consumables	2,608,556	2,229,489	2,608,556	2,229,489
Spares and Consumables	118,134,486	119,254,726	269,114,560	260,934,226
Seat Covers and Accessories	-	-	67,202,827	29,744,772
Work in Progress	14,442,681	31,714,416	53,675,069	70,576,662
Finished Goods	381,930,766	335,606,923	889,421,022	850,450,631
Goods in Transit	10,769,472	1,422,513	13,679,071	6,356,577
	626,390,281	619,658,624	1,536,009,205	1,518,843,659
Less : Provision for Obsolete and Slow Moving Inventory	(15,719,849)	(16,837,241)	(20,061,648)	(21,648,341)
	610,670,432	602,821,383	1,515,947,557	1,497,195,318

	Current 2010 Rs.	Non Current 2010 Rs.	Total 2010 Rs.	Current 2009 Rs.	Non Current 2009 Rs.	Total 2009 Rs.
7. TRADE AND OTHER RECEIVABLES						
7.1 Company						
Trade Debtors	86,794,608	-	86,794,608	57,135,947	-	57,135,947
Provision for Bad and Doubtful Debts	-	-	-	(301,060)	-	(301,060)
	86,794,608	-	86,794,608	56,834,887	-	56,834,887
Receivables - Other	53,737,362	-	53,737,362	55,352,905	-	55,352,905
- Related Parties (Note 7.1.1)	307,977,393	173,941,350	481,918,743	814,250,092	172,627,820	986,877,912
Advances and Prepayments	46,348,981	-	46,348,981	30,641,658	-	30,641,658
	494,858,344	173,941,350	668,799,694	957,079,542	172,627,820	1,129,707,362
7.1.1 Receivable from Related Parties						
Rocell Bathware Ltd	300,735,254	-	300,735,254	814,250,092	-	814,250,092
Royal Ceramics Distributors (Pvt) Ltd	7,242,139	-	7,424,139	-	-	-
Rocell Ceramics Ltd	-	173,941,350	173,941,350	-	172,627,820	172,627,820
	307,977,393	173,941,350	481,918,743	814,250,092	172,627,820	986,877,912
	Current 2010 Rs.	Non Current 2010 Rs.	Total 2010 Rs.	Current 2009 Rs.	Non Current 2009 Rs.	Total 2009 Rs.
7.2 Group						
Trade Debtors	304,305,281	-	304,305,281	156,926,275	-	156,926,275
Provision for Bad and Doubtful Debts	(466,911)	-	(466,911)	(2,163,093)	-	(2,163,093)
	303,838,370	-	303,838,370	154,763,182	-	154,763,182
Receivables - Other	201,061,566	-	201,061,566	172,825,942	-	172,825,942
- Related Parties (Note 7.2.1)	-	173,941,350	173,941,350	-	172,627,820	172,627,820
Advances and Prepayments	61,634,738	-	61,634,738	49,576,440	-	49,576,440
	566,534,674	173,941,350	740,476,024	377,165,564	172,627,820	549,793,384
7.2.1 Receivable from Related Parties						
Rocell Ceramics Ltd	-	173,941,350	173,941,350	-	172,627,820	172,627,820
	-	173,941,350	173,941,350	-	172,627,820	172,627,820

Notes to the Financial Statements

		2010		2009			
		Number	Rs.	Number	Rs.		
8. STATED CAPITAL - COMPANY/GROUP							
Fully Paid Ordinary Shares		55,394,692	814,726,453	55,394,692	814,726,453		
		55,394,692	814,726,453	55,394,692	814,726,453		
		Company		Group			
		2010	2009	2010	2009		
		Rs.	Rs.	Rs.	Rs.		
9. RESERVES							
Revaluation Reserve (Note 9.1)		365,714,239	367,343,301	466,448,833	468,077,895		
		365,714,239	367,343,301	466,448,833	468,077,895		
9.1 Revaluation Reserve							
On: Property, Plant and Equipment							
As at 1 April		367,343,301	367,343,301	468,077,895	468,077,895		
Realised Surplus on Disposal							
Transferred to Retained Earnings		(1,629,062)	-	(1,629,062)	-		
As at 31 March		365,714,239	367,343,301	466,448,833	468,077,895		
		2010	2010	2009	2009		
		Amount	Amount	Amount	Amount		
		Repayable	Repayable	Repayable	Repayable		
		Within 1 Year	After 1 Year	Within 1 Year	After 1 Year		
		Rs.	Rs.	Rs.	Rs.		
10. INTEREST BEARING LOANS AND BORROWINGS - COMPANY							
Finance Leases (Note 10.1)		803,033	4,629,981	5,433,014	643,044	1,021,724	1,664,769
Long Term Loans (Note 10.2)		215,169,938	173,181,891	388,351,829	232,145,100	388,351,781	620,496,881
Short Term loans (Note 10.3)		109,797,024	-	109,797,024	100,364,422	-	100,364,422
Bank Overdraft (Note 14.2)		122,073,514	-	122,073,514	256,209,231	-	256,209,231
		447,843,509	177,811,872	625,655,381	589,361,797	389,373,505	978,735,302

	As at 01.04.2009 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2010 Rs.
10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)				
10.1 Finance Leases				
Commercial Bank of Ceylon PLC	2,121,764	2,489,040	(1,131,934)	3,478,870
LB Finance PLC	-	5,248,080	(699,856)	4,548,224
	2,121,764	7,737,120	(1,831,790)	8,027,094
Gross Liability	2,121,764			8,027,094
Finance Charges Allocated to Future Periods	(456,996)			(2,594,080)
Net Liability	1,664,768			5,433,014
Payable within 1 year	643,044			803,033
Payable after 1 year before 5 years	1,021,724			4,629,981
	1,664,768			5,433,014

Security : Assets Leased

Terms of Payment : 48 Installments

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2010 Rs.
10.2 Long Term Loans				
Commercial Bank of Ceylon PLC	222,045,776	-	(65,316,336)	156,729,440
Hatton National Bank PLC	199,715,854	-	(74,374,992)	125,340,862
DFCC Bank PLC	3,415,364	-	(3,415,364)	-
HSBC Limited	174,166,667	-	(77,500,000)	96,666,667
NDB Bank PLC	21,153,220	-	(11,538,360)	9,614,860
	620,496,881	-	(232,145,052)	388,351,829
Payable within 1 year	232,145,100			215,169,938
Payable after 1 year	388,351,781			173,181,891
	620,496,881			388,351,829

Details of the Long Term Loans of the Company are given in Note 10.7

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2010 Rs.
10.3 Short Term Loans				
Commercial Bank of Ceylon PLC	91,699,422	170,763,959	(189,546,859)	72,916,522
Seylan Bank PLC	8,665,000	35,297,000	(25,118,000)	18,844,000
HSBC Limited	-	33,416,814	(15,380,312)	18,036,502
	100,364,422	239,477,773	(230,045,171)	109,797,024

Notes to the Financial Statements

	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
10.4 Interest Bearing Loans and Borrowings - Group						
Finance Leases (Note 10.5)	4,768,657	7,824,071	12,592,728	3,907,057	8,174,400	12,081,457
Long Term Loans (Note 10.6)	503,879,247	662,200,804	1,166,080,051	538,469,945	970,108,289	1,508,578,234
Short Term loans (Note 10.8)	288,415,850	-	288,415,850	540,127,733	-	540,127,733
Bank Overdraft (Note 14.2)	361,987,393	-	361,987,393	550,655,305	-	550,655,305
	1,159,051,147	670,024,875	1,829,076,022	1,633,160,040	978,282,689	2,611,442,729

	As At 01.04.2009 Rs.	New Leases Obtained Rs.	Repayments Rs.	As At 31.03.2010 Rs.
10.5 Finance Leases				
Commercial Bank of Ceylon PLC	15,753,806	2,489,040	(6,239,087)	12,003,759
LB Finance PLC	-	5,248,080	(699,856)	4,548,224
	15,753,806	7,737,120	(6,938,943)	16,551,983
Gross Liability	15,753,806			16,551,983
Finance Charges Allocated to Future Periods	(3,672,349)			(3,959,255)
Net Liability	12,081,457			12,592,728
Payable within 1 year	3,907,057			4,768,657
Payable after 1 year before 5 years	8,174,400			7,824,071
	12,081,457			12,592,728

Security : Assets Leased
Terms of Payment : 48 Installments

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2010 Rs.
10.6 Long Term Loans				
Commercial Bank of Ceylon PLC	703,419,336	203,500,000	(251,120,437)	655,798,899
Hatton National Bank PLC	564,169,257	-	(170,733,222)	393,436,035
DFCC Bank PLC	45,669,754	-	(35,106,164)	10,563,590
HSBC Limited	174,166,667	-	(77,500,000)	96,666,667
NDB Bank PLC	21,153,220.00	-	(11,538,360)	9,614,860
	1,508,578,234	203,500,000	(545,998,182)	1,166,080,051
Payable within 1 year	538,469,945			503,879,247
Payable after 1 year	970,108,289			662,200,804
	1,508,578,234			1,166,080,051

10.7 Details of the Long Term Loans

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Company : Royal Ceremics 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
Commercial Bank of 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
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

Notes to the Financial Statements

10.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
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
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

10.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Company : Royal Porcelain (Pvt) Ltd						
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
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 Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 460 Mn Rs. 450 Mn	Property Plant & Equipment
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. Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 45 Mn Rs. 45 Mn	Property Plant & Equipment

Notes to the Financial Statements

10.7 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. 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. Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 55 Mn Rs. 55 Mn	Property Plant & Equipment
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. Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 22 Mn Rs. 22 Mn	Property Plant & Equipment
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. Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 14 Mn Rs. 14 Mn	Property Plant & Equipment
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	Property Plant & Equipment

10.7 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. 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	Property Plant & Equipment
Commercial Bank of Ceylon PLC	Rs. 100 Million	To finance the Cost of Press and Sorting machine	59 equal monthly installments with 3 months grace period commencing from first drawn	Corporate guarantee of Royal Ceramics Lanka PLC 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 Rs. 100 Mn	Property Plant & Equipment

Notes to the Financial Statements

10.7 Details of the Long Term Loans (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.Mn	Included Under
Company : Rocell Bathware Ltd.						
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	
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	Rs. 300 Mn	Property Plant & Equipment
				Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 300 Mn	
Hatton National Bank PLC	Rs. 150 Million	To retire the L/Cs opened for Rocell Bathware Ltd. To import required plant & machinery/ pre-engineered structure	66 installments with grace period of 15 months commencing from March 2009	Primary Concurrent Mortgage bond with Commercial bank over 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	

	As At 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2010 Rs.
10.8 Short term Loans				
Commercial Bank of Ceylon PLC	241,685,734	510,363,641	(521,730,564)	230,318,811
Seylan Bank PLC	15,240,000	106,976,000	(96,731,000)	25,485,000
Hatton National Bank PLC	2,077,544	38,600,475	(35,827,018)	4,851,001
Bank of Ceylon	9,409,000	-	(9,409,000)	-
Standard Chartered Bank	250,000,000	-	(250,000,000)	-
HSBC Limited	21,715,455	67,699,383	(61,653,800)	27,761,038
	540,127,733	723,639,499	(975,351,382)	288,415,850

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
11. RETIREMENT BENEFIT LIABILITY				
Retirement Benefit Obligation				
as at the beginning of the year	44,845,332	44,756,560	53,847,749	52,540,473
Charge for the year	18,073,426	2,520,215	24,978,805	3,849,603
Benefits Paid	(1,658,216)	(2,431,443)	(1,914,586)	(2,542,327)
Retirement Benefit Obligation as at the end of the year	61,260,542	44,845,332	76,911,968	53,847,749

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit Method as at 31st March 2009. The Company has used the same basis in computing the current year's liability. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Discount rate assumed (%)	12% p.a.
Further salary increase (%)	10% - 15% p.a.
Staff Turnover	10% p.a.

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

Notes to the Financial Statements

	2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
12. TRADE AND OTHER PAYABLES				
Trade Creditors	34,674,422	38,402,871	138,249,271	128,341,488
Payables - Other	83,850,847	46,103,269	102,266,423	110,379,671
- Related Parties (Note 12.1)	621,120,052	976,419,171	-	-
Sundry Creditors Including Accrued Expenses	93,066,813	64,396,574	203,924,565	140,101,275
	832,712,134	1,125,321,885	444,440,259	378,822,434

12.1 Payable to Related Parties

	Relationship	2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
Royal Porcelain (Pvt) Ltd	Subsidiary	621,120,052	973,517,543	-	-
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	-	2,901,628	-	-
		621,120,052	976,419,171	-	-

	2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
13. DIVIDEND PAYABLE				
Total unclaimed Dividends	145,820,062	7,747,279	145,820,062	7,747,279

	2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
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14. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

14.1 Favorable Cash and Cash Equivalent Balances

Cash and Bank Balances	42,376,554	32,938,456	55,381,434	46,259,050
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14.2 Unfavorable Cash & Cash Equivalent Balances

Bank Overdraft	(122,073,514)	(256,209,231)	(361,987,393)	(550,655,305)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(79,696,960)	(223,270,775)	(306,605,959)	(504,396,255)

		2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
15. REVENUE					
15.1 Summary					
Gross Revenue	- Export	118,203,968	126,833,759	200,037,707	173,682,417
	- Local	1,580,312,364	1,495,467,346	4,761,495,553	4,077,312,794
Less: Sales Taxes	- Value Added Tax	(169,305,642)	(187,084,372)	(510,081,102)	(509,718,544)
	- Turnover Tax	(193,912)	(104,650)	(282,781)	(104,650)
Net Revenue		1,529,016,778	1,435,112,083	4,451,169,377	3,741,172,017
15.2 Goods and Services Analysis					
Sale of Goods		1,529,016,778	1,435,112,083	4,451,169,377	3,741,172,017
		2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
16. OTHER INCOME AND GAINS					
Income from Investments with					
Related Parties - Non Quoted		600,000,000	287,500,010	-	-
Dividends on Long - Term & Current Investments		11,864,309	6,090,939	11,864,309	6,090,939
Profit on Disposal of Short Term Investments		170,086	62,456,181	170,086	62,456,181
Management Fee Income		121,200,000	120,000,000	-	-
Rent income		52,054	52,523	-	-
Profit on Disposal of Property, Plant & Equipment		20,384,438	250,808	20,451,438	250,808
Sundry Income		1,382,150	5,410,071	2,468,096	6,235,540
Reversal of Provision Made for Change in Value of Short Term Investments		121,745,574	-	121,745,574	-
		876,798,612	481,760,534	156,699,503	75,033,468
		2010 Rs.	Company 2009 Rs.	2010 Rs.	Group 2009 Rs.
17. FINANCE COST AND INCOME					
17.1 Finance Cost					
Interest Expense on Overdraft		39,507,867	56,975,233	98,635,679	106,544,033
Interest Expense on Loans & Borrowings		92,156,188	157,797,753	280,474,803	312,691,202
Finance Charges on Lease Liabilities		755,035	612,864	2,741,469	1,749,595
		132,419,091	215,385,850	381,851,950	420,984,830
17.2 Finance Income					
Interest Income		1,280,546	16,867,439	1,482,840	18,440,444
		1,280,546	16,867,439	1,482,840	18,440,444

Notes to the Financial Statements

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
18. PROFIT BEFORE TAX				
Stated after Charging /(Crediting)				
Included in Cost of Sales				
Depreciation	28,574,438	27,350,361	250,247,436	173,112,649
Employee Benefits including the following	137,803,238	127,098,968	286,926,942	225,458,231
- Defined Benefit Plan Costs -Gratuity	8,606,734	(2,199,502)	15,512,112	(872,839)
- Defined Contribution Plan Costs - EPF & ETF	10,647,066	9,642,520	23,112,724	16,810,068
Export Duty Rebate	(1,040,352)	(1,076,639)	(1,844,576)	(1,499,260)
Included in Administrative Expenses				
Depreciation	8,934,693	9,018,725	9,596,997	9,998,726
Employee Benefits including the following	73,832,632	66,357,116	73,832,632	67,359,842
- Defined Benefit Plan Costs -Gratuity	3,997,884	2,746,423	3,997,884	2,749,149
- Defined Contribution Plan Costs - EPF & ETF	7,261,774	6,793,746	7,261,774	6,793,746
Loss/ (Gain) on Translation of Foreign Currency	(1,921,873)	(81,245)	(7,202,717)	80,231
Included in Selling and Distribution Costs				
Depreciation	29,719,006	27,859,558	24,101,732	51,917,623
Damage Stocks net of Insurance Claims Received	3,889,242	2,902,073	10,233,446	7,659,435
Sales Promotion	8,522,249	9,082,650	14,497,037	12,754,211
Employee Benefits including the following	126,779,863	110,366,143	126,951,223	110,366,143
- Defined Benefit Plan Costs -Gratuity	5,468,809	1,973,292	5,468,809	1,973,292
- Defined Contribution Plan Costs - EPF & ETF	7,720,097	6,140,572	7,720,097	6,140,572

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
19 INCOME TAX EXPENSE				
The major components of income tax expense for the years ended 31 March are as follows ;				
Income Statement				
Current Income Tax				
Current Income Tax charge	43,032,461	19,438,763	43,032,461	19,438,763
Over Provision of Current Taxes in Respect of Prior Years	(2,594,364)	-	(2,594,364)	-
Unrecoverable ESC	-	-	723,539	-
	40,438,097	19,438,763	41,161,636	19,438,763
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 19.2)	(3,827,065)	571,868	(3,827,065)	571,868
Income tax expense reported in the income statement	36,611,032	20,010,631	37,334,571	20,010,631
19.1 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	747,223,367	225,696,766	1,001,644,187	537,892,278
Accounting Profit before Income Tax	747,223,367	225,696,766	1,001,644,187	537,892,278
Income Tax at the Statutory				
Income Tax Rate 35% (2009 - 35%)	261,528,178	78,993,868	350,575,465	188,262,301
Adjustments in Respect to Current Income Tax of Previous Year	(2,594,364)	-	(2,594,364)	-
Depreciation in Excess of Capital Allowances	(709,020)	7,893,480	(709,020)	7,893,480
Disallowable Expenses	48,053,376	61,339,909	48,053,376	61,339,909
Allowable Expenses	(43,191,327)	(3,587,082)	(43,191,327)	(3,587,082)
Income Exempt from Taxes	(221,346,592)	(124,640,677)	(309,670,340)	(233,909,110)
Income Taxed at Lower Rates	(1,938,102)	(748,602)	(1,938,102)	(748,602)
Social Responsibility Levy at 1.5% of Income Tax	635,948	187,867	635,948	187,867
Deferred Tax Charged/(Reversed)	(3,827,065)	571,868	(3,827,065)	571,868
Income Tax Expense Reported in the				
Income Statement at the Effective Income Tax Rate	36,611,032	20,010,631	37,334,571	20,010,631
Income Tax Expense for the year is made up as follows				
Income Tax on Profit of the Local Sales @ 35%	41,557,081	18,871,697	41,557,081	18,871,697
Income Tax on Profit of the Export Sales @ 15%	1,475,380	567,066	1,475,380	567,066
Under/(Over) Provision of Current Taxes in Respect of Prior Years	(2,594,364)	-	(2,594,364)	-
Unrecoverable ESC	-	-	723,539	-
Deferred Tax Charged/(Reversed)	(3,827,065)	571,868	(3,827,065)	571,868
	36,611,032	20,010,631	37,334,571	20,010,631
Effective Tax Rate	5%	9%	4%	4%

Notes to the Financial Statements

	Balance Sheet		Income Statement	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
19.2 Deferred Tax Liability				
Company/Group				
Capital allowances for tax purposes	102,733,766	101,001,962	1,731,804	51,765,666
Revaluation of land & building (Items charged or credited directly to equity)	-	-	-	(51,044,902)
Deferred tax assets	102,733,766	101,001,962		
Defined benefit plan liability	(20,461,021)	(14,902,152)	(5,558,869)	(148,896)
Deferred income tax income / (expense)			(3,827,065)	571,868
Net Deferred Tax liability	82,272,745	86,099,810		

Royal Ceramics Distributors (Pvt) Ltd which is a fully owned subsidiary of Royal Ceramics Lanka Ltd 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 in one year of assessment. A deferred tax asset has not been recognized in respect of this tax loss as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

20. EARNINGS PER SHARE

20.1 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.

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

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Amount Used as the Numerator:				
Net Profit for the year	710,612,335	205,686,135	964,309,616	517,881,647
	2010 Number	2009 Number	2010 Number	2009 Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share	55,394,692	55,394,692	55,394,692	55,394,692

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

	2010 Rs.	2009 Rs.
21. DIVIDEND PER SHARE		
Company/Group		
Final Dividend for 2007/2008 : Rs. 1 per share (2007 : Rs. 1 per share)	-	55,394,692
Interim Dividend for 2009/2010 : Rs. 2.50 per share (2009 : Rs. 1 per share)	138,486,730	55,394,692
	138,486,730	110,789,384
Proposed for approval at AGM (Not recognised as a liability as at 31 March)		
Equity dividends on ordinary shares		
2nd Interim dividend for 2010: Rs 2.50 per share (2009 - Nil)	138,486,730	-

22. SEGMENT INFORMATION AND REVENUE

Primary reporting format - Business Segments

As at 31 March 2010, the qualifying segments under business segment reporting are as follows;

- Tiles
- Sanitaryware

The following tables present revenue, profits, certain assets and liability information regarding the Group's business segments.

	Tiles		Sanitaryware		Total	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Revenue						
Sales to external customers	4,164,253,954	3,741,172,017	286,915,423	-	4,451,169,377	3,741,172,017
Total Revenue	4,164,253,954	3,741,172,017	286,915,423	-	4,451,169,377	3,741,172,017
Results						
Gross Profit	2,055,708,587	1,643,484,310	63,011,609	-	2,118,720,196	1,643,484,310
Other Income	156,442,995	75,033,468	256,508	-	156,699,503	75,033,468
Distribution Expenses	(510,268,356)	(477,282,887)	(27,901,331)	-	(538,169,687)	(477,282,887)
Administrative Expenses	(339,207,101)	(167,875,616)	(16,029,614)	(11,177,037)	(355,236,715)	(179,052,653)
Other Operating expenses	-	(121,745,574)	-	-	-	(121,745,574)
Profit before Tax, Finance Costs	1,362,676,125	951,613,701	19,337,172	(11,177,037)	1,382,013,297	940,436,664
Finance Costs	(313,547,001)	(420,984,830)	(68,304,949)	-	(381,851,950)	(420,984,830)
Finance Income	1,482,840	18,440,444	-	-	1,482,840	18,440,444
Profit before Income Tax	1,050,611,963	549,069,315	(48,967,776)	(11,177,037)	1,001,644,187	537,892,278
Income Tax Expense	(36,611,032)	(20,010,631)	(723,539)	-	(37,334,571)	(20,010,631)
Net Profit for the year	1,014,000,931	529,058,684	(49,691,315)	(11,177,037)	964,309,616	517,881,647
Assets and Liabilities						
Segment Assets	4,303,131,937	4,227,402,583	2,181,742,918	1,971,059,587	6,484,874,855	6,198,462,170
Total assets	4,303,131,937	4,227,402,583	2,181,742,918	1,971,059,587	6,484,874,855	6,198,462,170
Segment liabilities	1,869,122,883	1,717,907,730	729,426,916	1,420,052,270	2,598,549,799	3,137,960,000
Total Liabilities	1,869,122,883	1,717,907,730	729,426,916	1,420,052,270	2,598,549,799	3,137,960,000
Other Segment Information						
Property, Plant & Equipment						
acquired on cash	161,691,643	250,275,696	69,573,032	369,084,312	231,264,675	619,360,008
Depreciation	201,817,727	241,636,855	82,128,440	980,000	283,946,167	242,616,855
Provisions of employee benefit liabilities during the year	23,853,883	3,846,877	1,124,921	2,726	24,978,804	3,849,603

Notes to the Financial Statements

23. 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 of the loans as stated in note 10.7.

24. CAPITAL COMMITMENTS

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

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Contracted but not provided for	13,620,396	12,204,464	32,461,724	20,416,713
	13,620,396	12,204,464	32,461,724	20,416,713

No provision has been made in these Financial Statements in this regard as at 31 March 2010.

25. 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.

26. ASSETS PLEDGED

The Group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 10.7.

27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

27.1 Transaction with the related entities

	Company	
	2010 Rs.	2009 Rs.
Nature of Transaction		
Sale of Goods/Services	7,225,792	22,233,100
Purchase of Goods/Services	(32,599,662)	(16,509,400)
Investment Income Received	600,000,000	287,500,000
Management Fees Received	136,823,571	131,326,240
Investments Made	(351,000,000)	-
Net of Fund Transfers	(511,423,281)	1,960,997,940

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

Refer Notes 7 and 12 to these Financial Statements for the outstanding balances with Related Parties.

27. RELATED PARTY DISCLOSURES (Contd.)

27.2 Transactions with Key Management Personnel

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

		Company/ Group	
		2010	2009
		Rs.	Rs.
27.2.1 Compensation to Key Management personnel			
Nature of Transactions			
Short term Employee Benefits	- Executive Directors	24,674,250	23,456,000
	- Non Executive Directors	3,560,800	2,541,825
Post employment benefits	- Executive Directors	656,201	591,794
		28,891,251	26,589,619

27.2.2 Other Transactions with Key Management Personnel

The Company has paid Rs.14,736,910 as rent and Rs. 856,941 as transport charges to key management personnel during the year.

27.3 Transactions, arrangements and agreements involving companies controlled by or with significant influence of the Key Management Personnel.

Nature of Transaction	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Sales of Goods/ Services	3,949,896	2,885,495	3,949,896	2,885,495
Purchase of Goods/Services	(1,981,289)	(5,738,093)	(1,981,289)	(7,048,709)
Dividend Received	2,772,372	-	2,772,372	-

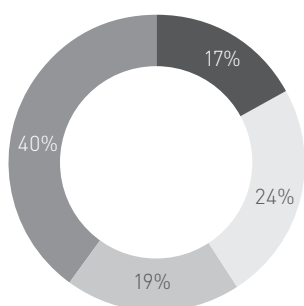
*Other Related Companies as cited below represent transactions with entities either controlled or in which significant influence is held by key management personnel or their close family members

Amaya Leisure PLC, Kandyan Resorts (Pvt) Ltd, L B Finance PLC, Vallibel Electric's (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd, Culture Club Resorts (Pvt) Ltd, Rocell Ceramics Ltd, Hayleys PLC and Sampath Bank PLC.

Group Value Added Statement

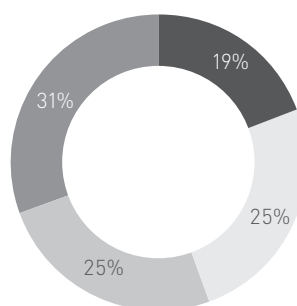
	2009/2010			2008/2009		
	Rs.000's			Rs.000's		
Turnover	4,961,533			4,250,995		
Other Income	156,700			75,033		
	5,118,233			4,326,029		
Less: Cost of Material & Services bought in	(2,330,236)			(2,206,807)		
	2,787,997			2,119,221		
Value Allocated to Employees						
Salaries & Wages and other benefits	487,711	487,711	17.4%	402,184	402,184	19.0%
To Government						
Income Tax	37,335			20,011		
VAT/GST/NSL/TT/NBT	632,783	670,118	24.0%	515,543	535,554	25.2%
To Providers of Capital						
Dividend	138,487			110,789		
Loan Interest	381,852	520,339	18.6%	420,985	531,774	25.1%
To Expansion & Growth						
Retained in Business	825,823			407,092		
Depreciation	283,946	1,119,769	40%	242,617	649,709	30.7%
		2,787,997	100.0%		2,119,221	100.0%

Value Added 2010



- Value Allocated to Employees (17%)
- To Government (24%)
- To Providers of Capital (19%)
- To Expansion & Growth (40%)

Value Added 2009

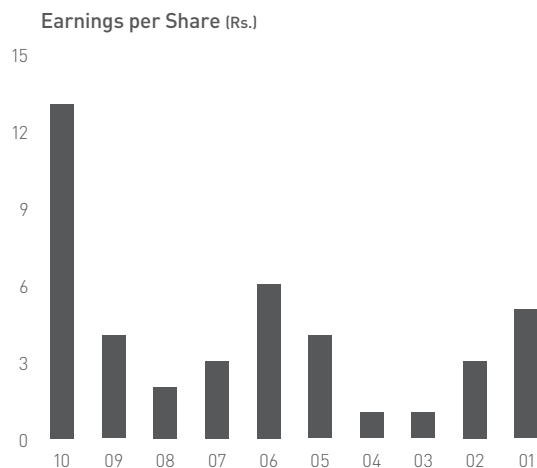
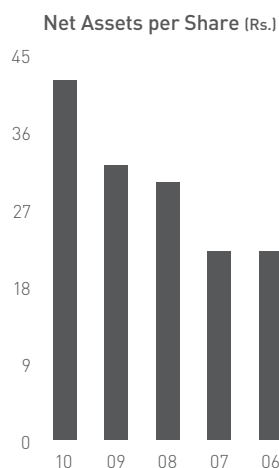
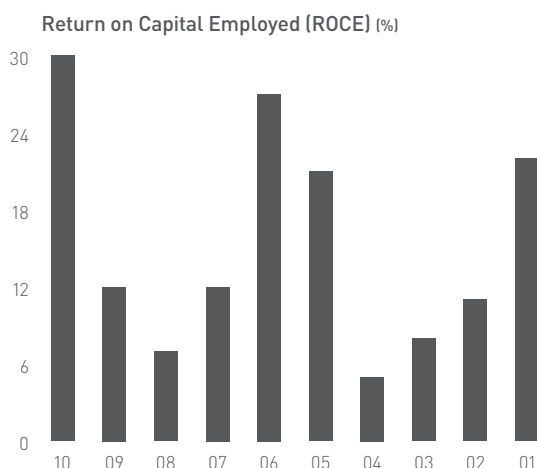
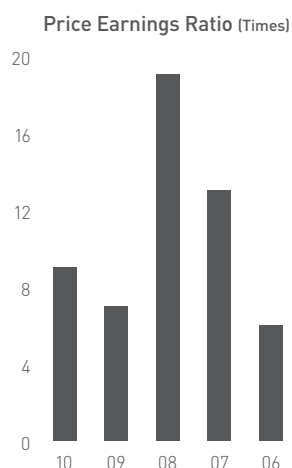
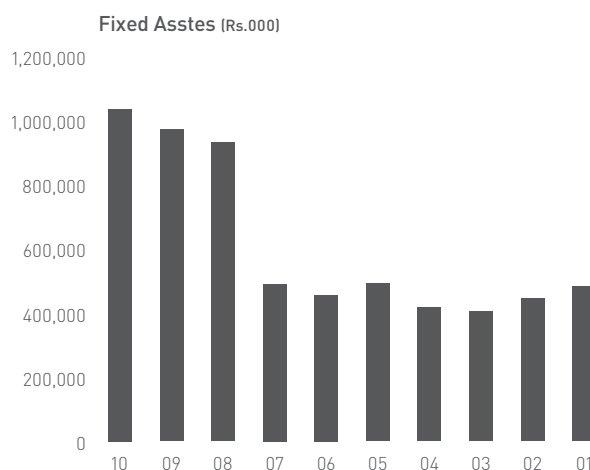
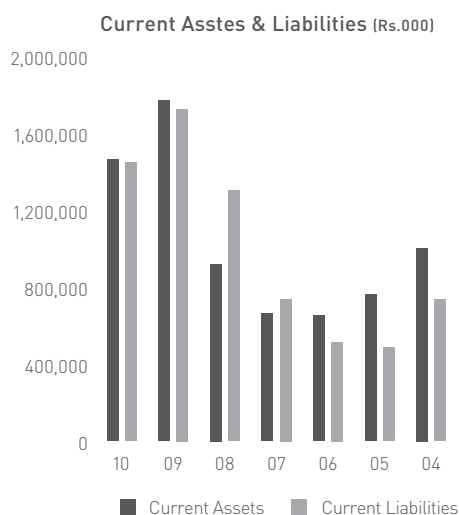


- Value Allocated to Employees (19%)
- To Government (25%)
- To Providers of Capital (25%)
- To Expansion & Growth (31%)

Ten Year Summary - Company

	2010 Rs'000	2009 Rs'000	2008 Rs'000	2007 Rs'000	2006 Rs'000	2005 Rs'000	2004 Rs'000	2003 Rs'000	2002 Rs'000	2001 Rs'000
Trading Results										
Net Turnover	1,529,017	1,435,112	1,484,123	1,362,397	1,193,481	976,298	703,429	665,488	610,692	624,387
Other Income	876,799	481,761	202,217	200,300	119,820	168,545	69,789	78,101	4,903	1,536
Profit before Interest	879,642	441,083	356,391	337,323	441,354	285,289	80,937	161,139	104,061	149,656
Interest	(132,419)	(215,386)	(207,114)	(126,998)	(76,291)	(60,309)	(39,523)	(48,263)	(9,551)	(5,584)
Profit after Interest before Tax	747,223	225,697	149,276	210,325	365,063	224,980	41,414	112,876	94,510	144,072
Taxation	(36,611)	(20,011)	(27,310)	(57,511)	(44,048)	(23,093)	7,210	(41,097)	(2,035)	(5,666)
Net Profit	710,612	205,686	121,966	152,814	321,015	201,887	48,624	71,779	92,475	138,406
Balance Sheet										
Stated Capital	814,726	814,726	814,726	814,726	814,726	814,726	814,726	814,726	814,726	574,735
Capital Reserve	365,714	367,343	418,388	4,168	4,168	4,168	4,168	4,168	4,168	4,168
Retained Earnings	1,150,357	576,602	430,660	415,134	373,109	121,637	85,935	37,310	20,925	39,240
Shareholders Funds	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003	940,531	904,829	856,204	839,819	618,143
Fixed Assets	1,034,176	970,404	929,883	489,995	455,546	490,390	415,689	403,628	444,604	482,094
Investments	1,603,941	1,264,888	1,772,020	1,306,903	979,964	545,519	522,911	500,500	500	500
Current Assets	1,460,429	1,766,129	919,250	661,905	650,981	762,052	1,001,260	676,892	864,372	417,487
Current Liabilities	(1,446,404)	(1,722,431)	(1,300,811)	(738,180)	(515,441)	(485,337)	(734,260)	(420,014)	(219,421)	(227,759)
Non Current Liabilities	(321,345)	(520,319)	(656,568)	(486,596)	(379,047)	(372,093)	(300,771)	(304,802)	(250,236)	(54,179)
	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003	940,531	904,829	856,204	839,819	618,143
Ratios & Statistics										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Ordinary Dividends (Rs.000's)	138,487	110,789	55,395	110,789	55,395	110,789	55,394	55,394	110,789	153,874
Effective Rate of Dividends (%)	25	20	10	20	10	20	10	10	20	50
Dividend Per Share	2.50	2.00	1.00	2.00	2.00	2.00	1.00	1.00	2.00	5.00
Earnings Per Share (Rs.)	12.83	3.71	2.20	2.76	5.81	3.64	0.90	1.30	2.70	4.50
Market Value Per Share (Rs.)	113.00	27.50	42.50	35.00	34.00	45.00	16.50	15.00	17.00	14.30
Highest Market										
Value Per Share (Rs.)	116.50	51.00	45.00	43.00	50.00	57.50	28.20	22.50	33.00	18.00
Price Earnings Ratio (Times)	8.81	7.41	19.30	12.69	5.85	12.35	18.33	11.54	6.30	3.18
Net Assets Per Share (Rs.)	42.08	31.75	30.03	22.28	21.79	16.98	16.30	15.50	15.20	20.10
ROCE (%)	30.49	11.70	7.33	12.38	26.93	21.47	5.37	8.38	11.01	22.39

Graphical Review of Ten Year Summary - Company



Share Information

Shareholders

There were 11,899 registered shareholders as at 31 March 2010, distributed as follows.

Number of Shares held	Number of Shareholders	Number of Shareholders (%)	Number of Shares	Shareholding (%)
1 - 1,000	11,043	92.81	1,590,865	2.87
1,001 - 10,000	688	5.78	2,026,363	3.66
10,001 - 100,000	134	1.13	4,190,524	7.56
100,001 - 1,000,000	29	0.24	8,965,116	16.18
1,000,001 & over	5	0.04	38,621,824	69.72
Total	11,899	100	55,394,692	100

38.58 % of shares were held by public as at 31 March 2010.

Shareholder Category	Number of Shareholders	Number of Shareholders (%)	Total Holding	Total Holding %
Individual	11,578	97.31	31,546,944	56.95
Institutional	321	2.69	23,847,748	43.05
Total	11,899	100	55,394,692	100

Shareholder Category	Number of Shareholders	Number of Shareholders (%)	Total Holding	Total Holding %
Residents	11,802	99.18	53,098,947	95.86
Non-Residents	97	0.81	2,295,745	4.14
Total	11,899	100	55,394,692	100

Share Information

Twenty Major Shareholders

Shareholder	Number of Shares as at 31.03.10	% of issued capital	Number of Shares as at 31.03.09	% of issued capital
1 MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA	28,351,686	51.18	28,351,686	51.18
2 MR. AMARAKONE MUDIYANSELAGE WEERASINGHE	5,467,012	9.87	5,664,012	10.22
3 BANK OF CEYLON A/C CEYBANK UNIT TRUST	2,703,526	4.88	5,312,826	9.59
4 EMPLOYEES PROVIDENT FUND	2,099,600	3.79	-	-
5 SRI LANKA INSURANCE CORPORATION - LIFE FUND	875,000	1.58	-	-
6 MELLON-FRONTAURA GLOBAL FRONTIER FUND LLC	788,600	1.42	-	-
7 CEYLINCO SHRIRAM CAPITAL MANAGEMENT SERVICES CO. (PVT) LTD / Mr.D.L.B.C PERERA	714,720	1.29	714,720	1.29
8 SEYLAN BANK LTD/GOVINDASAMY RAMANAN	670,500	1.21	-	-
9 MRS. PUSHPA NARHARI BHATT	649,940	1.71	788,940	1.42
10 PERSHING LLC S/A AVERBACH GRAUSON & CO.	557,800	1.01	465,000	0.84
11 BANK OF CEYLON - NO2 A/C	500,000	0.9	-	-
12 BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	370,120	0.67	345,920	0.62
13 UNION ASSURANCE PLC/NO.01 A/C	357,600	0.65	-	-
14 MR. ROSANTH PERCIVAL LEO EHETIYAGODA	300,880	0.54	300,880	0.54
15 PAN ASIA BANKING CORPORATION/ MR.MORAJI MEGHJI UDESHI	288,200	0.52	-	-
16 CEYLON INVESTMENT PLC A/C 01	281,800	0.51	-	-
17 QUESTNET LTD	281,500	0.51	-	-
18 NUWARAELIYA PROPERTY DEVELOPERS (PVT) LTD	261,900	0.47	1,157,400	2.09
19 MR. MALAWIGE TISSAKA LAL FERNANDO	202,977	0.37	202,977	0.37
20 DEUTSCHE BANK AG-COM TRUST EQUITY FUND	200,000	0.36	183,700	0.33

Market Value Per Share

	2009/2010	2008/2009
High	116.50	51.00
Low	27.00	27.00
Closing	113.00	27.50

Market Value as at 31.03.2010 - Rs. 113/-

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 Annual General Meeting

NOTICE IS HEREBY GIVEN that the twentieth Annual General Meeting of Royal Ceramics Lanka PLC will be held at 10.00 a.m on the 29th June 2010 at Moonstone Ballroom, Ceylon Continental 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 31 March 2010.
- 2) To re-elect Mr. R.B Thambiayah, 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.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 80 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. 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 88 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. Rasika Dimuth Prasanna Godawatta Arachchige, in terms of Article 92 of the Articles of Association of the Company.
- 6) To re-elect Mr. Mestiyage Don Saddhamangala Goonatilleke, in terms of Article 92 of the Articles of Association of the Company.

- 7) To re-elect Mr.Rajanayagam Nalliah Asirwatham, in terms of Article 92 of the Articles of Association of the Company.
- 8) 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.
- 9) To authorize the Directors to determine payments for the year 2010/2011 for charitable and other purposes as set out in the Companies Donations Act . [Cap 147]
- 10) To ratify the second Interim Dividend paid on 17 May 2010 as the final Dividend for the year ended 31.03.2010.

By order of the Board of

Royal Ceramics Lanka PLC

(Sgd)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

17 May 2010

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.

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Royal Ceramics Lanka PLC will be held at 10.30 a.m on the 29th June 2010 at Moonstone Ballroom, Ceylon Continental Hotel, Colombo, immediately following the Annual General Meeting of the company for the purpose of considering and if thought fit, passing the following resolution as a Special Resolution:

SPECIAL RESOLUTION TO AMEND ARTICLES OF ASSOCIATION

IT IS HEREBY RESOLVED that the Articles of Association of the Company be amended in the following manner to comply with provisions contained in Section 6 of the new Listing Rules of the Colombo Stock Exchange;

1. That a new sub article numbered 19.(i) be inserted after Article 19 of the Articles of Association of the Company.

19 (i) The Company shall not register more than three persons as joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member)

2. That the Articles of Association of the Company be amended by the inclusion of the following Article numbered as Article 158 under the caption "Compliance with Rules"

158. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository System, which shall be in force from time to time.

By order of the Board of

Royal Ceramics Lanka PLC

(Sgd)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

17 May 2010

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.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Form of Proxy - Annual General Meeting

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

Mr. A.M. Weerasinghe	of Colombo or failing him
Mr. K.D.D. Perera	of Colombo or failing him
Mr. W.D.N.H. Perera	of Colombo or failing him
Mr. F.P. De Alwis	of Colombo or failing him
Mr. B.M. Amarasekera	of Colombo or failing him
Mr. R.B. Thambaiyah	of Colombo or failing him
Mr. L.T. Samarawickrama	of Colombo or failing him
Mr. T.G. Thoradeniya	of Colombo or failing him
Mr. M.D.S. Goonatilleke	of Colombo or failing him
Mr. G.A.R.D. Prasanna	of Colombo or failing him
Mr. R.N. Asirwatham	

as *my/our proxy to represent me/ our behalf at the Annual General Meeting of the Company to be held on the 29th of June 2010 at Moonstone Ballroom, Ceylon Continental 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 31 March 2010.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. R.B Thambaiyah, 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.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 80 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"	<input type="checkbox"/>	<input type="checkbox"/>
4) 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 88 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"	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. Rasika Dimuth Prasanna Godawatta Arachchige, in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. Mestiyage Don Saddhamangala Goonatilleke, in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-elect Mr.Rajanayagam Nalliah Asirwatham, in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8) 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.	<input type="checkbox"/>	<input type="checkbox"/>
9) To authorize the Directors to determine payments for the year 2010/2011 for charitable and other purposes as set out in the Companies Donations Act. [Cap 147]	<input type="checkbox"/>	<input type="checkbox"/>
10) To ratify the Second Interim Dividend paid on 17 May 2010 as the final Dividend for the year ended 31.03.2010	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Ten .

.....
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 sign 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.

Form of Proxy - Extraordinary General Meeting

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

Mr. A. M. Weerasinghe	of Colombo or failing him
Mr. K. D. D. Perera	of Colombo or failing him
Mr. W. D. N. H. Perera	of Colombo or failing him
Mr. F. P. De Alwis	of Colombo or failing him
Mr. B. M. Amarasekera	of Colombo or failing him
Mr. R. B. Thambaiyah	of Colombo or failing him
Mr. L. T. Samarawickrama	of Colombo or failing him
Mr. T. G. Thoradeniya	of Colombo or failing him
Mr. M.D.S Goonatilleke	of Colombo or failing him
Mr. G.A.R.D Prasanna	of Colombo or failing him
Mr. R.N Asirwatham	

as *my/our proxy to represent me/ our behalf at the Extraordinary General Meeting of the Company to be held on the 29th of June 2010 at Moonstone Ballroom, Ceylon Continental Hotel, Colombo, and any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below

FOR AGAINST

1. That a new sub article numbered 19.(i) be inserted after Article 19 of the Articles of Association of the Company.

19 (i) The Company shall not register more than three persons as joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member)

☐
☐

2. That the Articles of Association of the Company be amended by the inclusion of the following Article numbered as Article 158 under the caption "Compliance with Rules"

158. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository System, which shall be in force from time to time.

☐
☐

Signed this day of Two Thousand and Ten .

.....
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 sign 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;

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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. B.M. Amarasekera
Mr. R.B. Thambiayah
Mr. L.T. Samarawickrama
Mr. R.N. Asirwatham
Mr. G.A.R.D. Prasanna
Mr. M.D.S. Goonatilleke

Head Office and Registered Office

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

Telephone : 011 4799400

Fax : 011 4720077

E-mail : ho.gen@rcl.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 : 011-2325761 / 011-5426111

Fax : 011-2342047

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.

