

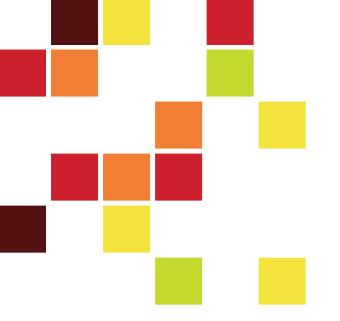
At Rocell we've got lots to talk about.

Because we've done what it takes to become an outstanding corporate: from quality standards, creative design and work process, to soaring corporate value that just keeps rising each year... this report has lots to reveal.

Our latest investment in a customized tile printer means that our portfolio now brings customers a choice of any design they can dream up. Just one more feather in our cap and evidence of how we're redefining the meaning of the word 'innovative'.

We know you'll find this report is a real page-turner.

Because we've got lots to talk about.



Our Brand Promise

Rocell is in the business of enhancing the quality of life by adding colour, 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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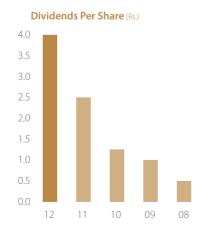
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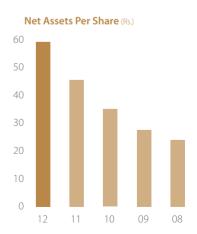
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Group Financial Highlights

For the year ended 31 March	2012 Rs. '000	2011 Rs. '000	Change %
Turnover - Gross	7,756,697	6,413,304	20.9%
- Net	6,956,110	5,751,383	20.9%
Profit before Taxation	2,011,598	1,534,865	31.1%
Profit after Taxation	1,958,223	1,441,203	35.9%
Gross dividends	443,158	276,973	60.0%
Interest cover (No. of times)	7.13	8.51	-16.3%
Dividend cover (No. of times)	4.42	5.20	-15.1%
Return On Equity (%)	29.8%	28.5%	4.5%
As at 31 March			
Shareholders' funds	6,565,620	5,050,554	30.0%
Total assets	11,483,128	8,460,072	35.7%
Group employment (No.of persons)	1,626	1,570	3.6%
Current ratio (current assets : current liabilities)	1.19:1	1.78:1	-33.3%
Per share*			
(Issued & fully paid shares - 110,789,384)			
Earnings (Rs.)	17.68	13.01	35.9%
Dividend (Rs.)	4.00	2.50	60.0%
Net assets (Rs.)	59.26	45.59	30.0%
Market value (Rs.)	115.00	157.00	-26.8%
Cash flow from operations (Rs.)	10.55	15.56	-32.2%
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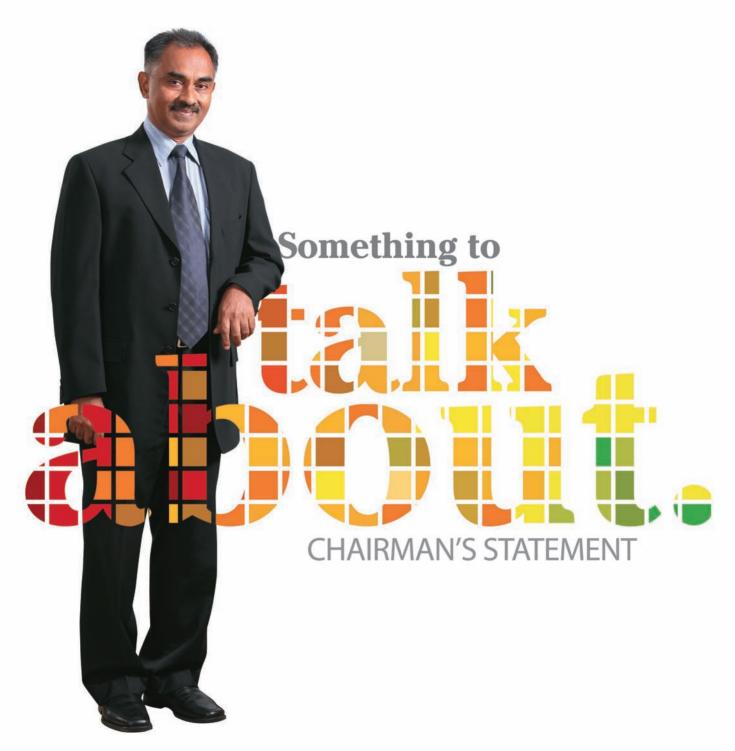






Quality Standards

MANAGEMENT INFORMATION



2011/12 was a year of peaks and troughs for our nation, and for many private sector companies. However, your company, Royal Ceramics Lanka PLC, via a combination of strategic investments, bold acquisitions and diversification, and an unwavering commitment to excellence, succeeded in making the year under review the most financially successful one in its history.

We have kept our promises to you, our Shareholders, and it is with pride and pleasure that I present this report, and welcome you to our 22nd Annual General Meeting.

Landmark Results

We are the only single branded listed company in Sri Lanka, in 2011/12, to have achieved a Net Profit Before Tax of Rs. 2 Billion. Group Gross Revenue shot to Rs. 7.76 Billion, up 21% from Rs. 6.41 Billion in 2010/11. This was despite a 10% increase in the price of raw materials and 25% increase in energy cost, and hard hitting local interest rates that have had a direct negative impact on the construction industry.

Rs. 2 Bn Net Profit Before Tax

Energetic Expansion

Expansion has always been a key focus and this year was no different. We invested Rs. 575 Million in our Horana facility at the end of the last financial year which yielded results in the year under review. This has allowed us to increase the plant's daily deliverable capacity by 50% from 7,000 to 10,500 square meters.

Over the next two quarters, our Eheliyagoda plant will receive a similar injection of investment, allowing its capacity to increase from 4,000 to 5,750 square meters per day. The new plant brought in from KEDA, China, in 2010/11 has doubled our daily polishing capacity from 1,000 to 2,000 square meters and has enabled us to produce the bigger sized 60x60 cm and 50x50 cm polished tiles as well. In addition, we are now capable of producing full glazed polished and semi polished (Lappato) tiles to supplement our portfolio.

Our proposed investment in a new High Pressure Casting System at the Rocell Bathware plant in Homagama, will add a new dimension in terms of both quality and value. Rs. 200 Million has been earmarked for investment in this plant over the coming months.

The introduction of Digital Ceramic Printing Technology at the Horana plant is another major breakthrough, enabling us to offer customers unlimited freedom in terms of concept and design. This technology has been in place in Horana for the last three months and has already proved a draw for industry professionals and corporate and private customers alike. We will shortly be investing in similar equipment for the Eheliyagoda production facility.

A massive expansion drive into the North and East is a key future focus with new showrooms opening in Trincomalee, Jaffna, Vavuniya and 7 other central locations.

These expansions and additions to our product offerings have been backed by the type of innovative, focussed marketing strategies and implementations

Chairman's Statement

that have defined our brand in recent years. Our focal point has been the strengthening of our brand, particularly Rocell Bathware. This will continue to be a trend in the future.

Ace Acquisitions

I am pleased to note that our 2011/12 acquisition, the paint and allied manufacturing company, Ever Paint and Chemical Industries (Pvt) Ltd, which retails under the brand name 'Colorbrite', overtook the break-even point in its first year of post acquisition, under the new management.

We disposed of our stake in Hayleys PLC with reasonable capital gain during 2011/12. We also made three major acquisitions in June 2011 and March and April 2012, first acquiring a 20% stake in Delmege (Private) Limited (formerly known as Lewis Brown & Company (Private) Limited), then a 25.85% stake in LB Finance and a controlling stake in Asia Siyaka Commodities (Private) Limited, a company engaged in the business of tea and commodity broking. These acquisitions add value to the Group bottom-line and serve to demonstrate the diversification of our portfolio.

Responsible Citizenship

As a socially responsible corporate citizen we believe that accountability begins 'at home'. Thus, we continue to create a work environment that focuses on strengthening our human capital and assisting our employees to better themselves both academically and professionally.

Our business integral philanthropic efforts have seen us extending our support to religious and medical organisations with a focus on serving the underprivileged.

Future Facts

At this point in time we account for almost 45% of the tile and bathware sales in the country. Increasing this lead even further is one of our key drivers.

While delivering the sustainable growth you have come to expect of us, we will also continue to lead by differentiation and innovation, developing into a company that delivers excellent results while continually setting the standard within the industry, and among mid to large sized companies in Sri Lanka.

As always, when we plan for the future, Governance and Transparency will continue to be our watchwords in all our dealings. While delivering the sustainable growth you have come to expect of us, we will also continue to lead by differentiation and innovation, developing into a company that delivers excellent results while continually setting the standard within the industry, and among mid to large sized companies in Sri Lanka.

Our Managing Director's Review of Operations and Management Discussion and Analysis will provide you with further insights into our future plans, and a detailed view of our financial performance in the year under review.

Appropriations

An interim dividend of Rs. 2/= per share was paid for the financial year 2011/12 on February 17, 2012. Owing to the heavy expenditure incurred on strategic investments and the proposed capital investment for the expansion of the Eheliyagoda Factory, the Directors do not recommend a final dividend for the year under review.

Tribute and Recognition

My thanks to the Board of Directors, Managing Director and the Management Team for their vision and dedication that has resulted in the growth and expansion of our business.

I wish to convey my appreciation to our Shareholders. Your loyalty and trust have inspired us to keep raising the bar. We look forward to your support in the future and assure you that we will continue the upward trajectory that you celebrate today.

Thank you to our bankers and suppliers, faithful partners in our endeavours.

I also pay tribute to our customers whose enthusiasm and faith have brought us to where we are today.

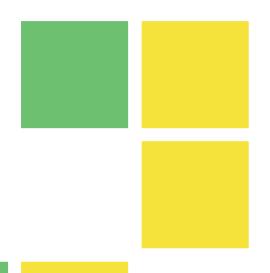
Last, but never least, thank you to the Rocell team for your commitment, integrity, imagination and hard work, and for being our most valuable asset.

A M Weerasinghe

Chairman

25 May 2012





Managing Director's Review of Operations

Group Net Profits Before Tax rose 31% to Rs. 2 Billion. Annual sales of the Group rose 21% to Rs. 7.8 Billion during the financial year ended 31st March 2012, while Earnings Per Share increased to Rs. 17.68 from Rs.13.01 in the previous year.

I am proud to place on record that the year under review has proved a landmark for the Royal Ceramics Group of Companies in terms of financial performance and growth, and in fact 2011/12 is the most profitable year in the Group's history.

Group Net Profits Before Tax rose 31% to Rs. 2 Billion. Annual sales of the Group rose 21% to Rs. 7.8 Billion during the financial year ended 31 March 2012, while Earnings Per Share increased to Rs. 17.68 from Rs.13.01 in the previous year.

This level of growth may not be surprising given that our nation comfortably achieved an economic growth rate of 8% in 2011 driven largely by the industrial and construction sectors. However, over the recent months, this positivity has been eroded by the rising cost of living, taxation and a rollercoaster Rupee. Economic growth for 2012 is estimated to be at the rate of just 7.2% and the construction industry will no doubt be affected by rising interest rates and the escalating cost of fuel and energy.

Managing Director's Review of Operations

The introduction of the world renowned Digital Ceramic Printing Technology has opened the door to a boundless world of opportunity for our customers.

Tiles take Top Financial Honours

Strategic investments in our Horana and Eheliyagoda production facilities brought rich rewards. The Rs. 575 Million investment helped increase the Horana plant's daily production capacity by 50% to 10,500 square meters and the introduction of the world renowned Digital Ceramic Printing Technology has opened the door to a boundless world of opportunity for our customers. The polishing capacity at the Eheliyagoda facility has increased by 100% thanks to our 2010 investment in a new plant from KEDA, China.

These improvements resulted in the tile manufacturing business generating 63% of our top line growth and 56% of our bottom line growth in 2011/12; with overall net profits of Royal Porcelain (Private) Limited climbing to Rs. 1.53 billion, and Royal Ceramics Lanka PLC overall post tax net profit coming in at Rs.1.97 billion during the year under review.

Brilliant Results from Bathware

Just three years after entering the market, Rocell Bathware declared a net profit of Rs. 214 Million in 2011/12. Sanitaryware sales rose to Rs. 897 Million in the year under review.

These excellent results will more than justify the proposed Rs. 200 Million investment in a new High Pressure Casting System to increase the plant's per annum production capacity from approximately 225,000 pieces of sanitaryware, to 245,000.

Your company is the market leader in both the local tile and bathware segments, with almost 45% market share which shows continuous growth.

Diversification Pays Off

As always your company has looked for ways to diversify its portfolio and add positive value to the bottom-line.

During the year under review, a decision was taken to dispose of our stake in Hayleys PLC, for which your company saw reasonable capital gain.

We also made two major acquisitions. In March 2012 we increased our stake in LB Finance to 25.85% and in April 2012 we acquired a 51% stake in Asia Siyaka Commodities (Private) Limited, a company engaged in the business of tea and commodity broking.

Pros and Cons: Present and Future

A 5% leap in interest rates will inevitably affect the industry in which your company operates. The rise in interest rates on loans will be a setback to people's abilities to take on loans for housing and workplaces thereby directly affecting the construction industry.

It is predicted that crude oil prices will increase by 30% this year. This will inevitably impact on our fuel supply bill, and will also affect our expenditure on power and energy since Sri Lanka's electricity sector's dependency on costly thermal power has increased due to the lack of adequate rainfall to support the use of the more economically viable hydro power.

The depreciation of the Rupee has driven imported raw material costs up by 25%. However, there are two sides to this story and on a positive note the unfavourable exchange rate has increased pricing of imported tiles and sanitaryware by a phenomenal 30%, giving local manufacturers such as your company a huge pricing advantage.

Equally, the previous dearth of local raw materials has been addressed. The Government has relaxed mining controls and has issued new permits for mining clay and feldspar, allowing for adequate supply of locally available raw materials to meet the increasing market demands

Future Outlook

Further investment is in the pipeline at the Eheliyagoda plant as well as the Rocell Bathware facility in Homagama. The former will receive an injection of Rs. 500 Million which will enable a daily capacity increase of 40% and will also allow for the use of Digital Ceramic Printing Technology at the plant. An additional Rs. 200 Million has also been set aside for investment in the Rocell Bathware plant.

Praise and Appreciation

I strongly believe that industrious and committed employees are the foundation of any business and on that score the Royal Ceramics Group of Companies is second to none. I thank each and every one of our employees for their hard work, dedication and positive attitude. Their experience and expertise have helped us achieve the results we have today and I know that I can count on them to continue to deliver above and beyond our expectations.

To our Chairman and Board of Directors, my deepest appreciation for their trust, advice and vision. The new year holds many new challenges and I am sure that together, we can overcome every obstacle, continue to grow our business and achieve optimum results.

Nimal Perera

Managing Director

25 May 2012

BOARD OF



DIRECTORS



Left to Right

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

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 29 years involved in Real Estate, Construction and Transportation. Has been a Landed Proprietor. He is also the Chairman of the Singhe Hospitals (Pvt) Ltd and Weerasinghe Property Development (Pvt) Ltd and Director of LB Finance PLC.

Mr. K D D Perera - Deputy Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with 24 years of business experience.

His business interests include Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. Currently he holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, Delmege (Pvt) Limited and Greener Water Ltd. He is the Deputy Chairman of Hayleys PLC & LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Pvt) Limited, Nirmalapura Wind Power (Pvt) Ltd, Alutec Anodising & Machine Tools (Private) Ltd and Sri Lanka Insurance Corporation Ltd.

He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

Mr. W D N H Perera - Managing Director

Chairman of Pan Asia Banking Corporation PLC and Deputy Chairman of Vallibel One PLC, Group Finance Director of Amaya Leisure PLC and also serves on the Boards of Hayleys PLC, The Fortress Resorts PLC, LB Finance PLC, Vallibel Finance PLC and Sathosa Motors PLC. Mr. Perera, a member of the Sri Lanka Institute of Marketing, counts over 29 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services.

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 19 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, Pan Asia Banking Corporation PLC and Delmege Limited.

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 of several companies in the Renuka Hotels Group, Cargo Boat Development Company PLC and a Director of Rocell Bathware Limited, Royal Porcelain (Private) Limited and DFCC Bank. He is a Fellow of the Chartered Management Institute (UK).

Mr. LT Samarawickrama

Director of Royal Ceramics Lanka PLC since 2003. Mr. Samarawickrama serves as the Managing Director of Amaya Leisure PLC. He is also an Executive Director of Hayleys PLC. Director of Ceylon Continental Hotel (Hotel Services PLC), The Fortress Resorts PLC, Hunas Falls PLC and Kelani Valley Plantations PLC.

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 (UK), since 1987. He is a passed finalist of the 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, and Director of Hayleys PLC, Colombo Land & Development Company PLC and Pan Asia Banking Corporation PLC.

Mr. G A R D Prasanna

Mr. Prasanna was appointed to the Royal Ceramics Board on 29 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. 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 and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President

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 Ceylon Chamber of Commerce Advisory Council and a member of the Council of the University of Colombo. He also serves on the Boards of Vallibel One PLC, Ceylon Tea Services PLC, CIC Holdings PLC, Brown & Company PLC, Browns Beach Hotels PLC, Aitken Spence PLC, Aitken Spence Hotels PLC, Lanka Orix Leasing Company PLC, Lanka Orix Financial Company Limited, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, Rajawella Holdings Private Limited, Mercantile Merchant Bank and Yaal Hotels Private Limited.

Corporate Management

















Senior Management



- 1. Mr. Malaka Rathnayake Senior Manager Business Unit 2. Ms. Wasantha Liyanage Group Finance Manager
- 3. Mr. Samanjith Udumalagala Senior Manager Dealer Sales 4. Mr. Rohan Mendis Senior Export Manager
- 5. Mr. Dammika Ranaweera Factory Manager (Horana Complex) 6. Mr. Upali Nanayakkara Factory Manager (Eheliyagoda Complex)
- 7. Mr. Prabath Pupulawatta Asst. Factory Manager Engineering (Horana Complex) 8. Mr. Sidath Rodrigo Head of Retail
- 9. Mr. Shammika De Silva Senior Stores Manager 10. Mr. Rohana Kumara Asst. Factory Manager Production (Horana Complex)
- 11. Mr. Muthugounder Ganapathi Production Manager (Bathware Complex) 12. Mr. Lav Kumar Garg Senior Technical Manager (Bathware Complex)



24. Mr. Harintha Palihakkara - Manager - Purchasing



Management Discussion & Analysis

Royal Ceramics Lanka PLC is a public limited liability company quoted on the Colombo Stock Exchange. The Group's core business is the manufacture and retail of porcelain and ceramic tiles under the brand name "Rocell". The company operates three fully owned subsidiaries, Royal Porcelain (Private) Limited, Rocell Bathware Limited and Ever Paint and Chemical Industries (Private) Limited.

The Group's sanitaryware products are marketed under "Rocell Bathware" and represent the only range of such items manufactured in Sri Lanka. Conversely, its paint and allied products are marketed under the brand name "Colorbrite".

While still burdened by rising energy and crude oil costs, an escalating cost of living and increasing interest rates on loans, the outlook for the local tile sector remains positive.

Industry Overview

The tile sector in Sri Lanka is an oligopoly consisting of key players Royal Ceramics, Lanka Tiles and Lanka Walltile. While Lanka Walltile enjoys a lead in the local wall tile sector, Royal Ceramics dominates the country's floor tile market

While the local ceramic industry dipped 6.1% during 2011, there was a 25.9% growth in mining and quarrying and a 20.7% growth in the construction sector. The local construction industry together with the tile sector acts as a leading indicator of economic growth in the country.

Sri Lanka is rich in minerals used in the manufacture of ceramic products, including kaolin, ball clay, feldspar, silica quartz and dolomite. These natural resources are of exceptional quality and purity, contributing to the high standard of the products and therefore the demand for them, both at home and internationally.

Sri Lanka exports quality ceramic products including glazed wall and floor tiles to the UK, USA, Germany, Australia and Japan. Due to the depreciation of the Rupee the industry can expect to record a higher export revenue from these countries in the future

Globally, China leads in the manufacture, export and consumption of tiles, taking a dominant stance in all areas. When compared to such players, tile consumption in Sri Lanka is extremely low. However, given the correlation between per capita income and tile consumption it is reasonable and realistic to predict considerable growth in the tile sector. Sri Lanka's per capita income is at a sustainable level and it is natural that increases in income will lead to the development of the tile segment.

While still burdened by rising energy and crude oil costs, an escalating cost of living and increasing interest rates on loans, the outlook for the local tile sector remains positive. The growths in demand for housing along with the rate of construction approval are key indicators of the future growth of the tile sector. Sri Lanka's rapidly expanding tourism industry, with its corresponding rise in hotel construction and expansion, also acts as a positive influence.

Management Discussion & Analysis

Operational Highlights

Royal Ceramics Lanka PLC

Royal Ceramics Lanka PLC's main production facility is its very first porcelain tile plant, situated in Eheliyagoda, which has a current capacity of 4,000 square meters per day. The company has continuously invested in increasing the productivity and efficiency of the plant, and an investment of Rs. 500 Million has been earmarked over the next six months which will allow for a capacity increase of 40%. Further investment will also be made to bring ground breaking Digital Ceramic Printing Technology to the Eheliyagoda plant.



Royal Porcelain (Private) Ltd

2010/11 was a year in which we invested heavily in our fully automated ceramic tile facility in Horana. A Rs. 575 Million injection starting from February 2011 helped raise the daily production capacity at the plant to 10,500 square meters, a 50% increase year on year.

The introduction of Digital Ceramic Printing
Technology along with the new colour mixing
machine at the Horana plant enables us to offer our
customers boundless creative freedom, allowing

them to print the visual of their choice on floor or wall tiles. The system delivers superior quality in a timely and cost effective manner and has proved to be a huge attraction for corporate and private customers as well as industry professionals.

Rocell Bathware Limited

Launched just three years ago, Rocell Bathware has continued to grow and deliver spectacular results, both in terms of profitability and popularity. Manufactured at a state-of-the-art manufacturing plant in Homagama, Rocell Bathware is made to Italian design using the highest quality local and imported raw materials.

An investment of Rs. 200 Million in a new High Pressure Casting System which will increase the plant's per annum capacity by 9%, taking it from an initial production capacity of approximately 225,000 pieces of sanitaryware per annum to 245,000 per annum, has been proposed.

Rocell Bathware has a CE certification for its entire product range, a guarantee that all the products meet European Union consumer safety, health and environmental requirements. The plant has also obtained ISO 9001 Quality Management Systems and ISO 14001 Environmental Management Systems certifications. The latest international environmentally conscious production techniques and machinery ensure that the standard of the entire Bathware range exceeds quality specifications of vitreous china sanitary appliances as per BS 3402-1969.

Distribution network

Our distribution network currently includes 42 showrooms and a network of almost 350 direct and sub dealers across the island. 2012/13 will see an extensive expansion

drive in the Northern and Eastern parts of the country with 10 new showrooms opening in key locations including Trincomalee, Jaffna and Vavuniya.

The Rocell Bathware "Concept Centre" in Narahenpita has proved



Rocell Concept Showroom at Colpetty

to be a phenomenal success and we plan to open 4 more such centres in Colombo, Kandy, Kurunegala and Galle during the year ahead, thereby giving more customers a chance to experience our products.

Financial Performance

Royal Ceramics Group recorded a net profit of Rs.1.96 billion during the year, a 36% increase over the Rs. 1.44 billion recorded last year. The Group's revenue rose 21% to Rs. 7.76 billion for the year under review, a result of an aggressive market drive to generate higher sales, combined with the post-war construction boom witnessed in the country.

Earnings Per Share recorded a healthy increase to Rs. 17.68 from Rs. 13.01 in 2010/11.

The tumultuous nature of the Colombo Stock Exchange forced our share price down with the share ending the year at Rs. 115. The Colombo Bourse was one of the worst performing Asian markets during the year, with significant value wiped off.

Other income rose by 42% to Rs. 304 Million, however finance costs rose to Rs. 328 Million due to higher interest rates along with the increase in borrowings on account of the new strategic investments.

Rocell Bathware made a net profit of Rs. 214 Million in 2011/12. Sanitaryware sales rose to Rs. 897 Million in the year under review.

At the ceramic tiles unit, Royal Porcelain (Private) Limited, overall gross sales climbed 26% to Rs. 4.19 billion during the year under review due to the increase in production capacity. Net profits during the period gained 35% to Rs. 1.53 billion.

The porcelain tile unit, Royal Ceramics Lanka PLC, reported overall gross sales of Rs. 2.42 billion during 2011/12.

Ever Paint and Chemical Industries (Private) Limited, a paint and allied manufacturing company which was acquired in the beginning of 2011/12 reported a profit before tax of Rs. 1.7 Million. The Company retails under the brand name Colorbrite and has proven to be a sound investment. Further, we plan to invest Rs. 200 Million in capacity expansion in year 2012/13 which would enable us to capture a substantial market share.

Our quoted short term equity investment portfolio continued to give us good returns, earning us Rs. 269 Million during the year under review. However, a provision of Rs. 80.8 Million has been provided on account of diminution of value of investments. The company disposed of considerable stake in Hayleys PLC, with healthy capital gains during 2011/12. The Group increased its stake in LB Finance to 25.85%, acquired a 20% stake in Delmege (Private) Limited and a controlling stake of 51% in Asia Siyaka Commodities (Private) Limited, as part of its strategy to diversify its investment portfolio.

Social and Environmental Responsibility

As a Group we are well aware of our responsibility to 'give back' to the community, and are constantly striving to find ways to do so in a sustainable manner. Our special discount scheme for members of the Sri Lankan armed forces has enabled us to lend a helping hand to our national heroes. This discount is also extended to all religious institutions across all denominations.

We believe that in strengthening our partners we also add value to ourselves, Thus, we provide financial assistance to our suppliers who wish to expand or improve upon their businesses.

Management Discussion & Analysis

Our commitment to Green practices is of paramount importance to us. Our "Environment Management System" enables us to monitor and control pollution levels and maintain them at an absolute minimum. The program is run according to the ISO 14000 International Environment Management Standards specified by BVQ1 (London) in 2000.

Rocell Bathware's CE certification serves as a guarantee that all the products within the range meet European Union consumer safety, health and environmental requirements. Our Homagama plant has also obtained ISO 9001 Quality Management Systems and ISO 14001 Environmental Management Systems certifications. The standard of the entire Bathware range exceeds quality specifications of vitreous china sanitary appliances as per BS 3402-1969 whilst carrying the international Water Mark Certification for water consumption and flush efficiencies.

2011/12 saw further measures taken to further our green objectives as we invested Rs. 2.5 Million in a Scrubber unit at our factory in Horana. This unit is designed to reduce dust emission from the Spray Dryer. We upgraded the existing waste water treatment facilities at all our plants to further reduce the percentage of harmful effluent released into the environment.

Future plans are in the works for more such initiatives. We have begun discussions with our long term partner and machinery supplier SACMI to develop a means of reducing the amount of smoke emitted from our Kilns. In addition we are also conducting research into methods of energy conservation including the use of waste heat from the Kiln being channelled into powering our Spray Dryer.

Internal Control Systems

A rigorous system of internal controls govern the entire Group, monitored and augmented by our Internal Audit Department. This is supplemented by an external audit carried out by independent consultants. The Group's monitoring and staff reporting systems are also ever evolving and improving.

The Enterprise Resource Planning solution which will be implemented by Oracle in 2012 will prove an excellent investment with simplified automated

processes for functions including procurement, manufacturing, inventory management and sales, thus making them more efficient and adding a further dimension of security and strength to the overall internal control system.

Human Resources

During the year under review too, the Group placed an added emphasis on recruiting academically and professionally qualified individuals who are geared to add value to the organisation in terms of strengthening the Group's "human capital" and enabling the Group to face and overcome the demands and challenges of the future.



chnical and Personality Development aining session at Annual Sales Conferenc

Alongside this rigorous employment policy the Group has also invested in its current employees, providing assistance and resources to support and encourage the pursuit of post graduate qualifications, including Doctoral studies and extensive training in-house and external.

Future Outlook

Sri Lanka's economy returned yet another strong performance during 2011/12, reaching 8% growth for the second year in a row. Some volatility returned to the economy during the latter part of 2011/12, as a

growing Balance Of Payments gap, higher energy costs and lower import activity took their toll. The Central Bank has forecast the local economy to grow at 7.2% in 2012, while the IMF has predicted a 7.5% growth. On the positive side Fitch Ratings has affirmed Sri Lanka's Foreign and Local Currency IDRs at 'BB-'. The Outlook for both ratings are stable. The rating reflects Fitch's view that appropriate action has been taken to correct recent pressure on the Balance Of Payments and place it on a more sustainable trajectory.

The construction industry which was one of the first to boom in the country's post war upward swing, is now facing the effects of the rise in interest rates. Interest rates have jumped nearly 5% directly impacting people's capacity to take on loans for construction. The spiralling cost of living will also take their toll on disposable incomes in 2012/13. Of special concern to the construction industry are the increased cost of cement and the cost of imports following the devaluation of the Rupee. These factors could all have a knock-on negative effect on our industry sector.

Increasing crude oil prices will impact on our energy bill, and the outlook is not positive with the IMF warning that crude oil prices will increase by 30% on average this year with the imminent supply disruption from Iran. Oil prices, which had lessened to about \$100 a barrel in late 2011, are now back to the highs experienced in 2008.

Overall, the global economic outlook for 2012/13 remains grim, as a sovereign debt crisis in Europe, negative consumer patterns in the US, the Arab Spring unrest in the Middle East as well as pockets of civil strife in various part of the world continue to affect global

Rocell has always been one that has thrived on challenges; our hunger for success remains strong and we are certain that with our unique combination of strategic investment, market foresight, creative strength and unfailing commitment to business excellence, we will continue to give you increasingly positive results, and deliver above and beyond your expectations.

economies. Growth will continue to be driven by emerging economies in Asia, led by China and India, whereas the traditional power base of Europe and America are predicted to lag behind over the next decade.

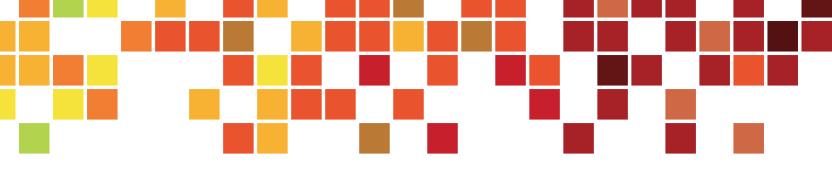
The depreciation of the Rupee has driven imported raw material costs up by 25%. The Rupee has depreciated 16.3% from November 2011, and had reached high Rs. 130 levels versus the US Dollar by May 2012. The company does stand to benefit from the exchange rate situation as the devaluation has had a huge impact on the pricing of imported tiles and sanitaryware, driving prices up by almost 30%. This increase has allowed high quality local alternatives such as Rocell products to shine, since locally manufactured items now, more than ever before, offer an immense advantage in terms of pricing.

The company welcomes the government's move to relax mining controls; new permits have been issued, with conditions, for mining thereby enabling access to Sri Lanka's rich reserves of clay, feldspar, etc. This is indeed a positive development as it results in the free availability of locally accessible raw materials, instead of importing the more expensive options from other countries.

Rocell has always been one that has thrived on challenges; our hunger for success remains strong and we are certain that with our unique combination of strategic investment, market foresight, creative strength and unfailing commitment to business excellence, we will continue to give you increasingly positive results, and deliver above and beyond your expectations.

Our Showroom Network

- 1. 98, Nawala Road, Nugegoda. Tel: 011-4405160
- 2. 440, R.A. de Mel Mawatha, Colombo 03, Tel: 011-4209204/5/6
- 3. 106, Galle Road, Dehiwala North, Dehiwala. Tel: 011-4202815/4
- 4. 780/1, New Kandy Road, Thalangama North, Malabe. Tel: 011-4411775
- 5. 158, Negombo Road, Wattala. **Tel: 011-4818563**
- 6. 392, Gala Junction, Kandy Road, Kiribathgoda. Tel: 011-4817231
- 7. 472/1, High Level Road, Makumbura, Kottawa. **Tel: 011-4308413**
- 8. 116, Colombo Road, Piliyandala. Tel: 011-4210675
- 9. 477/1, Galle Road, Rawathawatte, Moratuwa. Tel: 011-4210726
- 10. 587, Negombo Road, Liyanagemulla, Seeduwa. Tel: 011-4831987
- 11. 562, Peradeniya Road, Mulgampola, Kandy. Tel: 081-4471581
- 12. 37, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy. Tel: 081-4475825
- 13. 504/1, Kandy Road, Kegalle. Tel: 035-2230980
- 14. 176 & 176/A, Colombo Road, Kurunegala. Tel: 037-4690467
- 15. 46, Chilaw Road, Wennappuwa. Tel: 031-4874656



- 16. 521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura. **Tel: 025-4580294**
- 17. 223, Colombo Road, Ratnapura. Tel: 045-4360318
- 18. 348, Badulla Road, Bandarawela. Tel: 057-4496014
- 19. 443, Galle Road, Kalutara North, Kalutara. Tel: 034-4280469
- 20. 132, Anguruwatota Road, Horana. Tel: 034-4285033
- 21. 77, W.D.S. Abeygunawardena Mawatha, Pettigalawatte, Galle. Tel: 091-4380033
- 22. 139, Gunawardena Mawatha, Kotuwegoda, Matara. Tel: 041-4933629
- 23. 143, High Level Road, Maharagama. Tel: 011-4319514
- 24. 504, Galle Road, Panadura. Tel: 038-4281898
- 25. 509, Colombo Road, Kaduwela. **Tel: 011-4948182**
- 26. 200, Colombo Road, Negombo. Tel: 031-4922192
- 27. 721 & 721 A, Mandandawela, Trincomalee Street, Matale. **Tel:** 066-4460928
- 28. 86, Weyangoda Road, Minuwangoda. Tel: 011-4969060

- 29. 174/A/2, Colombo Road, Gampaha. Tel: 033-4670937/755
- 181, Hettipola Road, Kuliyapitiya.
 Tel: 037-4930870, 037-4696134
- 31. 279, Katugastota Road, Kandy. Tel: 081-4481759/60
- 32. 574, Galle Road, Kalutara South, Kalutara. Tel: 034-4280933/4
- 33. 101, Nawala Road, Nawala. Tel: 011-4311311
- 34. 278, Massale, Galle Road, Beruwala. Tel: 034-4288371/2
- 35. 39, Godagama Road, Athurugiriya. Tel: 011-4443641
- 36. 52, Kandy Road, Nittambuwa. Tel: 033-4929681
- 37. 52, Barnes Ratwatta Mawatha, Balangoda. Tel: 045-4927365
- 38. 70, Bank Road, Badulla. Tel: 055-4499780
- 39. 76A, Tangalle Road, Thavaluwila, Ambalanthota. Tel: 047-4932446
- 40. 30, Narahenpita Road, Nawala. Tel: 011-4651000
- 41. 185 B, Rathnapura Road, Moragala, Eheliyagoda. Tel: 036-4922946
- 42. 7, T B Panabokke Mawatha, Gampola. Tel: 081-4951436

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31 March 2012.

General

Royal Ceramics Lanka PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 29 August 1990, converted to a public limited liability company on 6 December 1991, listed on the Colombo Stock Exchange on 3 May 1994 and re-registered as per the Companies Act No. 7 of 2007 on 13 March 2008 with PQ 125 as the new number assigned to the Company.

Royal Ceramics Lanka PLC is a company involved in the manufacture and sale of porcelain and ceramic tiles.

Principal Activities of the Group and Review of Performance During the Year

The Group's principal activities during the year were the manufacture and sale of porcelain and ceramic tiles along with sanitaryware and paint and allied products. The products of the Company and its wholly owned subsidiaries Royal Porcelain (Private) Limited and Rocell Bathware Limited, are mainly distributed through its own showroom network under the brand names "Rocell" and "Rocell Bathware". The products of its other wholly owned subsidiary in operation, the newly acquired Ever Paint and Chemical Industries (Private) Limited, are distributed through its dealer network.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Managing Director's Review of Operations, Chairman's Statement and Management Discussion and Analysis on pages 4,9 and 21, which form an integral part of this Report.

This Report, together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors, on behalf of the Board, and the Auditors are given on pages 49 to 102.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 49.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 54 to 66 and are consistent with those of the previous period.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 14 to 15.

Executive Directors

Mr. W D N H Perera - Managing Director
Mr. T G Thoradeniya - Director Marketing &
Business Development

Non Executive Directors

Mr. A M Weerasinghe - Chairman
Mr. K D D Perera - Deputy Chairman

Independent Non Executive Directors

Mr. LT Samarawickrama Mr. R B Thambiayah Mr. G A R D Prasanna Mr. M D S Goonatilleke Mr. R N Asirwatham

Directors of subsidiary Companies

Royal Porcelain (Private) Limited

Mr. A M Weerasinghe

Mr. W D N H Perera

Mr. T G Thoradeniya

Mr. LT Samarawickrama

Mr. R B Thambiayah

Mr. G A R D Prasanna

Mr. M D S Goonatilleke

Mr. R N Asirwatham

Rocell Bathware Limited

Mr. A M Weerasinghe

Mr. W D N H Perera

Mr. T G Thoradeniya

Mr. LT Samarawickrama

Mr. R B Thambiayah

Mr. G A R D Prasanna

Mr. M D S Goonatilleke

Mr R N Asirwatham

Royal Ceramics Distributors (Private) Limited

Mr. A M Weerasinghe

Mr. W D N H Perera

Mr. T G Thoradeniya

Mr G A R D Prasanna

Mr. LT Samarawickrama

Mr. R B Thambaiyah

Mr. K D H Perera

Ever Paint and Chemical Industries (Private) Limited

Mr. A M Weerasinghe

Mr. H Somashantha

Mr. R N Somaratna

Mr. J K A Sirinatha

Mr. K D D Perera retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 85 and 86 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

All related party transactions which encompass the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors as at 31 March 2012 as recorded in the Interests Register are given in this Report under Directors' Interests in Contracts and Directors' Shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under Compensation to Key Management Personnel in Note 29.2.1 to the Financial Statements on page 101.

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 contract or proposed contract with the Company.

Except for the transactions referred to in Note 29.2.3 to the Financial Statements, the Company did not carry out any transaction with any 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 31/03/2012
Royal Porcelain (Pvt) Ltd	Mr.A.M. Weerasinghe Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya	Chairman Deputy Chairman Managing Director Director Marketing & Business Development	A sum of Rs.150,857,142/- was received as service charges. A sum of Rs.60,000/- was received as Rent. A sum of Rs.9,418,644/- worth of damaged tiles were purchased. A sum of Rs1,800,000,000/- was received as	(748,900,579)
	Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham	Director Director Director Director Director	dividends. Materials worth of Rs.30,164,228.19/- were purchased. Materials worth of Rs 10,756,949/- were sold. A sum of Rs.1,756,517,930/- was received as short term funds.	
Rocell Bathware Ltd	Mr.A.M. Weerasinghe Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham	Chairman Director Director Director Director Director Director Director Director	Materials worth of Rs 3,047,085/- were purchased. Materials worth of Rs 10,745,834/- were sold. A sum of Rs 135,492,011/- was given as short term funds.	138,054,568

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2012
Royal Ceramics Distributors (Pvt) Ltd	Mr. A.M. Weerasinghe Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya	Chairman Managing Director Director Marketing & Business Development	A sum of Rs. 152,168/-was given as short term funds.	7,551,345
	Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr. G.A.R.D Prasanna	Director Director		
Ever Paint and Chemical Industries (Pvt) Ltd.	Mr. A.M. Weerasinghe	Chairman	Materials worth of Rs.1,304,517/- were purchased. Materials worth of Rs 1,032,833/- were sold. A sum of Rs.144,569,642/-was given as short term funds.	144,297,959
Kandyan Resorts (Pvt)	Mr. K.D.D. Perera Mr. W.D.N.H.Perera	Director Director	A sum of Rs.16,326/- paid as hotel bills Tiles worth of Rs.2,876,199/- were sold.	977,709
L B Finance PLC	Mr. L.T. Samarawickrema Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. A.M. Weerasinghe	Director Deputy Chairman Director Director	Tiles worth of Rs.5,131,058/- were sold. Lease paid amounting Rs. 1,049,616/ A sum of Rs.10,162,929 /- was received as dividends. Legal fees paid amounting Rs. 55,129/	(1,795,040)
Culture Club Resorts (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. L.T. Samarawickrema	Director Director Director	A sum of Rs. 4,042,793/- was paid as hotel bills. Tiles worth of Rs.1,431,050/- were sold.	Nil
Vallibel Lanka (Pvt) Ltd.	Mr. K.D.D. Perera Mr. K.D.H Perera	Director Director	Tiles worth of Rs.7,476,139/- were sold.	90,477
Vallibel Holdings (Pvt) Ltd.	Mr. K.D.D. Perera	Director	Tiles worth of Rs.71,423/- were sold.	24,336

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2012
Pan Asia	Mr. W.D.N.H.Perera	Chairman	Current account balance.	8,784,098
Banking	Mr. T.G.Thoradeniya	Director	Tiles worth Rs.488,768/- were sold.	
Corporation PLC	Mr. M.D.S. Goonatillake	Director		
Sampath Bank	Mr. K.D.D. Perera	Chairman	Current account balance.	1,951,079
PLC			Tiles worth Rs.2,570,191/- were sold.	
Rocell	Mr. A.M. Weerasinghe	Chairman	A sum of Rs. 8,433,463/- was given as long	192,395,446
Ceramics Ltd	Mr. K.D.D. Perera	Deputy Chairman	term funds.	
	Mr. W.D.N.H.Perera	Director		
	Mr. T.G.Thoradeniya	Director/CEO		
Hayleys PLC	Mr. K.D.D. Perera	Director	A sum of Rs. 15,006,528/- was received as	Nil
	Mr. W.D.N.H.Perera	Director	dividends.	
	Mr. L.T. Samarawickrema	Director		
	Mr. M.D.S. Goonatillake	Director		
Renuka Hotels Ltd.	Mr. R.B.Thambiayah	Director	A sum of Rs. 623,630/- was paid as hotel bills.	Nil
Vallibel One	Mr. K.D.D. Perera	Chairman	A sum of Rs. 21,700/- was spent on behalf of the	21,700
PLC.	Mr. W.D.N.H.Perera	Deputy Chairman	company.	
Asian Alliance	Mr. W.D.N.H.Perera	Director	A sum of Rs. 1,367,361/- was paid for services	Nil
Insurance PLC			obtained.	
			Rs. 2,423,608/- was received as insurance claims.	

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2012
Hotel Services	Mr. K.D.D. Perera	Director	A sum of Rs. 243,566/- was paid as hotel bills.	1,499,904
Ceylon PLC	Mr. W.D.N.H.Perera	Director	Tiles worth of Rs.3,897,329/- were sold.	
Sri Lanka Insurance	Mr. K.D.D. Perera	Director	Tiles worth of Rs. 10,718,907/- were sold.	3,962,712
Corporation Limited				
Orit Apparels	Mr. K.D.D. Perera	Director	Tiles worth of Rs. 473,258/- were sold.	Nil
Lanka (Pvt) Ltd.	Mr. W.D.N.H.Perera	Director		
Country Energy (Pvt) Ltd.	Mr. G.A.R.D Prasanna	Director	Tiles worth of Rs. 220,729/- were sold.	Nil
Kelani Valley Plantations PLC	Mr. L.T. Samarawickrema	Director	A sum of Rs. 14,625/- was paid for purchases.	Nil

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 44.

Auditors

Messrs. Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non-audit services. They do not have any interest in the Company other than that of Auditor.

A total amount of Rs. 983,000 (Rs. 1,230,000 for the year ended March 2011) is payable by the Company to the Auditors for the year under review comprising Rs. 803,000 as audit fees and Rs. 180,000 for non-audit services. A sum of Rs. 1,753,750 (Rs. 1,862,500 for the year ended March 2011) is payable by the Group to the Auditors for the year under review comprising Rs. 1,573,750 as audit fees and Rs. 180,000 for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee, at a meeting held on 13 February 2012, recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.1,368,673,373/-.

The number of shares issued by the Company stood at 110,789,384 fully paid ordinary shares as at 31 March 2012 (which was the same as at 31 March 2011).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31 March 2012 and 31 March 2011 are as follows.

9	Shareholding	Shareholding
	as at	as at
	31/3/2012	31/03/2011
Mr. A M Weerasinghe	8,584,024	10,234,024
Mr. K D D Perera	200,772	200,772
Mr. T G Thoradeniya	169,400	40,600
Mr. W D N H Perera	67,400	-
Mr. M D S Goonatilleke	2,500	-
Mr. LT Samarawickram	a 2,000	2,000
Mr. R B Thambiayah	1,584	1,584
Mr. G A R D Prasanna	-	-
Mr. R N Asirwatham	-	-

Shareholders

There were 11,867 Shareholders registered as at 31 March 2012 (12,288 Shareholders as at 31 March 2011). The details of distribution are given on page 106 of this Report. The Company has made every endeavour to ensure the equitable treatment of Shareholders.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of Shareholders, market values, earnings per share, dividends per share and net assets per share, twenty largest Shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 2 and 106.

Employment Policy

The Company's employment policy is totally nondiscriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31 March 2012 1,626 persons were in employment (1,570 persons as at 31 March 2011).

Reserves

The reserves of the Company with the movements during the year are given in Note 10 to the Financial Statements on page 82.

Land holdings

The Company's land holdings referred to in Note 3 to the Financial Statements collectively comprises lands of a total extent of 10,957 Perches with a total of 33 buildings carried at book value of Rs. 375,984,562. Land with an extent of 480 Perches with a book value of Rs. 3,600,000 situated at Marawila was disposed of during the year under review. The extents, locations, valuations and the number of buildings in the company's land holdings are given below.

Location	No of	Extent	Valuation
	Buildings	(Perches)	(Rs. '000)
Eheliyagoda	28	7,909.44	197,720
Kottawa	3	230.72	66,558
Nawala	1	24.96	62,250
Meegoda	1	424	35,539
Naththandiya	-	1,600	10,000
Kalutara	-	768.16	3,917
Total	33	10,957.28	375,984

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 3 to the Financial Statements on page 67.

Investments

Details of the Company's quoted and unquoted investments as at 31 March 2012 are given in Notes 4 and 8 to the Financial Statements on pages 77 and 80.

Dividends

The Directors approved and paid an interim dividend of Rs. 2/= per share for the year under review.

Due to the heavy expenditure incurred in strategic investments and proposed expansion of the Eheliyagoda factory, the Directors do not recommend a final dividend for the year under review.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

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

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.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 25 to the Financial Statements on page 100, there were no material Contingent Liabilities as at the Balance Sheet date.

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.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 27 to the Financial Statements on page 100 there are no material events as at 25 May 2012 which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirms that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

An Audit Committee and a Remuneration Committee function as Board sub-committees, with Directors who possess the requisite qualifications and experience. The compositions of the said committees are as follows;

Audit Committee

Mr. M.D.S. Goonatilleke - Chairman Mr. LT Samarawickrama Mr. R N Asirwatham

Remuneration Committee

Mr. R B Thambiayah - Chairman Mr. LT Samarawickrama Mr. M D S Goonatilleke

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 39 to 43 explains the measures adopted by the Company during the year.

Annual General Meeting

The Notice of the Twenty Second (22nd) Annual General Meeting appears on page 109.

This Annual Report is signed for and on behalf of the Board of Directors by

A M Weerasinghe Chairman

W D N H Perera Managing Director

PW Corporate Secretarial (Pvt) Ltd

Secretaries

25 May 2012

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. 6.96 billion during the financial year was a remarkable achievement for the Group. This is a 21% growth further consolidating the position of 'Rocell' as the clear market leader in this industry. The export turnover of Rs. 211 Million which shows a slight decline of 8.7% has contributed only 3% towards total sales. This drop has been mainly due to low priced products mainly from countries like China and India dominating the world market with their economies of scale in the face of global price competition. The Company, as before, is taking necessary steps to counter these threats and will continue to focus on this segment.

Profitability

The gross profit of the Group recorded a growth of 24%. This was achieved from the 21% growth in Group sales. Pre-tax profit, which includes Rs. 81 Million as profit from Associate, Delmege (Private) Limited and LB Finance PLC has increased by 31% to Rs. 2 billion during the financial year. Evidently, there has been better control of operational cost by improvement in production planning and production efficiencies.

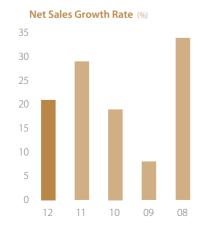
The Group has a 36% increase in Earnings per Share of Rs. 17.68. This is mainly due to the higher net profit compared to the last year.

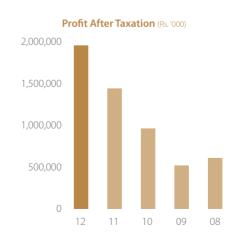
Other Income

Other income of the Group has increased by 42%. The main contributing factors were profit on disposal of short term investments amounting to Rs. 269 Million and dividend on long term & current investments amounting to Rs. 26.7 Million.

Taxation

The Group made an Income Tax provision of Rs. 53 Million for the year under review in comparison to Rs. 94 Million in its previous financial year. The profits of the Company, Royal Ceramics Distributors (Private) Limited and Ever Paint and Chemical Industries (Private) Limited are liable for Income Tax. Royal Porcelain (Pvt) Ltd enjoys a 10 year tax holiday under Section 17(2) of BOI Law





Financial Review

No. 4 of 1978 commencing from the year of assessment 2002/03. Similarly, Rocell Bathware Limited, in terms of the agreement entered into with the BOI of Sri Lanka, is exempt from income tax for a period of 6 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. After the expiration of the tax exemption period, the profits and income of the enterprise shall be charged, for any year of assessment, at the rate of 15%.

In addition, Rs. 933 Million was paid to the Government by way of direct sales taxes during the year.

Dividend

The Company has paid an interim dividend of Rs. 2/= per share on February 17, 2012 for the year under review.

Capital Expenditure

1.000.000

800,000

600,000

400 000

200,000

()

Capital expenditure of the Group was Rs. 444.2 Million for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands, showroom development, etc.

VAT/GST/NSL/NBT/TT

Income Tax

Contribution to the

1,500,000 1,200,000 900,000 600,000 300,000

08

Financial Indicators

Capital Expenditure (Rs. '000)

12

The Group's net outflow of funds was Rs. 706 Million. The Group's long term borrowings have increased by 60% to Rs. 2,235 Million. The Group's short term borrowings, including overdrafts, have increased by 77% to Rs. 1,835 Million. These have resulted due to the Group's investments increasing by 20% to Rs. 2,298 Million. Shareholders' funds consist of 20.9% stated capital, 1.5% capital reserves and 77.6% 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.

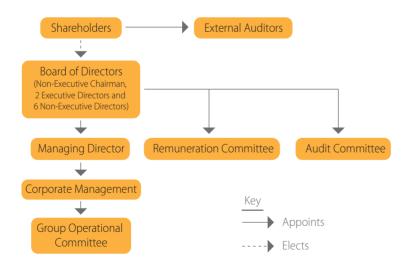
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Corporate Governance

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 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

Corporate Governance

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 the 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 nine Directors, seven Non-Executive Directors and two Executive Directors being the Managing Director – Mr. Nimal Perera and the Director Marketing & Business Development – Mr. Tharana Thoradeniya.

There is a balance of Executive and Non-Executive Directors to ensure that the decisions taken by the Board are collective. 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 resolved that Mr. R. B. Thambiayah, Mr. L. T. Samarawickrama, Mr. M. D. S. Goonatilleke, Mr. R. N. Asirwatham and Mr. G. A. R. D. Prasanna 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 45.

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. R. B. Thambiayah. The Report of the Remuneration Committee appears on Page 47. The total of Directors' Remuneration is reported in Note 29.2.1 to the Financial Statements, on page 101.

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 scheduled once a month 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 meetings is set out below.

Name	Directorship Status	Main Board	Audit Committee	Remuneration Committee
Total Number of Meetings Held		12	4	1
A M Weerasinghe	Non-Executive Chairman	12/12*	n/a	n/a
K D D Perera	Non-Executive Deputy Chairman	8/12	n/a	n/a
W D N H Perera	Managing Director	11/12	4/4**	1/1**
T G Thoradeniya	Executive Director	10/12	n/a	n/a
R B Thambiayah	Independent Non-Executive Director	11/12	n/a	1/1*
L T Samarawickrama	Independent Non-Executive Director	6/12	4/4	1/1
M D S Goonetilleke	Independent Non-Executive Director	9/12	4/4*	1/1
G A R D Prasanna	Independent Non-Executive Director	8/12	n/a	n/a
R N Asirwatham	Independent Non-Executive Director	11/12	4/4	n/a
*Chairman **By invitation				

Corporate Governance

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 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 No. 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 Listing Rules – Section 7.10 on Corporate Governance are given in the following table.

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Rocell's level of Compliance
Non-Executive Directors	7.10.1	Compliant	Seven out of Nine Directors are Non-Executive
Independent Directors	7.10.2	Compliant	Five out of seven Non-Executive Directors are "Independent"
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading Composition of the Board' of this Report and also refer page 45 and 47.
Remuneration Committee	7.10.5 (a) 7.10.5 (b) 7.10.5 (c)	Compliant Compliant	The Committee comprises of three Non-executive Independent Directors Please refer Remuneration Committee Report on page 47. The aggregate remuneration paid to Executive and Non-executive Directors is given under Note 29.2.1 to the Financial Statements on page 101.
Audit Committee	7.10.6 (a)	Compliant	The Committee comprises of three 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.
	7.10.6 (b) 7.10.6 (c)	Compliant	Please refer Audit Committee Report on page 45. 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. 7 of 2007, is set out in the Independent Auditors' report appearing on page 49.

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

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

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

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorized use or disposition, 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 2012/2013, 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 it has discharged its responsibilities as set out above.

By order of the Board of Royal Ceramics Lanka PLC

ADwyord

P W Corporate Secretarial (Pvt) Ltd

Secretaries

Colombo 25 May 2012

Report of the Audit Committee

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Royal Ceramics Lanka PLC, comprises of three Independent Non-Executive Directors, and is chaired by Mr. M.D.S. Goonatilleke, who is an Associate member of the Institute of Chartered Management Accountants (UK) and a passed finalist of the Institute of Chartered Accountants (Sri Lanka).

The members of the Board Audit Committee are; Mr. M D S Goonatilleke - Chairman Mr. L T Samarawickrama Mr. R N Asirwatham

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

Role of the Audit Committee

The Audit Committee has a written Terms of Reference, which clearly defines the role and responsibility of the Audit Committee.

The key purpose of the Audit Committee of Royal Ceramics Lanka PLC is to assist the Board of Directors in fulfilling its oversight responsibility for;

- The integrity of financial statements in accordance with Sri Lanka Accounting Standards.
- 2. The compliance with legal and regulatory requirements.
- 3. The External Auditor's independence and performance.

4. The performance review of the internal audit function to ensure Company's internal controls and risk management systems are adequate.

Meetings

The Audit Committee met four times during the year. The Managing Director, Head of Finance & Treasury and Chief Internal Auditor also attended these meetings by invitation. The other executives and external auditors do so as and when required. The minutes of the Audit Committee were tabled at the Board meetings. Attendances of the Committee members are given in the Corporate Governance Report on page 39.

The Committee carried out the following activities.

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. 07 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 management on action to be taken in areas where weaknesses were observed. The Committee reviewed reports on losses resulting from frauds and operational failures, and scrutinized the effectiveness of the Company's internal control system already in place and the processes for identification, evaluation, and management of all significant risks.

Report of the Audit Committee

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 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 were 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, subject to 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, factories, 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 43.

(Sad.)

M D S Goonatilleke

Chairman - Audit Committee

25 May 2012

Report of the Remuneration Committee

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

Mr. R B Thambiayah - Chairman
Mr. L T Samarawickrama
Mr. M D S Goonatilleke

Policy

The remuneration policy of the Company endeavors 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 on and is responsible for ensuring 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 qua 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 29.2.1 on page 101.

Meetings

The Committee met once 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 2011.

(Sqd.)

R B Thambiayah

Chairman - Remuneration Committee

25 May 2012

Corporate TOTAL CONTROL STANGIAL INFORMATION

Financial Calendar

Rs. 1/= per share Second Interim Dividend for the financial year 2010/2011	20 May 2011
Rs. 1/= per share Final Dividend for the financial year 2010/2011	6 July 2011
Interim Report – 1st Quarter 2011/2012	2 August 2011
Interim Report – 2nd Quarter 2011/2012	31 October 2011
Interim Report – 3rd Quarter 2011/2012.	. 20 January 2012
Rs. 2/= per share Interim Dividend for the financial year 2011/2012	17 February 2012
Interim Report – 4th Quarter 2011/2012	8 May 2012
Annual Report 2011/2012	25 May 2012
22nd Annual General Meeting	29 June 2012

Independent Auditors' Report



Chartered Accountants

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

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

INDEPENDENT AUDITORS' REPORT 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 2012, 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 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2012 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 2012 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.



Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

Balance Sheet

As at 31 March 2012	Note	2012 Rs.	Company 2011 Rs.	2012 Rs.	Group 2011 Rs.
ASSETS					
Non-Current Assets			•		
Property, Plant and Equipment	3	: 1,338,151,637	1,224,633,174	4,351,198,703	4,266,138,489
Investments in Subsidiaries	4	1,500,399,930	1,429,999,930	-	-
Investments in Associates	4	3,102,152,522	-	3,146,807,158	-
Intangible Assets	5	-	-	71,866,701	-
Other Receivables	7	192,395,446	183,961,983	192,395,446	183,961,983
		6,133,099,535	2,838,595,087	7,762,268,008	4,450,100,472
Current Assets					
Inventories	6	538,080,872	461,529,218	1,917,055,677	1,380,703,093
Trade and Other Receivables	7	653,780,855	563,361,932	869,129,490	647,379,480
Other Investments	. 8	804,672,342	1,919,782,728	804,672,342	1,919,782,728
Income Tax Recoverable		7,002,224		8,728,773	938,350
Cash and Cash Equivalents	15	85.876.048		121,273,927	61,167,881
cash and cash Equivalents	15	2.089,412,341		3.720.860.209	4.009.971.532
Total Assets		: 8,222,511,876	5.830.261.208	: 11,483,128,217	8,460,072,004
EOUITY AND LIABILITIES			, , ,		
Capital and Reserves					
Stated Capital	9	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	10		-	100,734,594	100,734,594
Retained Earnings		3,585,373,414	2.058.975.079	5,096,212,222	3,581,146,346
Total Equity		4,954,046,787		6,565,620,189	5,050,554,313
Non-Current Liabilities		:	. , , , , , , , , , , , , , , , , , , ,	:	.,,
Interest Bearing Loans and Borrowings	11	1,009,632,121	318,899,021	1,582,785,916	994,949,656
Deferred Tax Liabilities	20	68.634.654	61.555.765	69.272.101	61.555.765
Retirement Benefit Obligation	12	104,916,609		132.827.897	100.788.775
netirement benefit obligation	12	: 1,183,183,384		1,784,885,914	1.157.294.196
Current Liabilities		:	100,007,110	: : : : : : : : : : : : : : : : : : : :	1,137,231,130
Trade and Other Payables	13	1.051.670.358	1.403.650.811	588,776,345	730.158.311
Dividend Payable	14	26,674,704	1,403,030,611		15.826.051
Income Tax Liabilities	14	20,074,704	35,252,593	26,674,704	35,252,593
Interest Bearing Loans and Borrowings	11	1 006 036 643		2 5 1 7 1 7 1 0 7 5	
interest bearing Loans and Borrowings	11	1,006,936,643		2,517,171,065 :	1,470,986,540
Total Equity and Liabilities		2,085,281,705 8,222,511,876		3,132,622,114 11,483,128,217	2,252,223,495
iotal Equity and Liabilities		8,222,511,876	5,830,201,208	: 11,483,128,217	8,460,072,004

I certify that these Financial Statements are in accordance with the requirements of the Companies Act No. 7 of 2007.

Haresh Somashantha Head of Finance and 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

Managing Director

The Accounting Policies and Notes on pages 54 through 102 form an integral part of these Financial Statements.

25 May 2012 Colombo

Income Statement

Year ended 31 March 2012	Note	2012 Rs.	Company 2011 Rs.	2012 Rs.	Group 2011 Rs.
Revenue	16	2,178,913,382	2,180,607,756	6,956,110,450	5,751,383,443
Cost of Sales		(1,153,064,148)		(3,663,718,584)	
Gross Profit		1,025,849,234	1,038,558,338	3,292,391,866	
Other Income and Gains	17	2,233,703,279	1,431,648,191	303,853,770	214,315,141
Distribution Expenses		(752,516,664)	(626,775,358)	(858,971,903)	(706,465,688)
Administrative Expenses		(292,886,489)	(303,646,613)	(399,056,337)	(423,971,098)
Other Operating Expenses		(80,764,229)	-	(80,764,229)	-
Finance Cost	18.1	(148,385,304)	(72,735,316)	(328,119,956)	(204,251,142)
Finance Income	18.2	272,525	438,055	859,411	672,511
Share of Associate Company's Profit		-	-	81,405,573	-
Profit Before Tax	19	1,985,272,352	1,467,487,297	2,011,598,195	1,534,865,262
Income Tax Expense	20	(15,716,481)	(93,662,545)	(53,374,783)	(93,662,545)
Net Profit for the year attributable to					
equity holders of the parent		1,969,555,871	1,373,824,752	1,958,223,412	1,441,202,717
Basic Earnings Per Share	21	17.78	12.40	17.68	13.01
Dividend Per Share	22	4.00	2.50	4.00	2.50

The Accounting Policies and Notes on pages 54 through 102 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2012

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
COMPANY				
Balance as at 01 April 2010	814,726,453	365,714,239	1,150,356,468	2,330,797,160
Capitalisation of Reserves	553,946,920	(350,423,938)	(203,522,982)	-
Realised Surplus on Disposal of Property, Plant and Equipment				
Transferred to Retained Earnings	-	(15,290,301)	15,290,301	-
Net Profit for the Year	-	-	1,373,824,752	1,373,824,752
Dividends - 2009/10 - Final	-	-	(138,486,730)	(138,486,730)
Dividends - 2010/11 - First Interim	-	-	(138,486,730)	(138,486,730)
Balance as at 31 March 2011	1,368,673,373	-	2,058,975,079	3,427,648,452
Net Profit for the Year	=	-	1,969,555,871	1,969,555,871
Dividends - 2010/11 - Second Interim	-	-	(110,789,384)	(110,789,384)
Dividends - 2010/11 - Final	-	-	(110,789,384)	(110,789,384)
Dividends - 2011/12 - Interim	-	-	(221,578,768)	(221,578,768)
Balance as at 31 March 2012	1,368,673,373	-	3,585,373,414	4,954,046,787
	Stated	Revaluation	Retained	
	Capital Rs.	Reserve Rs.	Earnings Rs.	Total Rs.
	ns.	ns.	ns.	ns.
GROUP				
Balance as at 01 April 2010	814,726,453	466,448,833	2,605,149,770	3,886,325,056
Capitalisation of Reserves	553,946,920	(350,423,938)	(203,522,982)	=
Realised Surplus on Disposal of Property, Plant and Equipment		(15 200 201)	15 200 201	
Transferred to Retained Earnings	-	(15,290,301)	15,290,301	1 441 202 717
Net Profit for the Year	_	-	1,441,202,717	1,441,202,717
D: : 2000 /10 F:				(120 106 720)
Dividends - 2009/10 - Final	-	-	(138,486,730)	(138,486,730)
Dividends - 2009/10 - Final Dividends - 2010/11 - First Interim		-		(138,486,730) (138,486,730)
Dividends - 2010/11 - First Interim Balance as at 31 March 2011	- - 1,368,673,373	100,734,594	(138,486,730) (138,486,730) 3,581,146,346	(138,486,730) 5,050,554,313
Dividends - 2010/11 - First Interim Balance as at 31 March 2011 Net Profit for the Year	1,368,673,373 -	100,734,594 -	(138,486,730) (138,486,730) 3,581,146,346 1,958,223,412	(138,486,730)
Dividends - 2010/11 - First Interim Balance as at 31 March 2011 Net Profit for the Year Dividends - 2010/11 - Second Interim	- - 1,368,673,373 - -	100,734,594 - -	(138,486,730) (138,486,730) 3,581,146,346 1,958,223,412 (110,789,384)	(138,486,730) 5,050,554,313 1,958,223,412 (110,789,384)
Dividends - 2010/11 - First Interim Balance as at 31 March 2011 Net Profit for the Year Dividends - 2010/11 - Second Interim Dividends - 2010/11 - Final	1,368,673,373 - - -	- - 100,734,594 - - -	(138,486,730) (138,486,730) 3,581,146,346 1,958,223,412	(138,486,730) 5,050,554,313
Dividends - 2010/11 - First Interim Balance as at 31 March 2011 Net Profit for the Year Dividends - 2010/11 - Second Interim	- - 1,368,673,373 - - - - 1,368,673,373	- - 100,734,594 - - - - - 100,734,594	(138,486,730) (138,486,730) 3,581,146,346 1,958,223,412 (110,789,384)	(138,486,730) 5,050,554,313 1,958,223,412 (110,789,384)

The Accounting Policies and Notes on pages 54 through 102 form an integral part of these Financial Statements.

Cash Flow Statement

	:	Company	: :	Group
Notes	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash Flows From / (Used in) Operating Activities				
Profit from operating activities before tax	1,985,272,352	1,467,487,297	2,011,598,195	1,534,865,262
Adjustments for		, , ,		
Dividend Income	(1,826,733,210)	(1,116,628,781)	(26,733,210)	(16,628,781)
Dividend Written back	-	(3,167,073)	-	(3,167,073)
Interest Income	(272,525)	(438,055)	(859,411)	(672,511)
Interest Expense	148,385,304	72,735,316	328,119,956	204,251,142
Depreciation of Property, Plant and Equipment	97,708,104	80,347,816	388,015,953	344,385,252
(Profit) / Loss on Sale of Property, Plant and Equipment	(4,031,475)	14,222,411	(4,031,475)	35,745,404
Gain on sale of Short-Term Investments 18	(269,066,111)	(199,451,460	(269,066,111)	(199,451,460)
Provision for change in Market Value of the Investments	80,764,229	_	80,764,229	_
Provision for Defined Benefit Plans - Gratuity 13	27,811,041	21,248,690	34,921,670	26,519,833
Profit share of investment in associate		-	(81,405,573)	_
Reversal of Stock Provision, General	(15,719,849	-	(15,719,849)	-
Operating Profit / (Loss) before Working Capital Changes	224,117,860	336,356,161	2,445,604,374	1,925,847,067
(Increase) / Decrease Inventories	(60,831,805)	149,141,214	(507,627,804)	135,244,464
(Increase) / Decrease in Trade and Other Receivables	(73,725,614)	(68,503,588)	(173,603,214)	(80,844,806)
Increase / (Decrease) in Trade and Other Payables	(351,980,453)	334,808,962	(210,934,326)	49,588,337
Cash Generated from Operations	(262,420,012)	751,802,749	1,553,439,030	2,029,835,063
Finance Costs Paid	(148,385,304)	(72,735,316)	(328,119,956)	(204,251,142)
Defined Benefit Plan Costs Paid	(3,107,094)	(2,296,569)	(4,137,630)	(2,643,026)
Income Tax Paid	(50,892,409)	(99,155,675)	(51,984,070)	(99,155,675)
Net Cash Flows From / (Used in) Operating Activities	(464,804,819)	577,615,189	1,169,197,374	1,723,785,220
Cash Flows From / (Used in) Investing Activities				
Acquisition of Property, Plant and Equipment	(217,060,313)	(275,008,098)	(442,511,638)	(758,164,205)
Proceeds from Sale of Property, Plant and Equipment	9,865,221	1,230,801	9,865,222	3,065,976
Proceeds from Sale of Short Term Investments	2,588,131,584	483,084,290	2,588,131,584	483,084,290
Acquisition of Short-Term Investment	(1,536,061,020)	(1,664,782,423)	(1,536,061,020):	(1,664,782,423)
Acquisition of subsidiaries	(70,400,000)	-	(68,929,462)	-
Acquisition of Investment in Associates	(2,875,933,589)	-	(2,875,937,589)	-
Interest Received	272,525	438,055	859,410	672,511
Dividend Received	1,826,733,210	1,116,628,781	26,733,210	16,628,781
Net Cash Flows from / (Used in) Investing Activities	(274,456,382)	(338,408,594)	(2,297,850,283)	1,919,495,070
Cash Flows From / (Used in) Financing Activities				
Proceeds from Interest Bearing Loans and Borrowings	1,532,008,142	702,974,440	3,113,698,974	1,884,177,134
Repayment of Interest Bearing Loans and Borrowings	(600,886,497)	(600,628,607)	(2,247,284,490)	(1,483,244,813)
Capital Repayments under Finance Lease Liabilities	(2,925,333)	(2,225,426)	(11,790,760)	(8,602,758)
Dividend Paid	(432,308,883)	(403,800,398)	(432,308,883)	(403,800,398)
Net Cash Flows from / (Used in) Financing Activities	495,887,429	(303,679,991)	422,314,841	(11,470,835)
Net Increase / (Decrease) in Cash and Cash Equivalents	(243,373,772)	(64,473,396)	(706,338,068	(207,180,685)
Cash and Cash Equivalents at the beginning of the year 15	(144,170,356)	(79,696,960)	(513,786,644)	(306,605,959)
Cash and Cash Equivalents at the end of the year 15	(387,544,128)	(144,170,356)	(1,220,124,712)	(513,786,644)

The Accounting Policies and Notes on pages 54 through 102 form an integral part of these 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 2012 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (together referred as the "Group"), namely Royal Ceramics Distributors (Private) Limited, Royal Porcelain (Private) Limited and Rocell Bathware Limited and Ever Paint and Chemical Industries (Private) Limited

1.2 Parent Enterprise and Ultimate Parent Enterprise

The Company's ultimate parent undertaking is Vallibel One PLC.

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

Royal Ceramics Distributors (Private) Limited

- Non Operational

Royal Porcelain (Private) Limited

- Manufacture and marketing of floor and wall tiles

Rocell Bathware Limited

- Manufacture and marketing of sanitaryware

Ever Paint and Chemical Industries (Private) Limited

- Manufacture and marketing of paints and allied products

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2012 were authorized for issue in accordance with the resolution of the Board of Directors on 25 May 2012.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of Royal Ceramics Lanka PLC and its Subsidiaries have been prepared on a historical cost basis, except for land and buildings that have been measured at fair value as explained in Note 3.4 & 3.10 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 the Royal Ceramics Lanka PLC and its Subsidiaries (the Group) have been prepared in accordance with Sri Lanka Accounting Standards.

2.1.2 Comparative Information

The accounting policies adopted are consistent with those used in the previous financial year.

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

2.1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has recourse to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainty.

2.2 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

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 details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Distributors (Private) Limited	1993/1994	100%
Royal Porcelain (Private) Limited	2000/2001	100%
Rocell Bathware Limited	2005/2006	100%
Ever Paint and Chemical Industries (Private) Limited	2002/2003	100%

The consolidated financial statements incorporating all subsidiaries in the Group are prepared to common financial year ending 31 March using uniform Accounting Policies for like transactions and in similar circumstances 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, transactions, income, expenses, profits 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 are 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 these plans such estimates are subject to significant uncertainty. Further details are given in Note 12.

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, Royal Ceramics Distributors (Private) Limited and Ever Paint and Chemical Industries (Private) Limited

The Provision for income tax is based on the elements of income and expenditure as reported in Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006. Relevant details are disclosed in Note 20 to these Financial Statements.

Royal Porcelain (Private) Limited

Pursuant to agreement dated 21 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 10 years from the year of assessment 2002/2003. This exemption expires on year of assessment 2012/2013.

Rocell Bathware Limited

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 06 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. After the expiration of tax exemption period the profits and income of the enterprise shall be charged for any year of assessment at the rate of 15%

(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 (Private) Limited and Rocell Bathware Limited

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) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Nation Building Tax (NBT). 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 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 and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent deprecation 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 or 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, Water Supply Scheme

and Electricity Scheme Over 25 to 40 Years

Motor Vehicles, Furniture & Fittings
Household items Heavy and Construction Lab

and Other Equipment Over 05 Years

Tools & Sundry Inventory and

Household items - Light Over 02 Years

Factory Equipment, Plant & Machinery,

Moulds and Communication Equipment Over 10 to 20 Years

Office Equipment Over 6.67 Years

Showroom Fixture and Fittings Over 10 to 15 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 Intangible assets

(a) Business Combination and Goodwill

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorate to the carrying amount of each asset in the unit.

Where goodwill forms part of a cashgenerating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cashgenerating unit retained.

2.4.11 Investments in Associates

Associates are those investments over which the group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the group.

The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

Associate companies of the group which have been accounted for under the equity method of accounting are;

L B Finance PLC Delmege (Private) Limited

All associates are incorporated in Sri Lanka.

The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associates.

After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The group ceases to recognise further losses when the group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the group.

Accounting policies that are specific to the business of associate companies are discussed in note 2.7.

Equity method of accounting has been applied for associate financial statements using their respective 12 month financial period.

2.4.12 Equity 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.

2.4.13 Provisions

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.

2.4.14 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 as required by Sri Lanka Accounting Standards No. 16 (Revised 2006) - Employee Benefits.

The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2012, carried out by Messrs Actuarial and Management Consultants (Private) Limited, actuaries.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognised as income or expense 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 and the fair value of non assets at the date.

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.

2.4.15 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 have passed to the buyer; with the group retaining neither continuing managerial involvement to the degreeusually associated with ownership, nor effective control over the goods sold.

(b) Interest Income

Interest Income on investment is recognised on an accrual basis unless collectability 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 and 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 polices adopted for segment reporting are the same accounting policies adopted for preparing and presenting the Financial Statements of the Group.

2.7 Significant Accounting Policies that are specific to the business of associates companies

2.7.1. L B Finance PLC

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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) Income from leasing activities and hire purchase agreements

Income from Finance leases is recognised on the basis of the financing method. The excess of aggregate rental receivable over the cost of the leased assets constitute the total unearned income at the commencement of the contract. The earned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed, in proportion to the declining receivable balance of the lease.

Income from operating leases is recognised on a straight line basis over the term of the lease.

Income arising from the residual interest in hire purchase agreements is credited to the profit and loss account as it accrues in proportion to the declining receivable balance of the agreement.

However, accrual of income both from leases and hire purchase agreements ceases when the account is overdue for more than six months in compliance with Direction No. 15 of 1991 (Accrued Interest) and thereafter recognised on a cash basis.

b) Interest Income from Loans and Advances

Interest income from loans and advances is recognised on an accrual basis. However, income from loans and advances ceases when the account is overdue for more than six months in compliance with Direction No. 15 of 1991 (Accrued Interest) and thereafter recognised on a cash basis.

c) Interest income from other sources

Interest income from Government of Sri Lanka Treasury Bills is recognised on a time proportion basis, and discounts on purchase are amortised to income on a straight line basis over periods to maturity.

Income from all other interest bearing investments is recognised as revenue on an accrual basis.

d) Dividend Income

Dividend income is recognised on a cash received basis.

e) Insurance agency fees

Agency Fees received in respect of insurance is recognized on accrued basis

f) Overdue Interests

Overdue interest income from leasing and other loans have been accounted for on a cash received basis.

g) Real Estate Sales

Revenue is recognised when properties are sold and the buyer has taken possession of such properties. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash received basis.

h) Others

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.

2.8 Sri Lanka Accounting Standards effective from 01 April 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition and is in the process of quantifying the impact on the financial statements.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

		Balance	Additions/	Disposals/	Balance
		As at	Transfers	Transfers	As at
		01.04.2011			31.03.2012
		Rs.	Rs.	Rs.	Rs.
3.	PROPERTY, PLANT AND EQUIPMENT - COMPANY				
3.1	Gross Carrying Amounts				
	At Cost or Valuation				
	Freehold Land	379,584,562	-	(3,600,000)	375,984,562
	Buildings	301,412,952	18,946,176	(1,940,500)	318,418,628
	Water Supply Scheme	295,687	-	-	295,687
	Lab Equipment	3,462,658	1,819,370	-	5,282,028
	Motor Vehicles	61,403,035	34,042,629	2,278,500	97,724,164
	Electricity Distribution	8,080,645	5,679,980	-	: 13,760,625
	Office Equipment	127,391,222	27,448,848	(2,453,250)	152,386,820
	Communication Equipment	7,802,598	-	=	7,802,598
	Furniture and Fittings	56,496,468	20,274,411	(92,700)	76,678,179
	Tools and Implements	54,416,999	5,802,772	(82,500)	60,137,271
	Other Equipment	25,677,931	4,059,248	-	29,737,179
	Factory Equipment	23,257,991	-	-	23,257,991
	Construction Equipment	2,236,047	-	-	2,236,047
	Plant and Machinery	693,237,346	46,459,224	(1,041,626)	738,654,944
	Plant and Machinery -Polishing Plant	62,295,726	-	-	62,295,726
	Household Item - Heavy	33,690	-	-	33,690
	Household Item - Light	2,740,311	1,306,851	-	4,047,161
	Showroom Fixtures and Fittings	248,857,285	8,329,169	-	257,186,454
	Stores Buildings on Lease Hold Land	3,965,135	-	-	3,965,135
		2,062,648,288	174,168,678	(6,932,076)	2,229,884,890
	Assets on Finance Leases				
	Motor Vehicles	18,856,152	-	(2,533,500)	16,322,652
		18,856,152	-	(2,533,500)	16,322,652
	Total Value of Depreciable Assets	2,081,504,440	174,168,678	(9,465,576)	: 2,246,207,542

		Balance As at 01.04.2011 Rs.	Incurred During the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
3.	PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd.)				
	In the Course of Construction				
	Capital Work in Progress	162,871,904	217,109,755	(174,168,678)	205,812,981
	Total Gross Carrying Amount	2,244,376,344	391,278,433	(183,634,254)	2,452,020,523
		Balance As at 01.04.2011	Charge for the Year	Disposals/ Transfers	Balance As at 31.03.2012
		Rs.	Rs.	Rs.	Rs.
3.2	Depreciation				
	At Cost or Valuation				
	Buildings	34,783,395	12,075,215	(258,733)	46,599,877
	Water Supply Scheme	165,671	11,827	-	177,498
	Lab Equipment	2,970,651	248,610	-	3,219,261
	Motor Vehicles	24,395,443	14,150,154	2,067,375	40,612,972
	Electricity Distribution	4,064,077	323,226	-	4,387,303
	Office Equipment	97,934,828	10,736,598	(1,901,269)	106,770,157
	Communication Equipment	6,659,841	560,213	-	7,220,054
	Furniture and Fittings	22,159,650	9,684,748	(43,260)	31,801,138
	Tools and Implements	49,436,865	5,228,999	(82,500)	: 54,583,364
	Other Equipment	16,818,906	3,477,032	-	20,295,938
	Factory Equipment	23,251,861	1,226	=	23,253,087
	Construction Equipment	2,236,047	-	-	2,236,047
	Plant and Machinery	611,665,965	14,101,498	(1,041,626)	624,725,837
	Plant and Machinery - Polishing Plant	55,667,623	2,836,748	-	58,504,371
	Household Item - Heavy	33,690	-	-	33,690
	Household Item - Light	2,078,348	724,286	-	2,802,634
	Showroom Fixtures and Fittings	58,806,251	19,886,680	-	78,692,931
	Stores Buildings on Lease hold Land	2,775,600	396,514	-	3,172,114
		1,015,904,713	94,443,574	(1,260,013)	1,109,088,274
	Assets on Finance Leases				:
	Motor Vehicles	3,838,458	3,264,530	(2,322,375)	4,780,613

1,019,743,171

97,708,104

(3,582,388)

1,113,868,887

Total Value of Depreciation

		2012	2011
		Rs.	Rs.
3.	PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd.)		
3.3	Net Book Values		
	At Cost or Valuation		
	Freehold Land	375,984,562	379,584,562
	Buildings	271,818,752	266,629,557
	Water Supply Scheme	118,189	130,016
	Lab Equipment	2,062,767	492,007
	Motor Vehicles	57,111,192	37,007,592
	Electricity Distribution	9,373,322	4,016,568
	Office Equipment	45,616,663	29,456,394
	Communication Equipment	582,544	1,142,757
	Furniture and Fittings	44,877,041	34,336,818
	Tools and Implements	5,553,907	4,980,134
	Other Equipment	9,441,241	8,859,025
	Factory Equipment	4,904	6,130
	Construction Equipment	-	-
	Plant and Machinery	113,929,107	81,571,381
	Plant and Machinery - Polishing Plant	3,791,355	6,628,103
	Household Item - Heavy	-	-
	Household Item - Light	1,244,527	661,963
	Showroom Fixtures and Fittings	178,493,523	190,051,034
	Stores Buildings on Lease hold Land	793,021	1,189,535
		1,120,796,617	1,046,743,576
	Assets on Finance Leases		
	Motor Vehicles	11,542,039	15,017,694
		1,132,338,656	1,061,761,270
	In the Course of Construction	205,812,981	162,871,904
		1,338,151,637	1,224,633,174

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

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.

		Cumulative	Net	Net
		Depreciation if assets were carried at cost Rs.	Carrying Amount 2012 Rs.	
	Cost			
	Rs.			
Class of Assets				
Land	104,923,580	-	104,923,580	104,923,580
Building	170,439,803	77,757,730	92,682,073	99,499,665
	275,363,383	77,757,730	197,605,653	204,423,24

- 3.5 During the financial year, the Company acquired Property, Plant and Equipment for cash to the aggregate value of Rs. 217,060,313 /- (2011 Rs.275,008,098/-).
- 3.6 Property, Plant and Equipment include fully depreciated assets having a gross carrying amount of Rs. 794,112,884 /- (2011 Rs.755,533,676/ -)

		Balance As at 01.04.2011	Additions through aquisition of subsidiary	Additions/ Transfers	Disposals/ Transfers	Balance As at 31.03.2012
		Rs.	Rs.	Rs.	Rs.	Rs.
3.	PROPERTY, PLANT AND EQUIPMENT (Contd.)				•
	GROUP	,				•
3.7	Gross Carrying Amounts					•
3.,	At Cost or Valuation					•
	Land	488,261,387	5,512,400	7,809,100	(3,600,000)	497,982,887
	Building	1,089,796,508	32,069,532	117,853,123	(1,940,500)	1,237,778,663
	Water Supply Scheme	295,687	-	-	-	295,687
	Lab Equipment	13,027,458		2,236,944	-	15,264,402
	Motor Vehicles	88,380,439	2,080,000	41,838,529	18,667,875	150,966,843
	Electricity Distribution	8,080,645		5,679,980	=	13,760,625
	Office Equipment	145,909,374		31,676,803	(2,453,250)	175,132,927
	Communication Equipment	9,617,050		94,299	=	9,711,349
	Furniture & Fittings	169,088,720	250,000	53,045,687	(92,700)	222,291,707
	Tools & Implements	73,340,053	84,000	6,597,097	(82,500)	79,938,650
	Other Equipment	33,511,041	_	4,838,032	-	38,349,073
	Factory Equipment	25,636,831	-	113,395	-	25,750,226
	Moulds	126,298,332	-	590,618	-	126,888,950
	Construction Equipment	22,195,078	-	32,681,731	-	54,876,809
	Plant and Machinery	2,979,506,044	8,432,500	340,163,984	(1,041,626)	3,327,060,902
	Plant and Machinery Polishing Plant	62,295,726	-	-	=	62,295,726
	Household Item Heavy	7,395,330	-	890,705	-	8,286,035
	Household Item Light	6,057,944	-	1,545,850	-	7,603,794
	Showroom Fixtures & Fittings	261,302,981	-	8,329,169	-	269,632,150
	Stores Buildings on Lease hold Land	22,260,335	-	74,547,664	-	96,807,999
		5,632,256,963	48,428,432	730,532,710	9,457,299	6,420,675,404
	Assets on Finance Leases					
	Furniture and Fittings	12,653,596	-	-	-	12,653,596
	Construction and Other equipment	5,329,148	-	-	-	5,329,148
	Motor Vehicles	35,286,886	8,077,768	1,846,916	(18,922,875)	26,288,695
		53,269,630	8,077,768	1,846,916	(18,922,875)	44,271,439
		5,685,526,593	56,506,200	732,379,626	(9,465,576)	6,464,946,843

		Balance As at 31.03.2011	Additions through aquisition of subsidiary	Incurred During the Year	Reclassified / Transferred	Balance As at 31.03.2012
		Rs.	Rs.	Rs.	Rs.	Rs.
3.	PROPERTY, PLANT AND EQUIPMENT (Contd.)				
3.7	Gross Carrying Amounts (Contd.)					
	In the Course of Construction Capital Work in Progress	568,096,242	-	308,483,643	(596,693,475)	279,886,410
	Total Gross Carrying Amount	6,253,622,835	56,506,200	1,040,863,269	(606,159,051)	6,744,833,253
		Balance As at 01.04.2011	Additions through aquisition of subsidiary	Charge for the Year	Disposals/ Transfers	Balance As at 31.03.2012
		Rs.	Rs.	Rs.	Rs.	Rs.
3.8	Depreciation					
	At Cost or Valuation					
	Building	94,956,226	8,069,532	38,689,541	(258,733)	141,456,566
	Water Supply Scheme	165,671	-	11,827	-	177,498
	Lab Equipment	8,400,929	-	2,168,530	-	10,569,459
	Motor Vehicles	40,261,800	1,869,778	20,127,906	14,594,183	76,853,667
	Electricity Distribution	4,064,077	-	323,226	-	4,387,303
	Office Equipment	105,653,531	-	13,423,481	(1,901,269)	117,175,743
	Communication Equipment	7,017,001	-	746,017	-	7,763,018
	Furniture & Fittings	88,158,961	250,000	25,450,134	(43,260)	113,815,836
	Tools & Implements	68,068,590	84,000	5,894,953	(82,500)	73,965,043
	Other Equipment	19,476,325	-	4,623,566	-	24,099,891
	Factory Equipment	24,286,286	-	241,312	-	24,527,598

		Balance As at 01.04.2011	Additions through aquisition of subsidiary	Charge for the Year	Disposals/ Transfers	Balance As at 31.03.2012
		Rs.	Rs.	Rs.	Rs.	Rs.
3.	PROPERTY, PLANT AND EQUIPMENT (Contd.)				
3.8	Depreciation (Contd.)					•
	Construction Equipment	16,567,735	-	6,040,495	-	22,608,230
	Plant and Machinery	1,330,095,625	8,432,500	212,259,302	(1,041,626)	1,549,745,802
	Moulds	30,478,192	=	15,110,467	-	45,588,660
	Plant and Machinery Polishing Plant	55,667,623	-	2,836,748	-	58,504,371
	Household Item - Heavy	5,742,435	-	1,426,509	-	7,168,944
	Household Item - Light	5,280,962	-	884,079	-	6,165,041
	Showroom Fixtures & Fittings	59,917,083	-	2,0642,921	-	80,560,005
	Stores Buildings on Lease hold Land	8,264,160	-	7,727,304	-	15,991,464
		1,972,523,213	18,705,810	378,628,321	11,266,793	2,381,124,137
	Assets on Finance Leases					
	Furniture and Fittings	949,020	-	1,265,360	_	2,214,380
	Construction and Other Equipment	621,734	-	1,065,830	-	1,687,564
	Motor vehicles	13,390,379	3,010,830	7,056,444	(14,849,183)	8,608,469
		14,961,133	3,010,830	9,387,634	(14,849,183)	12,510,413
	Total Value of Depreciation	1,987,484,346	21,716,639	388,015,955	(3,582,388)	2,393,634,552

		2012	2011
		Rs.	Rs.
.9	Net Book Values		
	At Cost or Valuation		
	Land	497,982,887	488,261,387
	Building	1,096,322,097	994,840,282
	Water Supply Scheme	118,189	130,016
	Lab Equipment	4,694,943	4,626,529
	Motor Vehicles	74,113,176	48,118,639
	Electricity Distribution	9,373,322	4,016,568
	Office Equipment	57,957,184	40,255,843
	Communication Equipment	1,948,331	2,600,049
	Furniture & Fittings	108,475,872	80,929,759
	Tools & Implements	5,973,608	5,271,464
	Other Equipment	14,249,182	14,034,716
	Factory Equipment	1,222,628	1,350,545
	Moulds	81,300,290	95,820,139
	Construction Equipment	32,268,579	5,627,343
	Plant and Machinery	1,777,315,100	1,649,410,419
	Plant and Machinery Polishing Plant	3,791,355	6,628,103
	Household Item Heavy	1,117,090	1,652,895
	Household Item Light	1,438,753	776,982
	Showroom Fixtures & Fittings	189,072,145	201,385,898
	Stores Buildings on Lease hold Land	80,816,535	13,996,174
		4,039,551,267	3,659,733,750
	Assets on Finance Leases		
	Furniture and Fittings	10,439,216	11,704,576
	Construction and Other Equipment	3,641,584	4,707,414
	Motor vehicles	17,680,226	21,896,507
	In the Course of Construction	31,761,026 279,886,410	38,308,497
	iii tile Course of Construction	4,351,198,703	568,096,242 4,266,138,489

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

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 31 March 2008. The surplus arising from the revaluation net of deferred tax was transferred to a Revaluation Reserve.

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

	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2012	2011
	Rs.	Rs.	Rs.	Rs
Class of Asset				
Land	159,107,402	-	159,107,402	159,107,402
Buildings	415,757,216	144,922,348	270,834,868	287,465,15
	574,864,618	144,922,348	429,942,270	446,572,55

- During the financial year, the Company acquired Property, Plant and Equipment for cash to the aggregate value of Rs. 442,511,638/-(2011 Rs. 758,164,205/-).
- **3.12** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.810,677,252/-(2011 Rs.808,954,038/-).

4. INVESTMENTS

4.1 Investments in Subsidiaries

	Holding P 2012	ercentage 2011	Value 2012	Directors' Valuation 2012	Cost	Directors Valuation 2011
			Rs.	Rs.	Rs.	Rs
Company						
Non-Quoted						
Royal Ceramics Distributors (Private) Limited	100%	100%	500,000	-	500,000	
Royal Porcelain (Private) Limited	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000
Rocell Bathware Limited	100%	100%	929,999,930	929,999,930	929,999,930	929,999,930
Ever Paint and Chemical Industries (Pvt) Ltd	100%	-	70,400,000	70,400,000	=	
Total Non-Quoted Investments in Subsidiaries			1,500,899,930	1,500,399,930	1,430,499,930	1,429,999,930
Total Gross Carrying Value of Investments Provision for decline in value			1,500,899,930 (500,000)		1,430,499,930 (500,000)	
Total Gross Carrying Value of Investments in Subsi	diaries		1,500,399,930		1,429,999,930	

4.2 Investments in Associates

4.2.1 Company

		Holding Percentage		Directors' Valuation	Cost	Directors' Valuation
	2012	2011	2012 Rs.	2012 Rs.	2011 Rs.	2011 Rs.
Quoted Investments				•		
L. B. Finance PLC	25.85%	-	2,477,617,177	2,477,617,177	-	-
Unquoted Investments						
Delmege (Private) Limited	20%	-	624,535,345	624,535,345	-	-
			3,102,152,522	3,102,152,522	-	-

4.2 Investments in Associates (Contd.)

4.2.2 Group

	Holding Percentage 2012 2011		Directors' Valuation 2012 Rs.	Cost 2011 Rs.	Directors' Valuation 2011 Rs.
Quoted Investments L. B. Finance PLC	25.85% -	2,524,388,870	2,524,388,870	-	-
Unquoted Investments Delmage (Private) Limited	20% -	622,418,288	622,418,288	-	-
		3,146,807,158	3,146,807,158	-	-

4.2.3 Summarised financial information of associates

	2012	201
	Rs	R
Group share of;		
Revenue	1,331,245,925	
Operating expenses	: (1,251,629,066) :	
Finance expenses	(34,962,223)	
Profit for the year	44,654,636	
Group share of;		
Total assets	12,089,746,689	
Total liabilities	(10,667,464,856)	
Net assets	1,422,281,833	
Goodwill	1,724,525,325	
	3,146,807,158	
Contingent liabilities	11,650,912	
Capital and other commitments	232,563,183	

The Group and the Company have neither contingent liabilities nor capital and other commitments in respect of its associates.

4.2.4	N٨	lovomont	in l	Investments in Associat	00
7.2.7	ıv	ioveilleiit		IIIVESUIIEIILS III ASSOCIAL	.cs

As at the beginning of the year	297,498,843	-
Investment made during the year	2,804,653,679	-
Share of results of associates net of dividends	44,654,636	-
At the end of the year	3,146,807,158	-

5 INTANGIBLE ASSETS

5.1 Goodwill

	2012	2011
	Rs.	Rs.
Balance as at the beginning of the year	_	-
Goodwill arising on acquisition	71,866,701	-
Balance as at the end of the year	71,866,701	-

			Company		Group
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
б.	INVENTORIES				
	Raw Materials	180,421,657	135,067,705	448,770,960	321,120,110
	Construction Consumables	6,214,646	4,192,884	6,214,646	4,192,884
	Spares and Consumables	152,726,315	144,853,784	369,851,276	319,990,873
	Accessories	-	=	149,213,996	80,304,395
	Work In Progress	11,919,536	11,283,642	60,362,389	52,281,346
	Finished Goods	195,239,339	189,643,355	888,766,725	614,587,904
	Goods in Transit	1,752,250	2,400,568	8,410,356	18,480,100
		548,273,743	487,441,938	1,931,590,348	1,410,957,612
	Less: Provision for Obsolete and Slow Moving Inventory	(10,192,871)	(25,912,720)	(14,534,671)	(30,254,519
		538,080,872	461,529,218	1,917,055,677	1,380,703,093

		Current 2012 Rs.	Non Current 2012 Rs.	Total 2012 Rs.	Current 2011 Rs.	Non Current 2011 Rs.	Total 2011 Rs.
7.	TRADE AND OTHER RECEIVABLES						
7.1	Company						
	Trade Receivables	135,065,458	-	135,065,458	138,162,918	-	138,162,918
	Receivables - Other	119,493,980	-	119,493,980	92,197,052	-	92,197,052
	- Related Parties (Note 7.1.1)	289,925,572	192,395,446	482,321,018	273,913,670	183,961,983	457,875,653
	Advances and Prepayments	109,295,845	-	109,295,845	59,088,292	-	59,088,292
		653,780,855	192,395,446	846,176,301	563,361,932	183,961,983	747,323,915

		Current 2012	Non Current 2012	Total 2012	Current 2011	Non Current 2011	Total 2011
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
7.1.1	Receivables from Related Parties						
	Rocell Bathware Limited	138,054,568	-	138,054,568	265,847,830	-	265,847,830
	Royal Ceramics Distributors	•					
	(Private) Limited	7,551,345	-	7,551,345	7,399,176	-	7,399,176
	Vallibel One PLC	21,700	-	21,700	666,664	-	666,664
	Ever Paint and Chemical Industries	•					
	(Private) Limited	144,297,959	-	144,297,959	-	=	-
	Rocell Ceramics Limited	-	192,395,446	192,395,446	-	183,961,983	183,961,983
		289,925,572	192,395,446	482,321,018	273,913,670	183,983,983	457,875,653
		•					
7.2	Group	•					
	Trade Receivables	475,895,023	-	475,895,023	375,126,280	-	375,126,280
	Provision for Bad and Doubtful Debts	(1,321,491)	=	(1,321,491)	-	-	-
		474,573,532	-	474,573,532	375,126,280	-	375,126,280
	Receivables - Other	177,515,153	-	177,515,154	153,913,900	-	153,913,900
	- Related Parties (Note 7.2.1)	21,700	192,395,446	192,417,146	666,664	183,961,983	184,628,647
	Advances and Prepayments	217,019,105	-	217,019,105	117,672,636	-	117,672,636
		869,129,490	192,395,446	1,061,524,937	647,379,480	183,961,983	831,341,463
		•					
7.2.1	Receivables from Related Parties	•					
	Vallibel One PLC	21,700	-	21,700	,	-	666,664
	Rocell Ceramics Limited	-	192,395,446	192,395,446	_	183,961,983	183,961,983
		21,700	192,395,446	192,417,146	666,664	183,961,983	184,628,647

			Company		Group
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
8.	OTHER INVESTMENTS				
	Current				
	Quoted		•		
	Investments in Equity Securities (Note 8.1)	798,672,342	1,919,782,728	798,672,342	1,919,782,728
	Non Quoted		•		
	Investments in Equity Securities (Note 8.2)	6,000,000	-	6,000,000	-
		804,672,342	1,919,782,728	804,672,342	1,919,782,728

				Cost	Market Value	Cost	Market Value
		No.	of Shares	2012	2012	2011	2011
		2012	2011	Rs.	Rs.	Rs.	Rs.
8.1	Investments in			•			
	Equity Securities - Current						
	Quoted						
	Lanka Tiles PLC	2,397	2,397	51,510	156,045	51,510	314,247
	Lanka Walltile PLC	2,100	2,100	40,490	147,000	40,490	357,000
	L. B. Finance PLC	-	3,818,694	-	-	297,498,843	668,653,319
	The Fortress Resorts PLC	14,012,450	13,676,350	182,680,821	241,014,140	176,041,247	343,276,385
	Hayleys PLC	370,000	3,495,633	129,845,880	133,200,000	1,143,071,949	1,335,681,369
	ACL Cables PLC	19,600	19,600	1,881,195	1,226,960	1,881,196	1,842,400
	John Keells Hotels PLC	75	2,000,000	1,591	945	42,428,400	34,400,000
	Aitken Spence PLC	225,000	225,000	44,328,088	25,357,500	44,328,088	36,517,500
	Tokyo Cement Company (Lanka) PLC	263,500	13,500	10,012,402	7,114,500	532,327	594,000
	The Lanka Hospital Corporation PLC	475,800	475,800	25,377,448	15,511,080	25,377,448	21,315,840
	Laugfs Gas PLC	-	587,300	-	-	31,475,546	26,076,120
	Free Lanka Capital Holdings PLC	-	5,320,000	-	-	25,129,020	25,129,020
	Pan Asia Banking Corporation PLC	4,902,182	1,906,600	120,170,285	115,201,277	95,913,921	97,808,580
	Central Finance Company PLC	_	30,100	-	-	36,012,743	38,338,370

		No	. of Shares	Cost 2012	Market Value 2012	Cost 2011	Marke Value 2011
		2012	2011	Rs.	Rs.	Rs.	Rs
3.1	Investments in Equity Securities - Current (Contd.)						
	Access Engineering PLC	2,000,000	-	50,000,000	53,400,000	-	
	Softlogic Finance PLC	1,042,200	-	54,217,795	28,868,940	-	
	Citrus Leisure PLC	1,497,100	-	89,991,430	44,763,290	-	
	Citrus Leisure PLC - Warrant 2015	10	-	95	77	-	
	Serandib Hotels PLC	3,905,500	-	126,022,380	96,856,400	-	
	Colombo Land &						
	Development Company PLC	182,900	-	9,463,295	7,133,100	-	
	Ceylon Guardian Investment Trust PLC	66,752	-	14,805,465	15,419,711	-	
	Waskaduwa Beach Resort Limited	1,400,145	-	20,546,401	13,301,377		
		:		879,436,571	798,672,342	1,919,782,728	2,630,304,15
	Provision for diminution value of investments			(80,764,229)	-	-	
	Total net Investments in						
	Quoted Equity Securities	:		798,672,342	798,672,342	1,919,782,728	2,630,304,150
				Cost	Directors' Valuation	Cost	Director: Valuation
		No	. of Shares	2012	2012	2011	201
		2012	2011	Rs.	Rs.	Rs.	Rs
.2	Investments in Equity Securities - Current						
	Non Quoted MBSL Insurance Limited	2,000,000	-	6,000,000	6,000,000	- -	

		2012			2011
		Number of voting shares		Number of voting shares	Rs.
9.	STATED CAPITAL				
	Company/Group			•	
	Balance as at 01 April	110,789,384	1,368,673,373	55,394,692	814,726,453
	Issue of shares through capitalisation of reserves	-	-	55,394,692	553,946,920
	Balance as at 31 March	110,789,384	1,368,673,373	110,789,384	1,368,673,373

Based on the resolution dated 30 December 2010, passed by the Board of Directors of the Company it was decided to capitalise reserves for the issue of 55,394,692 fully paid ordinary shares of Rs.10/- each to the holders of ordinary shares of the Company as at end of trading on 10 January 2011, in the proportion of one new ordinary share for every one existing ordinary share. Accordingly, a sum of Rs.350,423,938/- out of the funds standing to credit of the Company's revaluation reserve and a sum of Rs. 203,522,982/- from revenue reserves have been capitalized during the year ended 31 March 2011.

		:	Company	: :	Group
		2012 Rs.	2011	2012 Rs.	2011 Rs.
10.	RESERVES				
	Summary				
	Revaluation Reserve (Note 10.1)	-	-	100,734,594	100,734,594
		-	-	100,734,594	100,734,594
10.1	Revaluation Reserve				
	On: Property, Plant and Equipment				
	As at 1 April	-	365,714,239	100,734,594	466,448,833
	Realised surplus on Disposal Transferred to				
	Retained Earnings	-	(15,290,301)	-	(15,290,301)
	Capitalisation of Reserves	-	(350,423,938)	-	(350,423,938)
	As at 31 March	-	-	100,734,594	100,734,594

The above revaluation surplus consists of net surplus resulting from the revaluation of property, plant and equipment as described in Note 3.4 and 3.10. The unrealised amount cannot be distributed to shareholders.

		2012 Amount Repayable Within 1 Year	2012 Amount Repayable After 1 Year	2012 Total		2011 Amount Repayable After 1 Year	2011 Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11.	INTEREST BEARING LOANS AND BORROWINGS						
11.1	Company						
	Finance Leases (Note 11.1.1)	3,076,565	8,455,689	11,532,254	2,925,336	11,532,253	14,457,589
	Long Term Loans (Note 11.1.2)	383,688,336	1,001,176,432	1,384,864,768	156,176,373	307,366,768	463,543,141
	Short Term Loans (Note 11.1.3)	146,751,566	-	146,751,566	136,951,545	-	136,951,545
	Bank Overdraft (Note 15.2)	473,420,176	-	473,420,176	191,162,599	-	191,162,599
		1,006,936,643	1,009,632,121	2,016,568,764	487,215,853	318,899,021	806,114,874

	As at 01.04.2011	New Leases Obtained	Repayments	As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.
11.1.1 Finance Leases				
Commercial Bank of Ceylon PLC	15,813,917	=	(3,798,100)	12,015,817
LB Finance PLC	3,498,608	-	(1,049,616)	2,448,992
	19,312,525	-	(4,847,716)	14,464,809
Gross Liability	19,312,525			14,464,809
Finance Charges Allocated to Future Periods	(4,854,936)			(2,932,555)
Net liability	14,457,589			11,532,254
Payable within 1 year	2,925,336			3,076,565
Payable after 1 year before 5 years	11,532,253			8,455,689
	14,457,589			11,532,254

Security: Assets Leased

Terms of Payment: 48 -60 Installments

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
11.1.2 Long Term Loans	ns.	ns.	ns.	ns.
Commercial Bank of Ceylon PLC	382,803,104	1,120,000,000	(151,138,336)	1,351,664,768
Hatton National Bank PLC	61,573,370	=	(28,373,370)	33,200,000
HSBC Limited	19,166,667	-	(19,166,667)	-
	463,543,141	1,120,000,000	(198,678,373)	1,384,864,768
Payable within 1 year	156,176,373			383,688,336
Payable after 1 year	307,366,768			1,001,176,432
	463,543,141			1,384,864,768

Details of the Long Term Loans of the Company are given in Note 11.2.3.

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
11.1.3 Short term Loans				
Commercial Bank of Ceylon PLC	114,682,072	337,575,137	(320,017,081)	132,240,128
Seylan Bank PLC	12,715,000	17,611,000	(19,132,000)	11,194,000
HSBC Limited	9,554,473	56,822,004	(63,059,039)	3,317,438
	136,951,545	412,008,141	(402,208,120)	146,751,566

		2012 Amount Repayable Within 1 Year	2012 Amount Repayable After 1 Year		Amount Repayable Within 1 Year	2011 Amount Repayable After 1 Year	2011 Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11.2	Group	•					
	Finance Leases (Note 11.2.1)	9,133,670	20,895,011	30,028,681	9,337,673	26,215,777	35,553,450
	Long Term Loans (Note11.2.2)	673,222,057	1,561,890,905	2,235,112,962	424,248,854	968,733,879	1,392,982,733
	Short Term Loans (Note 11.2.4)	493,416,699	-	493,416,699	462,445,488	-	462,445,488
	Bank Overdraft (Note 15.2)	1,341,398,639	-	1,341,398,639	574,954,525	-	574,954,525
		2,517,171,065	1,582,785,916	4,099,956,981	1,470,986,540	994,949,656	2,465,936,196

		As at	On	New Leases	Repayments	As at
		01.04.2011	Acquisition of subsidiary	Obtained		31.03.2012
		Rs.	Rs.	Rs.	Rs.	Rs.
11.2.1	Finance Leases					
	Commercial Bank of Ceylon PLC	43,713,301	-	-	(13,003,501)	30,709,800
	LB Finance PLC	3,498,608	-	-	(1,049,616)	2,448,992
	Peoples Leasing Company PLC	-	3,228,568	512,000	(1,757,256)	1,983,312
	Peoples Leasing Finance PLC	-	2,938,983	1,185,075	(1,610,791)	2,513,267
		47,211,909	6,167,551	1,697,075	(17,421,164)	37,655,371
	Gross Liability	47,211,909				37,655,371
	Finance Charges Allocated to Future Periods	(11,658,459)				(7,626,690)
	Net Liability	35,553,450				30,028,681
	Payable within 1 year	9,337,673				9,133,670
	Payable after 1 year before 5 years	26,215,777				20,895,011
		35,553,450				30,028,681

Security: Assets Leased

Terms of Payment : 24 -60 Installments

	As at 01.04.2011	On Acquisition of subsidiary	Loans Obtained	Repayments	As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.
11.2.2 Long Term Loans					
Commercial Bank of Ceylon PLC	962,187,984	=	1,203,378,859	(343,069,056)	1,822,497,787
Hatton National Bank PLC	370,068,082	-	2,760,463	(110,213,370)	262,615,175
DFCC Bank PLC	41,560,000	6,686,937	108,440,000	(6,686,937)	150,000,000
HSBC Limited	19,166,667	-	-	(19,166,667)	-
	1,392,982,733	6,686,937	1,314,579,322	(479,136,030)	2,235,112,962
Payable within 1 year Payable after 1 year	424,248,854				673,222,057
Payable between one and five years	968,733,879				1,546,890,905
Payable after five years	-				15,000,000
	968,733,879				1,561,890,905
	1,392,982,733				2,235,112,962

11. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

11.2.3 Details of the Long Term Loans

Lender	Approved Facility	Purpose Terms	Repayment	Security	Security Amount Rs.Mn	Included Under
Company: Roya	al Ceramics La	anka PLC				
Hatton National Bank PLC	Rs. 100 Mn	For the expansion of the showroom network	59 equal monthly installments of Rs.1.67 Mn each and final installments of Rs.1.47 Mn	Primary Floating Mortgage bond over plant and machinery and land at Eheliyagoda	Rs. 100 Mn	Property, Plant and Equipment
Commercial Bank of Ceylon PLC	Rs. 185 Mn	To finance to cost of machinery imported for Rocell Bathware Ltd/ or to meet construction cost	65 equal monthly installments with over one year grace period commencing from August 2008	Tripartie Agreement between the company, Bank and the share broker over 10.5 Mn shares of LB Finance PLC	Rs. 60 Mn	Investment
		relating to the Rocell Bathware Project.		Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinary & the machinary to be imported.	Rs. 60Mn	Property, Plant and Equipment
Commercial Bank of Ceylon PLC	Rs. 300 Mn	To part finance the purchase of 1.1 Mn shares of Hayleys PLC	48 equal monthly installment commencing from January 2011	Tripartie Agreement between the company, Bank and the share broker over 10.5 Mn shares of LB Finance PLC Corporate guaratnee from Royal Porcelain (Pvt) Ltd	Rs. 300 Mn Rs. 300 Mn	Investments

Lender	Approved Facility	Purpose Terms	Repayment	Security	Security Amount Rs.Mn	Included Under
Commercial Bank of Ceylon PLC	Rs. 500 Million	To Finance the purchase of 1.315M shares of Hayleys PLC	60 equal monthly installment commencing from February 2012	Tripartie Agreement with company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC	Rs. 500 Mn	Investments
				Corporate guarantee from Royal Porcelain (Private) Limited	Rs. 500 Mn	
Commercial Bank of Ceylon PLC	Rs. 620 Million	To reimburse the cost of purchase relating to 20% stake in Delmege (Private)	48 equal monthly installment commencing from February 2012	Simple deposit of 100,001 (20% stake) Delmege (Private) Limited shares	Rs. 620 Mn	Investments
		Limited		Corporate guarantee from Royal Porcelain (Private) Limited	Rs. 620 Mn	
Royal Porcelair	n (Pvt) Ltd					
Commercial Bank of Ceylon PLC	Rs. 80 Million	To finance the decoration inject machine and installation charges	59 equal monthly installments of Rs. 1.35Mn each and final installment of Rs.350,000/- commencing from February 2012	Corporate guarantee from Royal Ceramics Lanka PLC	Rs. 80 Mn	
Commercial Bank of Ceylon PLC	Rs. 55 Million	To finance the cost of 02 Ball Mills and Batch Feeder	59 equal monthly installments of Rs. 915,000/- each and final installment of Rs.1,015,000/- commencing from April 2008	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 55 Mn	Property Plant & Equipment
2				Primary Mortgage bond over 2 Ball Mills & Batch Feeder.	Rs 55 Mn	_4a.bc.it

Lender	Approved Facility	Purpose Terms	Repayment	Security	Security Amount Rs.Mn	Included Under
Commercial Bank of Ceylon PLC	Rs 22 Million	To finance the cost of a Rotocolor Machine	59 equal monthly of Rs.366,000/- each and final installment of Rs.406,000/- commencing from February 2008	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 22 Mn	Property Plant & Equipment
				Primary Mortgage bond over Roto Color Machine	Rs 22 Mn	Property Plant & Equipment
Commercial Bank of Ceylon	Rs 14 Million	To finance the cost of a Dedusting System	59 equal monthly installments of Rs. 236,000/- each and final installment of	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 14 Mn	
PLC		and Vacuum Cleaner	Rs.76,000/- commencing from April 2008	Primary mortgage bond over Dedusting System & vacuum Cleaner	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 of Rs.0.25 Mn each commencing from June 2008	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 15 Mn	
Commercial Bank of Ceylon PLC	Rs 150 Million	For the expansion of the group's show room network & to finance the increased cost of the Ball Mill,Batch Feeder & raw material storage yard at Horana	48 equal monthly installments of Rs. 3.125 Mn each commencing from May 2009	Corporate guarantee from Royal Ceramics Lanka PLC	Rs 150 Mn	
Commercial Bank of Ceylon	Rs 100 Million	To finance import bills under One Off	59 equal monthly installments of Rs.1,681,470/- each commencing from	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 100 Mn	
PLC		letter of Credit Facility for Press & Sorting machine	February 2012	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	Property Plant & Equipment

Lender	Approved Facility	Purpose Terms	Repayment	Security	Security Amount Rs.Mn	
Commercial Bank of Ceylon PLC	Rs 280 Million	To part finance the factory capacity enhancement project at Horana including cost of machinery imported	59 equal monthly installments of Rs.4.67 Mn each & final installment of Rs.4.47 Mn commencing from February 2012	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 280 Mn	
Hatton National Bank PLC	Rs. 75 Million	To finance factory expansion and purchase of new machinery	60 equal monthly installments of Rs. 1.25 Mn each with twelve months grace period commencing from date of last disbursement or five months from the first disbursement whichever falls first	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Parsu concurrent registered primary mortgage bond (between HNB & DFCC) over the factory premises of the company in Horana together with existing machinery & the machinery to be imported.	Rs 75 Mn Rs 75 Mn	Property Plant & Equipment
DFCC Bank PLC	Rs 150 Million	To part finance the factory capacity enhancement project at Horana including cost of machinery imported	60 equal monthly installments of Rs.2.5 Mn each with eighteen months grace period commencing from first drawn	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Parsu concurrent registered primary mortgage bond (between HNB & DFCC) over the factory premises of the company in Horana together with existing machinery & the machinery to be imported.	Rs 150 Mn Rs 150 Mn	Property Plant & Equipment
Company : Roce	ell Bathware I	imited				
Commercial Bank of Ceylon PLC	Rs. 150 Mn	To part finance the cost of machines imported through Bank	"66 installments with grace period of 15 months commencing from December 2008	"Primary concurrent mortgage bond to be executed with HNB over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs. 150 Mn Rs. 150 Mn	Property Plant & Equipment

Lender	Approved Facility	Purpose Terms	Repayment	Security	Security Amount Rs.Mn	Included Under
Hatton National Bank PLC	Rs. 300 Mn	Importation of plant & machinery & to meet other cost associated with the Rocell Bathware Ltd Project.	66 installments with grace period of 15 months commencing from July 2008	Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs 300 Mn Rs. 300 Mn	Property Plant & Equipment
Hatton National Bank PLC	Rs. 150 Mn	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	"Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery Corporate guarantee from Royal Ceramics Lanka PLC	Rs. 150 Mn Rs. 150 Mn	Property Plant & Equipment

11.2.4 Short term Loans

	As at	Loans	Repayments	As at
	01.04.2011	Obtained		31.03.2012
	Rs.	Rs.	Rs.	Rs.
Commercial Bank of Ceylon PLC	180,165,238	744,007,772	(666,317,924)	257,855,086
Seylan Bank PLC	36,569,000	43,052,000	(60,659,000)	: 18,962,000
HSBC Limited	24,458,277	85,181,941	(106,322,780)	3,317,438
Hatton National Bank PLC	-	21,737,000	(20,867,000)	870,000
Standard Chartered Bank	216,536,685	900,544,402	(904,668,912)	: 212,412,175
DFCC Bank PLC	4,716,288	4,596,538	(9,312,826)	
	462,445,488	1,799,119,653	(1,768,148,442)	493,416,699

			Company		Group
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
12.	RETIREMENT BENEFIT OBLIGATION				
	As at the beginning of the year	80,212,662	61,260,542	100,788,775	76,911,968
	Charge for the year	27,811,041	21,248,690	34,921,670	26,519,833
	Benefits Paid	(3,107,094)	(2,296,570)	(4,137,630)	(2,643,026)
	On acquisition of subsidiary	=	=	1,255,082	=
	As at the end of the year	104,916,609	80,212,662	132,827,897	100,788,775

Messrs. Actuarial & Management Consultants (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the projected unit credit method as at 31 March 2012. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

The principal assumptions used are as follows:

	2012	2011
Discount Rate (%)	10% p.a.	10% p.a.
Salary Increment Rate (%)	10% p.a.	10% to 15 % p.a.
Retirement Age	Males - 55 years	Males - 55 years
	Females - 50 years	Females - 50 years

		(Company		Group
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
13.	TRADE AND OTHER PAYABLES				
	Trade Payables	51,716,683	30,007,801	185,293,676	158,216,427
	Payables - Other	95,059,612	78,741,145	126,784,714	101,017,930
	- Related Parties (Note 13.1)	748,958,079	914,473,868	-	-
	Sundry Creditors including Accrued Expenses	155,935,984	380,427,997	276,697,955	470,923,954
		1,051,670,358	1,403,650,811	588,776,345	730,158,311
13.1	Payable to Related Parties				
	Royal Porcelain (Private) Limited	748,958,079	914,473,868	-	-
		748,958,079	914,473,868	-	-

			2012 Rs.	Company 2011 Rs.	2012 Rs.	Group 2011 Rs.
14.	DIVIDEND PAYABL	E				
	Unclaimed Dividend	ds	26,674,704	15,826,051	26,674,704	15,826,051
15.	CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT					
15.1	Favorable Cash an	d Cash Equivalent Balances				
	Cash and Bank Balar	nces	85,876,048	46,992,243	121,273,927	61,167,881
15.2	Unfavorable Cash	and Cash Equivalent Balances				
	Bank Overdraft		(473,420,176)	(191,162,599)	(1,341,398,639)	(574,954,525)
	Total Cash and Cash			•		
	Purpose of Cash F	Flow Statement	(387,544,128)	(144,170,356)	(1,220,124,712)	(513,786,644)
16.	REVENUE					
16.1	Summary			•		
	Gross Revenue	- Export - Local	119,200,431 2,301,713,264	•	211,175,907 7,545,521,062	231,272,197 6,182,031,538
	Gross		2,420,913,695	2,423,611,138	7,756,696,969	6,413,303,735
	Less: Sales Taxes	- Value Added Tax - Turnover Tax	(242,000,313)	(242,876,667) (126,715)	(800,586,519) -	(661,469,012) (451,280)
	Net Revenue		2,178,913,382	2,180,607,756	6,956,110,450	5,751,383,443
16.2	Goods and Service	es Analysis				
	Sale of Goods		2,178,913,382	2,180,607,756	6,956,110,450	5,751,383,443

		:	Company		Group	
		2012	2011	2012	2011	
		Rs.	Rs.	Rs.	Rs.	
17.	OTHER INCOME AND GAINS		•			
	Dividend Income from Investments in	:	•			
	Related Parties - Non Quoted	1,800,000,000	1,100,000,000	-	-	
	Dividend from Long-Term and Current Investments	26,733,210	16,628,781	26,733,210	16,628,781	
	Profit on Disposal of Current Investments	269,066,111	199,451,460	269,066,111	199,451,460	
	Service Fee Income - Related Parties	132,000,000	123,220,000	-	3,220,000	
	Rent Income - Related Parties	53,572	53,572	-	-	
	Profit/(Loss) on Disposal of Property, Plant and Equipment	4,031,474	(14,222,411)	4,031,474	(14,222,411)	
	Sundry Income	1,818,912	6,516,789	4,022,975	9,237,311	
		2,233,703,279	1,431,648,191	303,853,770	214,315,141	
18.	FINANCE COST AND INCOME					
18.1	Finance Cost		•			
	Interest Expense on Overdraft	18,731,699	22,595,561	71,085,226	52,572,816	
	Interest Expense on Loans and Borrowings	127,731,221	48,682,165	250,803,170	147,030,163	
	Finance Charges on Lease Liabilities	1,922,384	1,457,590	6,231,560	4,648,163	
		148,385,304	72,735,316	328,119,956	204,251,142	
			•			
18.2	Finance Income		:			
	Interest Income	272,525	438,055	859,411	672,511	
		272,525	438,055	859,411	672,511	

			Company		Group	
		2012	2011	2012	2011	
		Rs.	Rs.	Rs.	Rs.	
19.	PROFIT BEFORE TAX					
	Stated after Charging /(Crediting)		:			
	Included in Cost of Sales					
	Depreciation	26,913,301	27,824,544	288,390,322	263,947,615	
	Employee Benefits including the following	200,818,405	171,675,302	470,237,653	364,110,695	
	- Defined Benefit Plan Costs - Gratuity	17,132,229	10,363,957	24,622,964	13,971,205	
	- Defined Contribution Plan Costs - EPF & ETF	13,337,565	12,059,378	33,179,694	27,296,754	
	Export Duty Rebate	(1,242,696)	(1,616,445)	(2,102,404)	(2,493,862)	
	Included in Administrative Expenses					
	Depreciation	21,385,391	10,197,701	21,403,331	10,215,642	
	Employee Benefits including the following	120,981,876	97,287,867	123,531,780	97,287,867	
	- Defined Benefit Plan Costs - Gratuity	5,821,459	5,903,932	5,752,518	5,903,932	
	- Defined Contribution Plan Costs - EPF & ETF	11,996,494	9,631,707	12,270,675	9,631,707	
	Loss on translation of foreign currency	4,730,265	740,582	8,907,806	2,647,129	
	Included in Selling and Distribution Costs					
	Depreciation	49,360,862	42,325,571	78,222,299	70,898,005	
	Damage Stocks net of Insurance Claims Received	3,061,780	2,955,362	8,022,556	7,144,765	
	Sales Promotion	71,533,873	55,446,597	78,288,490	61,200,156	
	Employee Benefits including the following	191,381,053	158,108,257	191,698,472	158,497,147	
	- Defined Benefit Plan Costs - Gratuity	4,857,353	5,010,518	4,546,189	5,010,518	
	- Defined Contribution Plan Costs - EPF & ETF	10,504,929	8,488,197	11,184,325	8,525,322	

		:C	Company	: :	Group
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
20.	INCOME TAX EXPENSE				
	Current Income Tax				
	Current Income Tax charge	8,637,592	105,419,376	85,939,216	105,419,376
	Under/(Over) Provision of current taxes				
	in respect of prior years	=	8,960,150	=	8,960,150
		8,637,592	114,379,526	85,939,216	114,379,526
	Deferred Income Tax				
	Deferred Taxation Charge/(Reversal) (Note 20.2)	7,078,889	(20,716,981)	(32,564,433)	(20,716,981
	Income tax expense reported in the income statement	15,716,481	93,662,545	53,374,783	93,662,545

20.1 A reconciliation between accounting profit and taxable income

		Company		Group	
	2012	2011	2012	2011	
	Rs.	Rs.	Rs.	Rs.	
Accounting Profit (Profit before Taxation)	1,985,272,352	1,467,487,297	2,011,598,195	1,534,865,262	
Share of results of associates	-	-	(81,405,573)	-	
	1,985,272,352	1,467,487,297	1,930,192,622	1,534,865,262	
Exempt Profit	(2,095,799,321)	(1,116,626,781)	(2,039,147,293)	(1,316,080,241)	
Non deductible expenses	291,041,782	252,766,875	295,805,319	252,766,875	
Deductible expenses	(148,993,601)	(295,284,217)	(152,975,898)	(295,284,217)	
Interest Income	272,525	438,055	395,968	438,055	
Rent Income	40,179	40,179	40,179	40,179	
Taxable Income	31,833,916	308,821,408	34,310,899	176,745,913	
Income Tax on Profit @ 28% (35% - 2011)	8,430,664	100,691,918	8,465,228	100,691,918	
Income Tax on Profit @ 12% (15% - 2011)	206,929	3,169,532	206,929	3,169,532	
Income Tax on Profit @ 10%%	-	-	235,354	-	
SRL @ 1.5 %	-	1,557,922	-	1,557,922	
Current and Deferred Tax share of Associates	-	-	36,750,937	-	
Charge/(Reversal) of Deferred Tax (Note 20.2)	7,078,888	(20,716,981)	7,716,335	(20,716,981)	
Adjustment of taxes in respect of prior years	-	8,960,155	-	8,960,155	
Total Income Tax Expense	15,716,481	93,662,545	53,374,783	93,662,545	

20.2 Deferred Tax Liability

	•	Company		Group
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Balance Sheet	•			
At the beginning of the year	61,555,765	82,272,745	61,555,764	82,272,745
Charge/(Reversal) for the year	7,078,889	(20,716,981)	7,716,337	(20,716,981
At the end of the year	68,634,654	61,555,764	69,272,101	61,555,764
The closing net deffered tax liability relate to the followin	ıg;			
Capital allowances for tax purposes	97,171,972	83,529,878	97,935,506	83,529,878
Defined Benefit Obligation	(28,537,318)	(21,974,113)	(28,663,405)	(21,974,113
	68,634,654	61,555,765	69,272,101	61,555,765
Income Statement				
Deferred tax expense/(reversal) arising from;		•		
Capital allowances for tax purposes	13,642,094	(19,203,889)	14,405,629	(19,203,889
Defined Benefit Obligation	(6,563,205)	(1,513,092)	(6,689,293)	(1,513,092
	7,078,889	(20,716,981)	7,716,336	(20,716,981
Share of Associate Company Deferred Tax	-	-	(40,280,769)	
Total Deferred Tax Charge/(Reversal) for the year	7,078,889	(20,716,981)	(32,564,433)	(20,716,981

Deferred tax has been computed at 28% for all standard rate companies and at 12% for export sale business.

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

21. EARNINGS PER SHARE

- **21.1** Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.
- **21.2** The following reflects the income and share data used in the basic Earnings Per Share computation.

	(Company		Group	
	2012	2011	2012	2011	
	Rs.	Rs.	Rs.	Rs	
Amount Used as the Numerator:					
Net Profit for the year	1,969,555,871	1,373,824,752	1,958,223,412	1,441,202,717	
Number of Ordinary Shares Used as the Denominator:					
Weighted Average number of Ordinary Shares					
in issue applicable to basic Earnings Per Share	110,789,384	110,789,384	110,789,384	110,789,384	
Earning Per Share	17.78	12.40	17.68	13.0	

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

22. DIVIDEND PER SHARE Company / Group

	2012 Rs.	2011 Rs.
2nd Interim Dividend for 2010/2011 : Rs 1.00 per share	110,789,384	-
Final Dividend for 2010/2011 : Rs 1.00 per share	110,789,384	-
1st Interim Dividend for 2011/2012: Rs 2.00 per share	221,578,768	-
Final Dividend for 2009/2010 : Rs 2.50 per share 1st Interim Dividend for 2010/2011 : Rs 2.50 per share	-	138,486,730 138,486,730
Total Gross Dividends	443,157,536	276,973,460
No. of Shares	110,789,384	110,789,384
Dividend per Share	4.00	2.50

23. SEGMENTAL INFORMATION AND REVENUE

Primary reporting format - Business Segments

As at 31 March 2012, the qualifying segments under business segment reporting are as follows;

-Tiles - Paints - Other

- Sanitaryware - Finance

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

		Tiles	Sanita	aryware	Pa	ints	Fina	nce	0	ther	To	tal
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue												
Sales to external customers	5,934,644,189	5,159,694,040	897,368,049	595,871,873	143,681,496	-	-	-	-	-	6,975,693,734	5,755,565,913
Inter-segment Sales	(19,583,284)	(4,182,470)	-	-	-	-	-	-	-	-	(19,583,284)	(4,182,470)
Total Revenue	5,915,060,905	5,155,511,570	897,368,049	595,871,873	143,681,496	-	-	-	-	-	6,956,110,450	5,751,383,443
Results												
Gross Profit	2,969,887,347	2,539,842,795	287,627,990	114,722,743	34,876,529	-	=	-	-	-	3,292,391,866	2,654,565,538
Other Income	302,712,297	214,154,242	508,260	160,899	633,214	-	-	-	-	-	303,853,770	214,315,141
Distribution Expenses	(812,947,542)	(680,448,956)	(20,286,690)	(26,016,732)	(25,737,671)	-	-	-	-	-	(858,971,903)	(706,465,688)
Administration Expenses	(374,216,292)	(405,769,969)	(18,441,360)	(18,201,129)	(6,398,686)	-	-	-	-	-	(399,056,337)	(423,971,098)
Provision for Diminution Value												
of Investment	(80,764,229)	-	-	-	-	-	-	-	-	-	(80,764,229)	-
Profit before tax, finance costs	2,004,671,581	1,667,778,112	249,408,200	70,665,781	3,373,386	-	-	-	-	-	2,257,453,167	1,738,443,893
Finance Costs	(290,935,391)	(164,824,983)	(35,404,260)	(39,426,159)	(1,780,305)	-	-	-	-	-	(328,119,956)	(204,251,142)
Finance Income	735,968	672,511	-	-	123,443.	-	-	-	-	-	859,411	672,511
Share of Associate Company's Profit	-	-	-	-	-	-	69,016,343	-	12,389,230	-	81,405,573	-
Net Profit before Income Tax	1,714,472,157	1,503,625,640	214,003,940	31,239,622	1,716,524		69,016,343	-	12,389,230	-	2,011,598,193	1,534,865,267
Income Tax Expense	(15,716,481)	(93,662,545)	-	-	(907,365)	-	(22,244,650)	-	(14,506,287)	-	(53,374,783)	(93,662,545)
Net Profit for the year	1,698,755,677	1,409,963,095	214,003,940	31,239,622	809,159	-	46,771,693	-	(2,117,057)	-	1,958,223,412	1,441,202,717
Assets and Libilities												
Segment Assets	9,119,410,307	6,336,519,773	2,183,165,609	2,123,552,231	180,552,301	-	-	-	-		11,483,128,218	8,460,072,004
Total Assets	9,119,410,307	6,336,519,773	2,183,165,609	2,123,552,231	180,552,301	-	-	-	-		11,483,128,218	8,460,072,004
Segment Liabilities	4,250,692,138	2,769,521,084	485,606,046	639,996,607	181,209,845	-	-	-	-		4,917,508,029	3,409,517,691
Total Liabilities	4,250,692,138	2,769,521,084	485,606,046	639,996,607	181,209,845	-	-	-	-	•	4,917,508,029	3,409,517,691
Other Segment Information												
Property, Plant & Equipment acquired on cash	402,987,650	751,240,247	20,005,097	6,923,958	19,518,891	-	-	-	-		442,511,638	758,164,205
Depreciation	289,725,978	249,815,289	94,977,641	94,569,962	3,312,334	-	-	-	-		388,015,953	344,385,251
Provisions of employee benefit liabilities	33,757,551	25,737,830	1,396,391	782,003	(232,270)	-	-	-	-	•	34,921,672	26,519,833

24. BUSINESS COMBINATIONS

On 01st April 2011, the company acquired 100% of the voting shares of Ever Paint and Chemical Industries (Private) Limited, incorporated and domiciled in Sri Lanka and specializing in the manufacture and distribution of decorative/enamel/emulsion paints and masonry products.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Ever Paint and Chemical Industries (Private) Limited as at the date of aquisistion were;

	Fair Value	
	as at	
	01.04. 2011	
	Rs.	
Assets		
Property, Plant & Equipment	34,789,561	
Inventories	13,004,930	
Trade and Other Receivables	31,453,488	
Net Cash and Cash Equivalents	1,470,538	
	80,718,517	
Liabilities		
Interest Bearing Loans & Borrowings	(11,344,230)	
Retirement Benefit Liability	(1,255,082)	
Trade and Other Payables	(69,552,360)	
Income Tax Liabilities	(33,545)	
	(82,185,218)	
Total identifiable net assets at fair value	(1,466,701)	
Goodwill arising on acquisition	71,866,701	
Purchase consideration paid	70,400,000	
Analysis of cash flow on acquisiton		
Purchase consideration	(70,400,000)	
Cash and Cash equivalants acquired with subsidiary	1,470,538	
Net Cash outflow on acquisition of subsidiary	(68,929,462)	

25. **CONTINGENT LIABILITIES**

Company has issued corporate quarantees in favor of its subsidiaries Royal Porcelain (Pvt) Ltd and Rocell Bathware Ltd quaranteeing loans, interest and charges of the loans as stated in Note 11.2.3.

26. CAPITAL COMMITMENTS

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

		Company	:	Group		
	2012	2012 2011		2012 2011 2012		2011
	Rs.	Rs.	Rs.	Rs.		
Contracted but not provided for	310,533,395	10,744,417	368,317,767	35,296,049		
	310,533,395	10,744,417	368,317,767	35,296,049		

No provision has been made in these Financial Statements in this regard as at 31 March 2012.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE 27.

There have been no material events occurring after the balance sheet date that require adjustment or disclosure in the Financial Statements other than the acquisition of 51% of the issued shares of Asia Siyaka Commodities (Pvt) Ltd at a total consideration of Rs. 336,600,000 on 5th April 2012.

28. **ASSETS PLEDGED**

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in Note 11.2.3

29. **RELATED PARTY DISCLOSURES**

Details of significant related party disclosures are as follows:

		Parent	Company	Su	bsidiaries	Associate Companies		
		2012	2011	2012	2011	2012	2011	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
29.1	Transactions with the Related Entities							
	Nature of Transaction							
	Sale of Goods	=	-	35,188,725	7,381,341	5,131,058	-	
	Purchase of Goods / Services	-	-	(40,887,391)	(14,607,399)	(1,375,370)	-	
	Dividend Income	-	-	1,800,000,000	1,100,000,000	10,162,929	-	
	Service Charges	-	-	150,857,143	138,203,233	-	-	
	Other	21,700	666,664	-	_	-	-	
	Net of Fund Transfers	-	-	(1,762,928,323)	1,559,375,464	-	-	

Parent company is Vallibel One PLC

Subsidiaries of the Group include Royal Porcelain (Private) Limited, Rocell Bathware Limited, Royal Ceramics Distributors (Private) Limited and Ever Paint and Chemical Industries (Pvt) Ltd

Associates of the Group include L. B. Finance PLC and Delmage (Private) Limited.

The company carried out above transactions under the ordinary course of its business at commercial rates. Fund transfers represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

29.2 Transactions with Key Management Personnel

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

		Company
	2012	2011
	Rs.	Rs.
29.2.1 Compensation to Key Management Personnel		
Nature of Transaction		
Short Term Employee Benefits - Executive Directors	29,446,560	26,083,200
- Non Executive Directors	6,800,000	5,622,500
Post Employee Benefits - Executive Directors	1,226,940	860,695
	37,473,500	32,566,395

29. **RELATED PARTY DISCLOSURES (Contd.)**

29.2.2 Other Transactions with Key Management Personnel

The Company has paid Rs 4.473,338 as rental and Rs 803,555/- as transport charges to key management personnel during the year.

29.2.3 Transactions, Arrangements and Agreements involving Companies Controlled by or with Significant Influence of the Key Management Personnel

	Co	Company		Group
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
a) Profit and Loss Account				
Sale of Goods/Services	30,233,993	17,668,279	59,565,461	21,729,49
Purchase of Goods/Services	(15,201,170)	(2,951,886)	(27,019,775)	(2,951,886
Dividend Received	15,006,528	16,617,058	15,006,528	16,617,058

		Company/Group		
			2012	2011
			Rs.	Rs.
b) Balance Sheet				
Balance outstanding a	s at end of the year			
Lease Creditors	- LB Finance PLC	:	(1,795,040)	(872,384)
Cash & Cash Equivaler	nts - Sampath Bank PLC		1,951,079	3,258,491
	- Pan Asia Banking Corporation PLC		8,784,098	4,855,573
Trade Debtors	- Vallibel Lanka (Private) Limited	:	90,477	1,335,352
	- Vallibel Holdings (Private) Limited		24,336	-
	- Kandyan Resorts (Private) Limited		977,709	33,802
	- Hotel Services Ceylon PLC		1,499,904	-
	- Sri Lanka Insurance Corporation Limited		3,962,712	-
Other Receivables	- Rocell Ceramics Limited	:	192,395,446	183,961,983
	- Vallibel One PLC		21,700	666,664

Other Related Companies as cited below represent transactions of its business at commercial rates under the ordinary course of business with entities either controlled or in which significant influence is held by key management personnel or their close family members.

Kandyan Resorts (Pvt) Ltd, L B Finance PLC, Vallibel Lanka (Pvt) Ltd, Pan Asia Banking Corporation PLC, Sampath Bank PLC, Rocell Ceramics Ltd, Hayleys PLC, Renuka Hotels PLC, Culture Club Resorts (Pvt) Ltd., Vallibel Holdings (Pvt) Ltd., Hayleys Travels and Tours (Pvt) Ltd., Hayleys Industrial Solutions (Pvt) Ltd., Delmege Interior Decor (Pvt) Ltd., Delmege Freight Services (Pvt) Ltd., Vallibel One PLC, Asian Alliance Insurance PLC, Hotel Services Ceylon PLC, Sri Lanka Insurance Corporation Limited, Orit Apparels Lanka (Pvt) Ltd., Country Energy (Pvt) Ltd., Kelani Valley Plantations PLC, N Sports (Pvt) Ltd..

Group Value Added Statement

		2012 : Rs. '000			2011 : Rs. '000	
		7,756,696			6,413,304	
Other Income		303,854			214,315	
		8,060,550			6,627,619	
Less: Cost of Material & Services bought in		(3,614,145)			(3,112,719)	
		4,446,405			3,514,900	
Value Allocated to Employees Salaries & Wages and Other Benefits		785,468	17.7%		619,896	17.6%
To Government Income Tax VAT/TT/NBT	53,375 933,203	986,578	22.2%	93,663 811,503	905,166	25.8%
To Providers of Capital Capitalisation of Reserves Dividends Finance Cost	- 443,158 328,120	771,278	17.3%	203,523 276,973 204,251	684,747	19.5%
To Expansion & Growth Retained in Business Depreciation	1,515,066 388,016	1,903,082 4,446,405	42.8% 100.0%	960,706 344,385	1,305,091 3,514,900	37.1% 100.0%



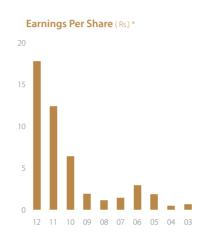
Ten Year Summary - Company

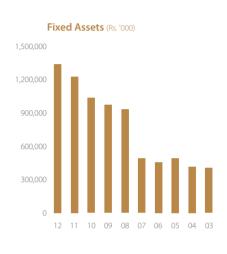
2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,178,913	2,180,608	1,529,017	1,435,112	1,484,123	1,362,397	1,193,481	976,298	703,429	665,488
2,233,703	1,431,648	876,799	481,761	202,217	200,300	119,820	168,545	69,789	78,101
2,133,658	1,540,223	879,642	441,083	356,391	337,323	441,354	285,289	80,937	161,139
(148,385)	(72,735)	(132,419)	(215,386)	(207,114)	(126,998)	(76,291)	(60,309)	(39,523)	(48,263)
1,985,272	1,467,487	747,223	225,697	149,276	210,325	365,063	224,980	41,414	112,876
(15,716)	(93,663)	(36,611)	(20,011)	(27,310)	(57,511)	(44,048)	(23,093)	7,210	(41,097)
1,969,556	1,373,825	710,612	205,686	121,966	152,814	321,015	201,887	48,624	71,779
1,368,673	1,368,673	814,726	814,726	814,726	814,726	814,726	814,726	814,726	814,726
-	-	365,714	367,343			4,168		4,168	4,168
3,585,374	2,058,975	1,150,357	576,602	430,660	415,134	373,109	121,637	85,935	37,310
4,954,048	3,427,648	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003	940,531	904,829	856,204
1,338,151	1,224,633	1,034,176	970,404	929,883	489,995	455,546	490,390	415,689	403,628
4,794,948	1,613,962	1,603,941	1,264,888	1,772,020	1,306,903	979,964	545,519	522,911	500,500
2,089,412	2,991,666	1,460,429	1,766,129	919,250	661,905	650,981	762,052	1,001,260	676,892
		(1,446,404)	(1,722,431)	(1,300,811)	(738,180)	(515,441)	(485,337)	(734,260)	(420,014)
•			. , ,	. , ,					(304,802)
4,954,048	3,427,648	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003	940,531	904,829	856,204
2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
443,158	276,973	138,487	110,789	55,395	110,789	55,395	110,789	55,394	55,394
4.00	2.50	1.25	1.00	0.50	1.00	1.00	1.00	0.50	0.50
23	20	19	54	45	72	17	55	114	77
17.78	12.40	6.41	1.86	1.10	1.38	2.90	1.82	0.45	0.65
115.00	157.00	113.00	27.50	42.50	35.00	34.00	45.00	16.50	15.00
144.00	335.00	116.50	51.00	45.00	43.00	50.00	57.50	28.20	22.50
6.47	12.66	17.62	14.81	38.61	25.37	11.71	24.69	36.67	23.08
44.72	30.94	21.04	15.87	15.02	11.14	10.89	8.49	8.15	7.75
40	40	30	12	7	12	27	21	5	8
	Rs.'000 2,178,913 2,233,703 2,133,658 (148,385) 1,985,272 (15,716) 1,969,556 1,368,673 3,585,374 4,954,048 1,338,151 4,794,948 2,089,412 (2,085,282) (1,183,183) 4,954,048 2012 443,158 4.00 23 17.78 115.00 144.00 647 44.72	Rs.'000 Rs.'000 2,178,913 2,180,608 2,233,703 1,431,648 2,133,658 1,540,223 (148,385) (72,735) 1,985,272 1,467,487 (15,716) (93,663) 1,969,556 1,373,825 1,368,673 1,368,673	Rs.'000 Rs.'000 Rs.'000 2,178,913 2,180,608 1,529,017 2,233,703 1,431,648 876,799 2,133,658 1,540,223 879,642 (148,385) (72,735) (132,419) 1,985,272 1,467,487 747,223 (15,716) (93,663) (36,611) 1,969,556 1,373,825 710,612 1,368,673 1,368,673 814,726 - - 365,714 3,585,374 2,058,975 1,150,357 4,954,048 3,427,648 2,330,797 1,338,151 1,224,633 1,034,176 4,794,948 1,613,962 1,603,941 2,089,412 2,991,666 1,460,429 (2,085,282) (1,941,945) (1,446,404) (1,183,183) (460,667) (321,345) 4,954,048 3,427,648 2,330,797 2012 2011 2010 443,158 276,973 138,487 4,00 2,50 1,25	Rs.'000 Rs.'000 Rs.'000 Rs.'000 2,178,913 2,180,608 1,529,017 1,435,112 2,233,703 1,431,648 876,799 481,761 2,133,658 1,540,223 879,642 441,083 (148,385) (72,735) (132,419) (215,386) 1,985,272 1,467,487 747,223 225,697 (15,716) (93,663) (36,611) (20,011) 1,969,556 1,373,825 710,612 205,686 1,368,673 1,368,673 814,726 814,726 4,954,048 3,427,648 2,330,797 1,758,671 1,338,151 1,224,633 1,034,176 970,404 4,794,948 1,613,962 1,603,941 1,264,888 2,089,412 2,991,666 1,460,429 1,766,129 (2,085,282) (1,941,945) (1,446,404) (1,722,431) (1,183,183) (460,667) (321,345) (520,319) 4,954,048 3,427,648 2,330,797 1,758,671 2012	Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 2,178,913 2,180,608 1,529,017 1,435,112 1,484,123 2,233,703 1,431,648 876,799 481,761 202,217 2,133,658 1,540,223 879,642 441,083 356,391 (148,385) (72,735) (132,419) (215,386) (207,114) 1,985,272 1,467,487 747,223 225,697 149,276 (15,716) (93,663) (36,611) (20,011) (27,310) 1,969,556 1,373,825 710,612 205,686 121,966 1,368,673 814,726 814,726 814,726 4,954,048 3,427,648 2,330,797 1,758,671 1,663,775 1,338,151 1,224,633 1,034,176 970,404 929,883 4,794,948 1,613,962 1,603,941 1,264,888 1,772,020 2,089,412 2,991,666 1,460,429 1,766,129 919,250 (2,085,282) (1,941,945) (1,446,404) (1,722,431) </td <td>Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 2,178,913 2,180,608 1,529,017 1,435,112 1,484,123 1,362,397 2,233,703 1,431,648 876,799 481,761 202,217 200,300 2,133,658 1,540,223 879,642 441,083 356,391 337,323 (148,385) (72,735) (132,419) (215,386) (207,114) (126,998) 1,985,272 1,467,487 747,223 225,697 149,276 210,325 (15,716) (93,663) (36,611) (20,011) (27,310) (57,511) 1,969,556 1,373,825 710,612 205,686 121,966 152,814 1,368,673 814,726 814,726 814,726 814,726 814,726 4,954,048 3,427,648 2,330,797 1,758,671 1,663,775 1,234,028 1,338,151 1,224,633 1,034,176 970,404 929,883 489,995 4,794,948 1,613,962 1,603,941</td> <td>Rs.'000 Rs.'000 43.06 43.06 43.06 43.06 441,83 43.62,397 1,193,481 422,233,703 1,418,254 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 443,158 4,668 4,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 8</td> <td>Rs.'000 Rs.'000 Fs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Fs.'000 Rs.'000 Ps.'24 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25</td> <td>Rs.000 Rs.000 Rs.000<</td>	Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 2,178,913 2,180,608 1,529,017 1,435,112 1,484,123 1,362,397 2,233,703 1,431,648 876,799 481,761 202,217 200,300 2,133,658 1,540,223 879,642 441,083 356,391 337,323 (148,385) (72,735) (132,419) (215,386) (207,114) (126,998) 1,985,272 1,467,487 747,223 225,697 149,276 210,325 (15,716) (93,663) (36,611) (20,011) (27,310) (57,511) 1,969,556 1,373,825 710,612 205,686 121,966 152,814 1,368,673 814,726 814,726 814,726 814,726 814,726 4,954,048 3,427,648 2,330,797 1,758,671 1,663,775 1,234,028 1,338,151 1,224,633 1,034,176 970,404 929,883 489,995 4,794,948 1,613,962 1,603,941	Rs.'000 43.06 43.06 43.06 43.06 441,83 43.62,397 1,193,481 422,233,703 1,418,254 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 441,354 443,158 4,668 4,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 814,726 8	Rs.'000 Fs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Fs.'000 Rs.'000 Ps.'24 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25 Ps.'25	Rs.000 Rs.000<

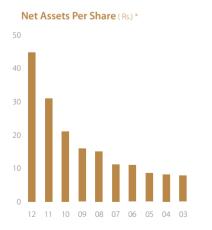
^{*} Per Share information have been restated to reflect the present shareholding

Graphical Review of Ten Year Summary - Company

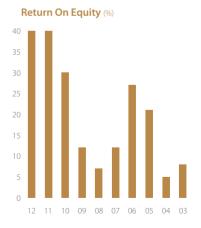












^{*}Per share values have been re-stated to reflect the present shareholding

Share Information

Shareholders

There were 11,867 registered Shareholders as at 31 March 2012, distributed as follows.

Number of Shares held	Number of Shareholders	% of number of Shareholders	Number of Shares	% Shareholding
1-1,000	10,388	87.54	2,334,567	2.11
1,001-10,000	1,168	9.84	3,663,200	3.31
10,001-100,000	244	2.06	7,776,129	7.02
100,001-1,000,000	60	0.50	16,146,890	14.57
1,000,001 & over	7	0.06	80,868,598	72.99
Total	11,867	100	110,789,384	100

40.85 % of shares were held by public as at 31 March 2012.

Shareholder Category	Number of Shareholders	% of Number of Shareholders	Number of Shares	% Shareholding
Individual	11,456	96.54	23,274,368	21.01
Institutional	411	3.46	87,515,016	78.99
Total	11,867	100	110,789,384	100

Shareholder Category	Number of Shareholders	% of Number of Shareholders	Number of Shares	% Shareholding
Residents	11,724	98.79	107,915,375	97.41
Non-Residents	143	1.21	2,874,009	2.59
Total	11,867	100	110,789,384	100

Twenty Major Shareholders

	Name	Number of	% of issued	Number of	% of issued
		Shares as at	capital	Shares as at	capital
		31.03.2012		31.03.2011	
1	Vallibel One PLC	56,502,600	51.00	56,502,600	51.00
2	Mr. Amarakone Mudiyanselage Weerasinghe	8,584,024	7.75	10,234,024	9.24
3	Employees Provident Fund	6,514,100	5.88	4,341,300	3.92
4	Bank Of Ceylon A/C Ceybank Unit Trust	2,865,694	2.59	1,698,752	1.53
5	Sri Lanka Insurance Corporation -General Fund	2,730,000	2.46	730,000	0.66
6	Sri Lanka Insurance Corporation Ltd - Life	2,513,800	2.27	2,514,000	2.27
7	Mrs. Pushpa Narhari Bhatt	1,158,380	1.05	1,219,880	1.10
8	Aviva NDB Insurance PLC A/C No. 07	867,408	0.78	1,030,500	0.93
9	Bank Of Ceylon A/C Ceybank Century Growth Fund	815,640	0.74	770,140	0.70
10	Dehiwalage Luxshman Bernard Chandrasiri Perera	800,000	0.72	1,014,340	0.92
11	National Savings Bank	747,700	0.67	741,000	0.67
12	HSBC Intl Nom Ltd - Ssbt -Russel Institutional	716,230	0.65	=	-
	Funds Public Limited Company				
13	DFCC Vardhana Bank/ Mr. R P L & Mrs. S U R Eheliyagoda	600,000	0.54	600,000	0.54
14	Mercantile Investments Limited	550,000	0.50	550,000	0.50
15	Amaya Leisure Plc	521,600	0.47	-	-
16	MAS Capital (Private) Limited	482,400	0.44	482,400	0.44
17	Swiss Lloyd Limited	450,000	0.41	450,000	0.41
18	Bank Of Ceylon - No2 A/C	443,100	0.40	443,100	0.40
19	Kalpitiya Beach Resort Ltd	430,800	0.39	-	-
20	HSBC Intl Nom Ltd - Ssbt -Russel Trust Company Commingled Employee Benefit Funds Trust Russell Frontier Market Equity Fund A/C 01	411,500	0.37	-	-

Market Value per Share	2012	2011
Low	Rs. 103/-	Rs. 145/-
High	Rs. 167/50	Rs. 335/-
Closing	Rs. 115/-	Rs. 157/-

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 assets 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 nonoccurrence 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.

Dividend Payout Ratio

Dividends Per Share divided by Earnings Per Share.

Earnings Per Share

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

Gross Dividend

Portion of profits, inclusive of tax withheld, distributed to Shareholders.

Interest Cover

Earnings before interest and tax divided by interest expenses.

Net Assets Per Share

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

Operating Profit Margin

Operating profit divided by 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 Equity

Net Profit for the year divided by Equity Shareholders' fund.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Shareholders' Funds

Total of issued and 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 Twenty Second (22nd) Annual General Meeting of Royal Ceramics Lanka PLC will be held at Crystal Upper Floor, Taj Samudra Hotel, Colombo, on Friday the 29th day of June 2012 at 9:30 a.m. for the following purposes:

- 1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 March 2012 and the Report of the Auditors thereon.
- 2. To re-elect Mr. K D D Perera, who retires by rotation in terms of Articles 85 and 86 of the Articles of Association, as a Director of the Company
- 3. To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
- 4 To authorize the Directors to determine payments for the year 2012/2013 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board

ADwyord

ROYAL CERAMICS LANKA PLC

PW Corporate Secretarial (Pvt) Ltd

Secretaries

Colombo

25 May 2012

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

Form of Proxy

*I/We			
of	being a *Member /Members of Royal Ceramics La	nka PLC, do hereby a	ppoint
	of	or failing	him/her
Mr. A. M. Weerasinghe Mr. K. D. D. Perera Mr. W. D. N. H. Perera Mr. R. B. Thambiayah Mr. L. T. Samarawickrama Mr. T. G. Thoradeniya Mr. M. D. S. Goonatilleke Mr. G. A. R. D. Prasanna Mr. R. N. Asirwatham as *my/our proxy to represent me/us and vote for research.	of Colombo or failing him	· Company to be held	l on
consequence thereof.	,		
		FOR	AGAINST
To receive and consider the Annual Report of the of the company for the year ended 31 March 20	ne Board of Directors along with the Financial Statements 012.		
2. To re-elect Mr. K D D Perera, who retires by rotat and 86 of the Articles of Association as a Director			
3. To re-appoint Messrs. Ernst & Young as Auditors Directors to determine their remuneration.	of the Company for the ensuing year and to authorize the		
4. To authorize the Directors to determine paymer purposes as set out in the Companies Donation			
Signed this day of	Two Thousand and Twelve.		
Signature			

- 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".

Form of Proxy

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.

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 PereraDeputy ChairmanMr. W D N H PereraManaging DirectorMr. T G ThoradeniyaDirector Marketing &

Business Development

Mr. R B Thambiayah Mr. L T Samarawickrema

Mr. M D S Goonatilleke

Mr. G A R D Prasanna

Mr. R N Asirwatham

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.rocell.com

Subsidiary Companies

Royal Porcelain [Pvt] Ltd. Rocell Bathware Ltd.

Royal Ceramics Distributors (Pvt) Ltd.

Ever Paint and Chemical Industries (Pvt) Ltd.

Associate Companies

Delmege (Pvt) Ltd

L B Finance PLC

Secretaries

P W Corporate Secretarial (Pvt) Ltd

3/17, Kynsey Road,

Colombo 08

Tel : 011 4640360 - 3 Fax : 011 4740588 E-mall : pwcs@pwcs.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

Standard Chartered Bank Ltd

HSBC Ltd.

DFCC Bank PLC

Seylan Bank PLC

Bank of Ceylon.

NDB Bank PLC

PABC Bank PLC

Sampath Bank PLC

MCB Bank Ltd

