

Financial Review

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

Group Results

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

The export turnover of Rs. 174 million which has an increment of 9% has contributed only 5% towards total sales. In the face of global price competition, the Company is taking necessary steps to counter these threats. The Company will continue to focus on this segment.

Profitability

The gross profit of the group has a growth of 12%. This was achieved from the growth in group sales by 8%. Net sales of the company has decreased by 3%.

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

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

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

Taxation

The group made income tax provision of Rs. 20 million for the year under review. The profits of the Company and Royal Ceramics Distributors (Pvt) Ltd are chargeable to Income Tax. Royal Porcelain (Pvt) Ltd enjoys a 12 year tax holiday under Section 17(2) of BOI Law No. 4 of 1978 commencing from the year of Assessment 2002/03. In addition, Rs. 515 million was paid to the Government by way of direct sales taxes during the year.

Dividend

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

Capital Expenditure

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

Financial Indicators

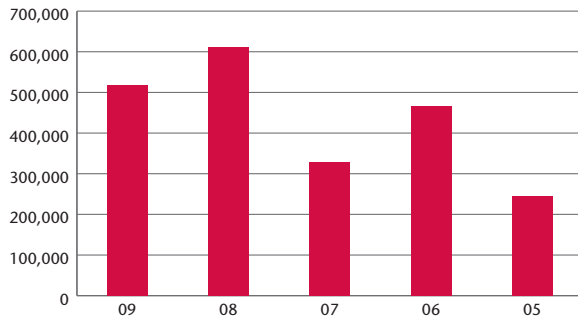
The Group's net inflow of funds was decreased by Rs. 118 million. The Group's long term borrowings have decreased by 16% to Rs. 1,509 million . The Group's short term borrowings including overdrafts have increased by 46% to Rs. 1,095 million. Shareholders' funds consist of 27% stated capital, 15% capital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

Accounting Policies and Disclosures

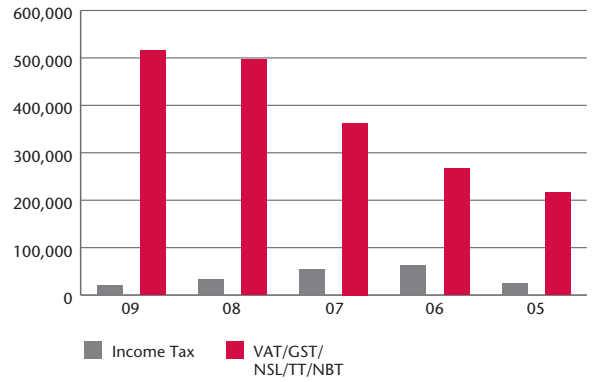
The accounting policies of the Group have been reviewed and amended where necessary, to comply with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Further, the format for the presentation of Financial Statements has been amended to conform to the requirements of SLAS 3 (Presentation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

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

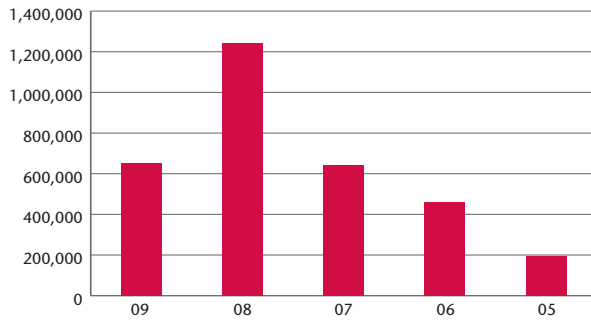
Profit After Taxation (Rs.000)



Contribution to Government (Rs.000)



Capital Expenditure (Rs.000)



Net Sales Growth Rate (%)

