

Report of the Directors

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting to the members their Report together with the audited accounts of the Company for the year ended 31st March 2009. The Chairman's review and the Managing Director's review form an integral part of the Directors' Report.

Legal Status

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

Group Activities

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

Royal Porcelain (Pvt) Ltd, also a wholly owned subsidiary of the Company, was incorporated to acquire a tile-manufacturing factory at Horana and has recorded a profit of Rs. 611,057,792/- for the year.

Royal Ceramics Distributors (Pvt) Ltd is a wholly owned subsidiary of Royal Ceramics Lanka PLC has recorded a loss of Rs. 185,232/- during the year under review. This subsidiary Company's operations were transferred to the parent Company during midyear ended 31st March 2006.

Rocell Bathware Limited, is also a wholly owned subsidiary of the Company, was incorporated to manufacture and sell sanitaryware products to local and export market, has recorded a loss of Rs. 11,177,038/- for the year.

Financial Statements

Financial Statements have been prepared in accordance with the Sri Lanka Accounting standards. The audited financial statements were approved by the Board of Directors on 22 May 2009.

Business Review

The Chairman's Report and the Managing Directors Review of Operations comprehensively cover the activities of the Company and the Group during the year under review.

Stated Capital

In accordance with the Section 58 of the Companies Act No. 7 of 2007, share capital and share premium were classified as stated capital. The stated capital of the Company as at 31st March 2009 was Rs. 814,726,453/-

Summarized Financial Position

The Summarized financial position of the Group is as follows.

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

Reserves

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

Statement of Changes in Equity

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

Payment of Statutory Expenses

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

Donations

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

Dividends

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

Corporate Governance

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

Report of the Directors continued.

Statement of Director's Responsibilities

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

Financial Review

The Financial Review is given on page 22.

Directorate

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

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

Mr. M.T.L Fernando, Mr. B.M Amarasekera and Mr. F.P. de Alwis retires in terms of Section 210 of the Companies Act No. 7 of 2007 and offer themselves for re-election as per Section 211 of the Companies Act No. 7 of 2007.

Director's Interest in Contracts

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

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

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

Directors' Interest in Shares

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

Name	As at 31st March 2009 No of Shares	As at 31st March 2008 No of Shares
Mr. A M Weerasinghe	5,664,012	5,664,012
Mr. K D D Perera	28,351,686	28,351,686
Mr. F P de Alwis	307,033	307,033
Mr. M T L Fernando	202,977	202,977
Mr. B M Amarasekera (including joint holding)	107,193	107,193
Mr. R B Thambiyah	792	792
Mr. T G Thoradeniya	39,200	24,500
Mr. W D N H Perera	2,500	2,500
Mr. L T Samarawickrama	1,000	-
Mr. K D H Perera	-	-

Directors Remuneration

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

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

Report of the Directors continued.

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

Shareholders Distribution

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

Share Information

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

Fixed Assets

The movement on Fixed Assets during the year is given in Note 03 to the financial statements.

Capital Expenditure

Group Capital Expenditure including amount transferred from the capital work in progress account during the year amounted to Rs. 634.4 million.

Taxation

The Royal Ceramics Lanka PLC is liable to pay income tax at 35% on local taxable profits and 15% on export income as per the Inland Revenue Act No. 10 of 2006.

Royal Porcelain (Pvt) Limited, in terms of the agreement entered into with BOI, received the tax exemption status in the year of assessment 2002/03 for a period of 12 years, which ends in the year of assessment 2013/2014.

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

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

Group Investments

Details of investments held by the Group are given in Note 5 and 6 to the Financial Statements.

Market Value of the Company's Ordinary Shares

The Market Value of the Company's ordinary shares as at 31st March 2009 was Rs. 27.50 compared to Rs. 42.50 as at 31st March 2008 as per official valuation of the Colombo Stock Exchange.

Group Employment

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

Contingent Liabilities & Capital Commitments

Details of contingent liability and capital commitments as at the Balance Sheet date are given in note 24 and 25 respectively of the financial statements.

Going concern

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

Post Balance Sheet Events

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

Annual General Meeting

The 19th Annual General Meeting of the Company will be held at 'On Golden Pond', Taj Samudra Hotel, Colombo on 29th June 2009 at 11.00 am. The Notice of the Annual General Meeting is on page 77 of this report.

Auditors

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

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

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

By order of the Board of
Royal Ceramics Lanka PLC

(sgd)
Secretaries & Registrars (Pvt) Ltd
Secretaries

Colombo
22 May 2009