

Financial Review

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

Group Results

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

The export turnover of Rs. 200 million which has an increment of 15% has contributed only 4% towards total sales. In the face of global price competition, the Company is taking necessary steps to counter these threats. The Company will continue to focus on this segment.

Profitability

The gross profit of the group has a growth of 29%. This was achieved from the growth in group sales by 19%. Net sales of the company has increased by 7%.

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

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

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

Other Income

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

Taxation

The group made income tax provision of Rs. 37 million for the year under review. The profits of the Company and Royal Ceramics Distributors (Pvt) Ltd are chargeable to Income Tax. Royal Porcelain (Pvt) Ltd enjoys a 12 year tax holiday under Section 17(2) of BOI Law No. 4 of 1978 commencing from the year of Assessment 2002/03. In addition, Rs. 632 million was paid to the Government by way of direct sales taxes during the year.

Dividend

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

Capital Expenditure

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

Financial Indicators

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

Accounting Policies and Disclosures

The accounting policies of the Group have been reviewed and amended where necessary, to comply with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

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

