

Report of the Directors

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting to the members, their Report together with the audited accounts of the Company for the year ended 31st March 2010. The Chairman's review and the Managing Director's review form an integral part of the Directors' Report.

Legal Status

Royal Ceramics Lanka PLC was incorporated in Sri Lanka as a Private Limited Company on 29th August 1990 and was converted into a Public Limited Company on 6th December 1991. The Shares were listed on the Colombo Stock Exchange on 3rd May 1994.

Group Activities

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

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

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

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

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

Financial Statements

Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards. The audited financial statements were approved by the Board of Directors on 17th May 2010.

Internal Control

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

Business Review

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

Stated Capital

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

Summarized Financial Position

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

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

Reserves

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

Statement of Changes in Equity

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

Payment of Statutory Expenses

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

Dividends

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

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

Corporate Governance

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

Statement of Directors' Responsibilities

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

Financial Review

The Financial Review is given on page 26.

Directorate

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

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

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

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

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

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

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

Directors' Interests in Shares

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

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

Directors Remuneration

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

Directors' Interests in Contracts

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

Report of the Directors

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

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

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

Report of the Directors

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

Shareholding

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

Share Information

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

Fixed Assets

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

Capital Expenditure

Group Capital Expenditure during the year, including amount transferred from the capital work in progress account, amounted to Rs. 222 million.

Taxation

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

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

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

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

Group Investments

Details of investments held by the Group are given in Note 4 and 5 to the Financial Statements.

Market Value of the Company's Ordinary Shares

The Market Value of the Company's ordinary shares as at 31st March 2010 was Rs. 113/- compared to Rs. 27/50 as at 31st March 2009 as per official valuation of the Colombo Stock Exchange.

Group Employment

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

Contingent Liabilities & Capital Commitments

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

Going concern

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

Post Balance Sheet Events

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

Annual General Meeting

The 20th Annual General Meeting of the Company will be held at Moonstone Ballroom, Ceylon Continental Hotel, Colombo on 29th June 2010 at 10.00 a.m.. The Notice of the Annual General Meeting is on page 84 of this report.

Auditors

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

The Auditors, M/s Ernst & Young were paid Rs. 635,000/- for the year ended 31st March 2010 (Rs. 575,000/- for the year ended 31st March 2009), as Audit fees by the Company. The Group has paid Rs. 1,186,000/- for the year ended 31st March 2010 (Rs. 1,023,000/- for the year ended 31st March 2009) as Audit fees.

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

By order of the Board of

Royal Ceramics Lanka PLC

(sgd)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

17 May 2010