

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. 5.75 billion during the financial year was a remarkable achievement for the Group. This is a 29% growth further consolidating the position of 'Rocell' as the clear market leader in this industry. The export turnover of Rs. 231 million which has an increment of 16% 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 25%. This was achieved from the growth in group sales by 29%. Net sales of the company has increased by 43%. There has been a better control of operational cost by improvement in production planning and production efficiencies.

The Group has a increase in earnings per share of 49%. This is mainly due to the higher net profit compared to the last year.

Pre-tax profit has increased by 53% to Rs. 1.5 billion during the financial year.

Other Income

Other income of the Group has increased by 37%. The main contributing factors were profit on disposal of short term investments amounting to Rs. 199 million and dividend on long term & current investments amounting to Rs. 17 million.

Taxation

The group made income tax provision of Rs. 94 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 10 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. 811 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.2/50 per share on September 14, 2010. A second interim dividend of Rs. 1/00 per share paid on May 20, 2011. Further, a final dividend of Rs. 1/00 per share has been proposed on May 20, 2011 subject to shareholder approval at the AGM.

Capital Expenditure

Capital expenditure of the Group was Rs. 790 million for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands, showroom development and etc.

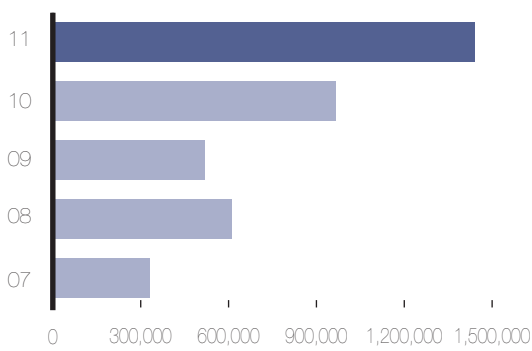
Financial Indicators

The Group's net outflow of funds was Rs. 207 million. The Group's long term borrowings have increased by 19% to Rs. 1,392 million. The Group's short term borrowings including overdrafts have increased by 60% to Rs. 1,037 million. These have resulted due to the group's investments been increased by 514% to Rs. 1,920 million. Shareholders' funds consist of 27% stated capital, 2% capital reserves and 71% revenue reserves.

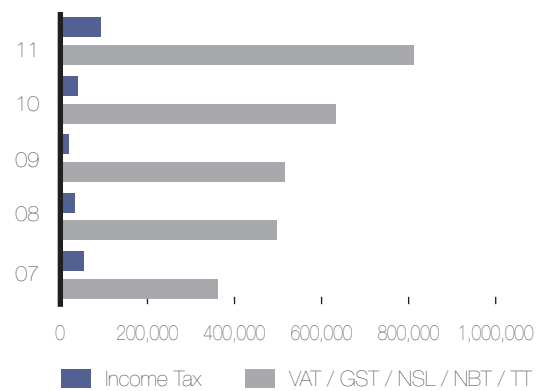
Accounting Policies and Disclosures

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.

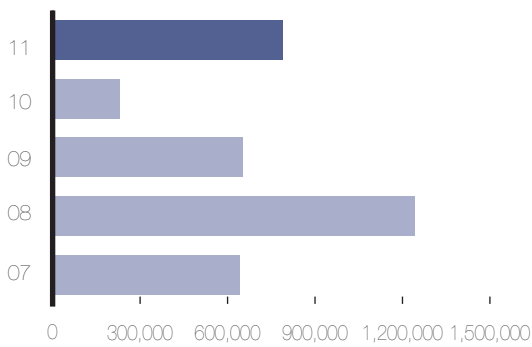
Profit After Taxation (Rs. '000)



Contribution to the Government (Rs. '000)



Capital Expenditure (Rs. '000)



Net Sales Growth Rate (%)

