It's in our Nature

Annual Report 2016/17

TOKYO CEMENT COMPANY [LANKA] PLC

Contents

It's in our Nature

Nature, is the greatest engineer, architect and builder, creating the most beautiful, complex and diverse structures in existence. The Tokyo Cement Group is inspired by the subtle strength of nature and is committed to build sustainable solutions in harmony with nature. It is in our nature to pioneer a new way of life.

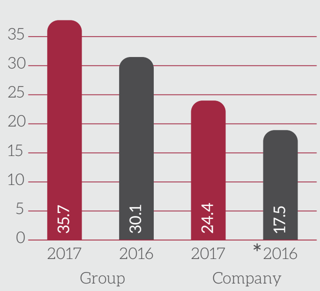
Performance Highlights

Rs. Mn.	Group		Company	Restated
	2017	2016	2017	2016
PERFORMANCE				
Turnover	35,701	30,117	24,420	17,545
Less: Cost of Sales	(26,761)	(23,191)	(19,421)	(14,400)
Gross Profit	8,940	6,926	4,999	3,145
Profit Before Tax	4,078	2,487	3,976	1,808
Profit After Tax	3,401	1,931	3,498	1,475
Total Comprehensive Income	3,404	1,944	3,500	1,487

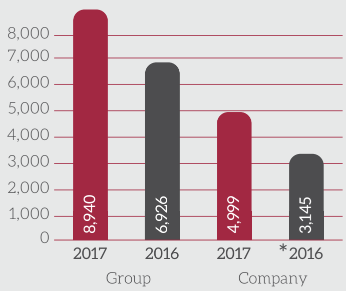
Rs.				
INFORMATION TO SHAREHOLDERS				
Earnings Per Share - Voting	10.17	5.78	10.47	4.41
Earnings Per Share - Non Voting	10.17	5.78	10.47	4.41
Dividend Per Share - Voting	-	-	1.87	1.35
Dividend Per Share - Non Voting	-	-	1.87	1.35
Net Asset Value Per Share	43.01	34.18	32.72	23.59
Market Value Per Share - Voting	61.00	37.00	61.00	37.00
Market Value Per Share - Non Voting	53.00	32.30	53.00	32.30

KEY FINANCIAL INDICATORS				
Return on Capital Employed (ROCE) %	19.93	16.32	25.93	16.61
Interest Cover (Times)	8.65	6.34	8.47	6.39
Price Earnings Ratio - Voting	6.00	6.40	5.83	8.39
Price Earnings Ratio - Non Voting	5.21	5.59	5.06	7.32
Current Ratio	1.14 : 1	0.87 : 1	0.99 : 1	1.05 : 1
Quick Asset Ratio	0.84 : 1	0.59 : 1	0.79 : 1	0.84 : 1
Dividend Payout Ratio (%)	-	-	18	31

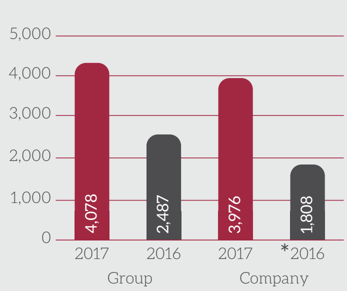
Revenue (Rs. Bn.)



Gross Profit (Rs. Mn.)

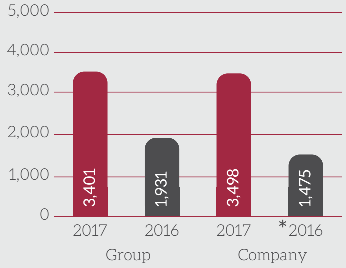


Profit Before Tax (Rs. Mn.)

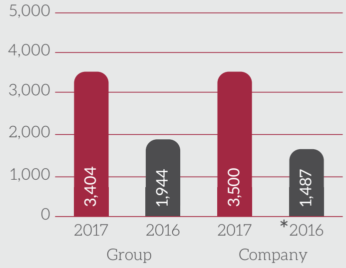


* Restated

Profit After Tax (Rs. Mn.)

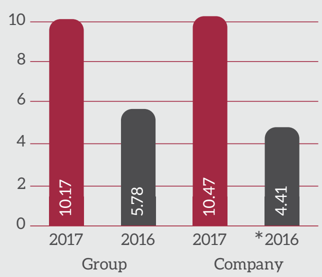


Total Comprehensive Income (Rs. Mn.)

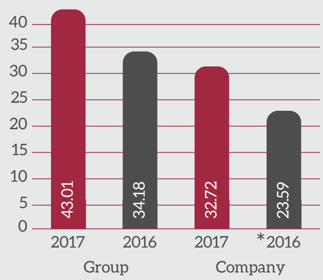


Turnover
35.7 Bn

Earnings Per Share (Rs.)

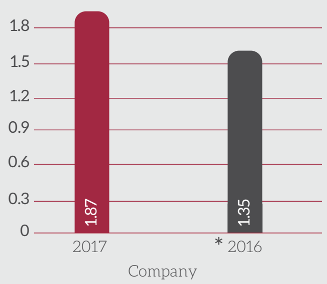


Net Asset Value Per Share (Rs.)

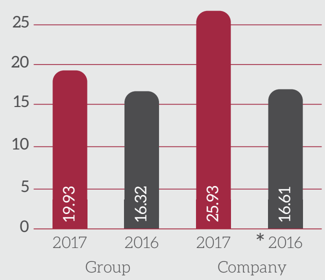


Gross Profit
8.9 Bn

Dividend Per Share (Rs.)

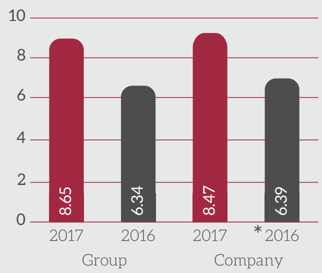


ROCE (%)



Profit Before Tax
4.1 Bn

Interest Cover (Times)



Profit After Tax
3.4 Bn

* Restated

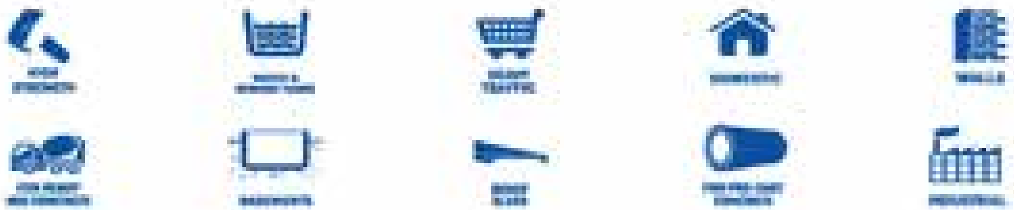
Our Products

NIPPON CEMENT

BONDED FOR LIFE

"Nippon" is the premium brand of Ordinary Portland Cement manufactured by Tokyo Cement Co. (Lanka) PLC. "Nippon" cement meets the stringent quality requirement specified by Sri Lanka Standard Institution Standard SLS 107 : 2008 Strength Class 42.5 N for Ordinary Portland Cement. The cement is suitable for structural and pre-cast concrete requiring high compressive strength. This cement also can be used as a general purpose cement.

"Nippon" cement is compatible with most of the admixtures complying to BSEN & ASTM standards. Recommend to test for compatibility before use.



42.5N
STRENGTH CLASS

SLS 107:2008
ORDINARY PORTLAND CEMENT

TOKYO SUPER OPC

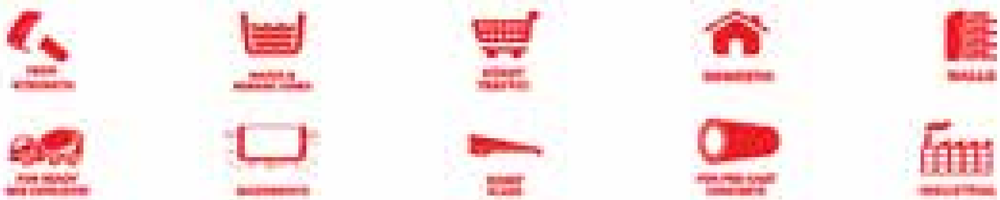
ORDINARY PORTLAND CEMENT

"Tokyo Super" brand OPC is a general purpose cement which can be used in the production of all types of concrete used in structural and non-structural applications.

Typical applications:

- Concrete slabs, drive ways
- Mortars for brick & block work

"Tokyo Super" OPC is compatible with most of the admixtures complying to BSEN & ASTM standards. Recommend to test for compatibility before use.



42.5N
STRENGTH CLASS

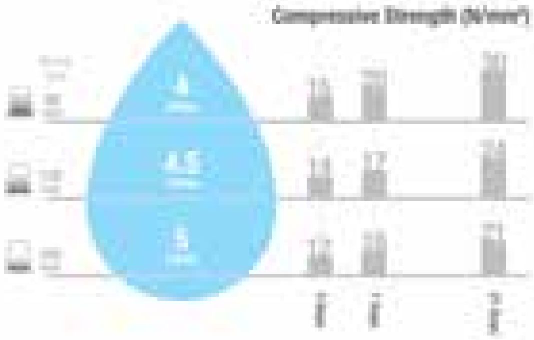
SLS 107:2008
ORDINARY PORTLAND CEMENT


TOKYO SUPER PPC
TOKYO SUPER
PORTLAND POZZOLANA CEMENT
BUILDING A SUSTAINABLE TOMORROW
42.5N
STRENGTH CLASS
SLS 1247:2008
PORTLAND POZZOLANA CEMENT

TOKYO SUPERMIX

CONCRETE MIX

THE EXPERIENCE & THE STANDARDS OF THE NATION'S LARGEST CONCRETE MANUFACTURER, NOW IN A BAG



TOKYO SUPERBOND

TILE ADHESIVE

WHY USE A TILE ADHESIVE?

Traditionally, cement mortars are used to bond the porous ceramic tiles to substrate by using a thick mortar bed. Fine cement particles in the mortar migrate into the porous back of the tile and into the substrate and harden providing the mechanical interlocking.

Freshly laid tile using cement mortar or pure cement will slip on walls and therefore only be laid from the bottom to top using spacers. However, the tile technology is moving progressively towards more vitrified tiles (porcelain tile), which have now become standard. Most industrial countries therefore now use the thin-bed method.

The thin-bed method instead of traditional cement mortar of cement uses a formulated tile adhesive, which can be applied to a large area with a notched trowel to produce a uniform adhesive bed with a thickness of 2 to 4 mm.

Cement Mortar	Tile Adhesive
Requires thick bed	Requires thin-bed
High material consumption	Low material consumption
Very time consuming	Fast and efficient tile laying
Requires highly skilled labour	Suitable to use
Very limited applicability	Can be optimized for any application
Require spacers to lay tiles on a vertical surface	Spacers are not required to lay tiles on vertical surfaces, can lay tiles from top to bottom
Prevent popping out of tiles due to temperature variation	Polymer modified adhesive withstand heating and cooling effect

TILE ADHESIVE GLOSSARY

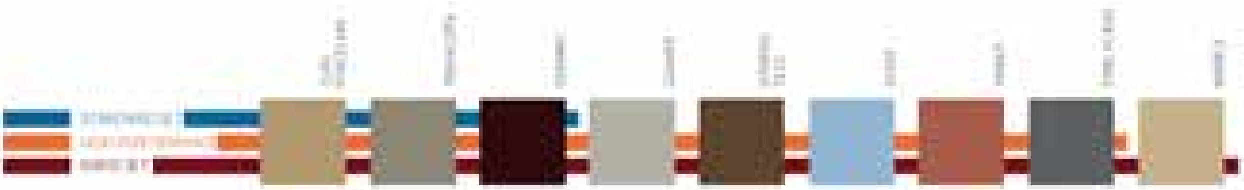
Pot Life
Maximum time interval during which the adhesive can be used after mixing.

Open Time
Maximum interval after application at which tiles can be embedded in the applied adhesive and meet the specified tensile adhesion strength requirement.

Setting Time
Time during which the adhesive will start to harden.

Slip
Downward movement of tile applied to a combed adhesive layer in a vertical or inclined surface.

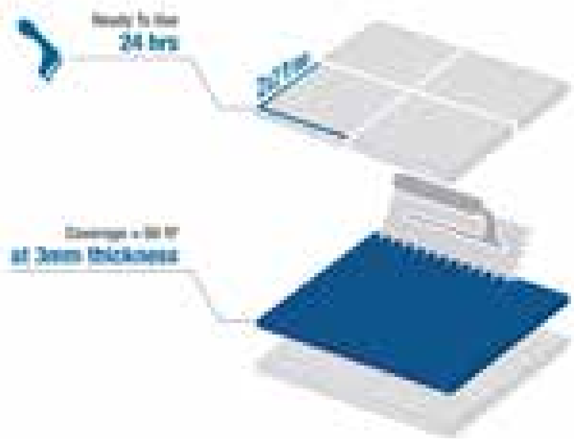
Adhesion Strength
Maximum strength per unit surface area which can be measured by shear or tensile testing.



TOKYO SUPERBOND

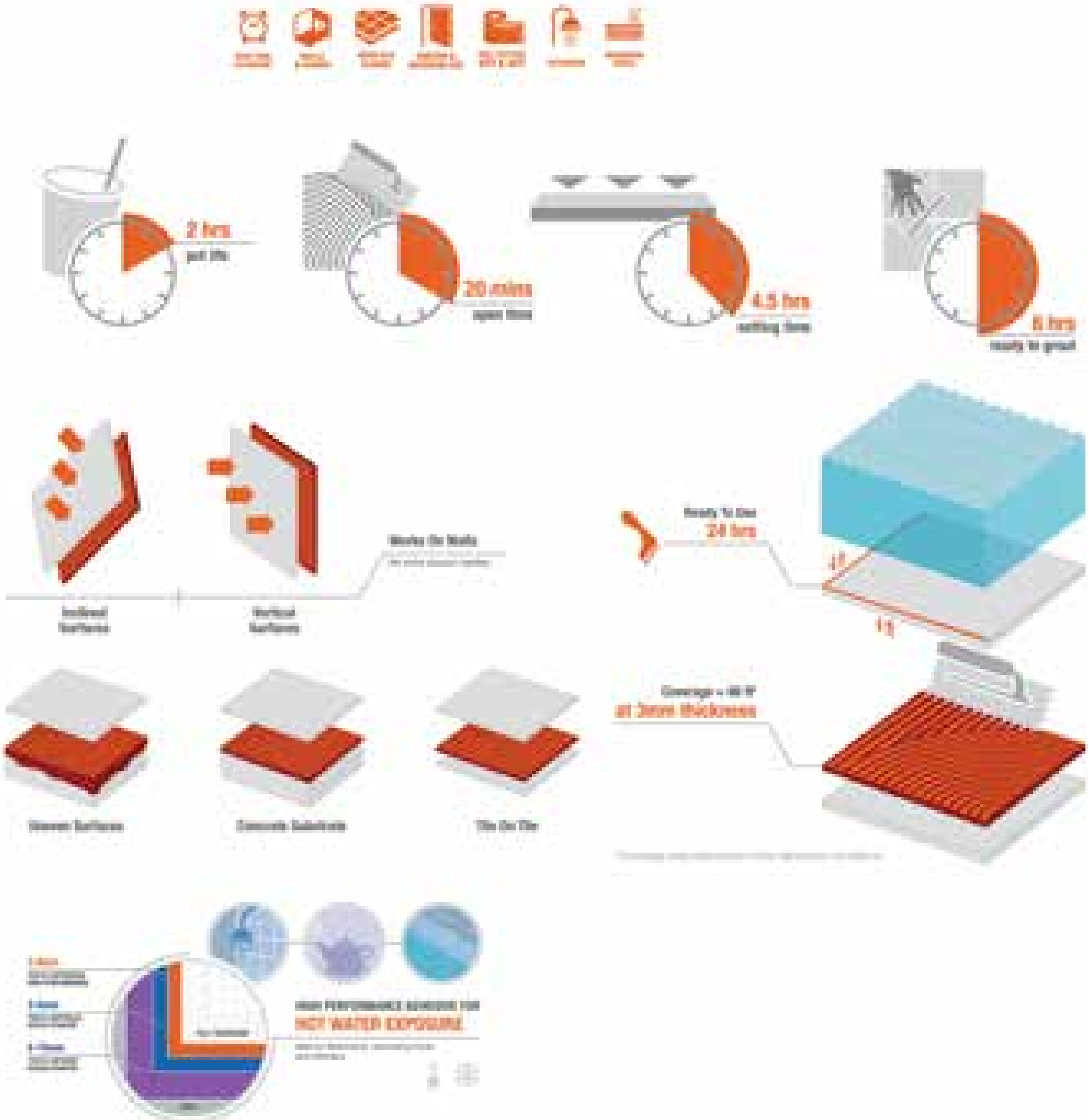
TILE ADHESIVE STANDARD SET

TOKYO SUPERBOND TILE ADHESIVE (STANDARD SET) is a thinset cement based tile adhesive, which can be used for fixing ceramic, porcelain terracotta, granite tiles etc. on mortar screed or concrete base on walls and floors. Highly workable mix with high water retention capability make fixing tiles on floors and walls easier, economical and resulting in high bond strength.



TOKYO SUPERBOND

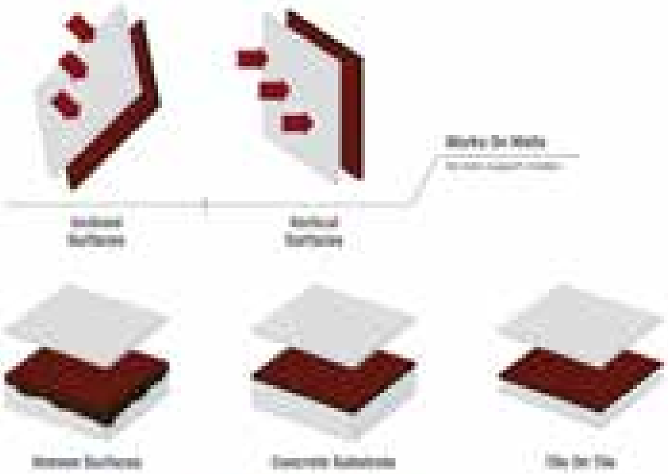
TILE ADHESIVE HIGH PERFORMANCE

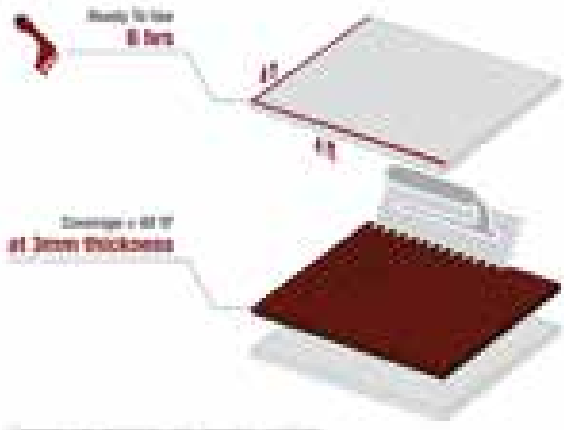


TOKYO SUPERBOND

TILE ADHESIVE RAPID SET

TOKYO SUPERBOND RAPID SET TILE ADHESIVE is a specially formulated tile adhesive to develop high bond strength within a short time of 6 hours. This adhesive is suitable for fixing any type of tiles, marble, granite etc. on new or existing tiled or cemented surfaces. Advantage of using this adhesive allows for grouting in 2 hours and use of the premises after 6 hours of laying tiles.

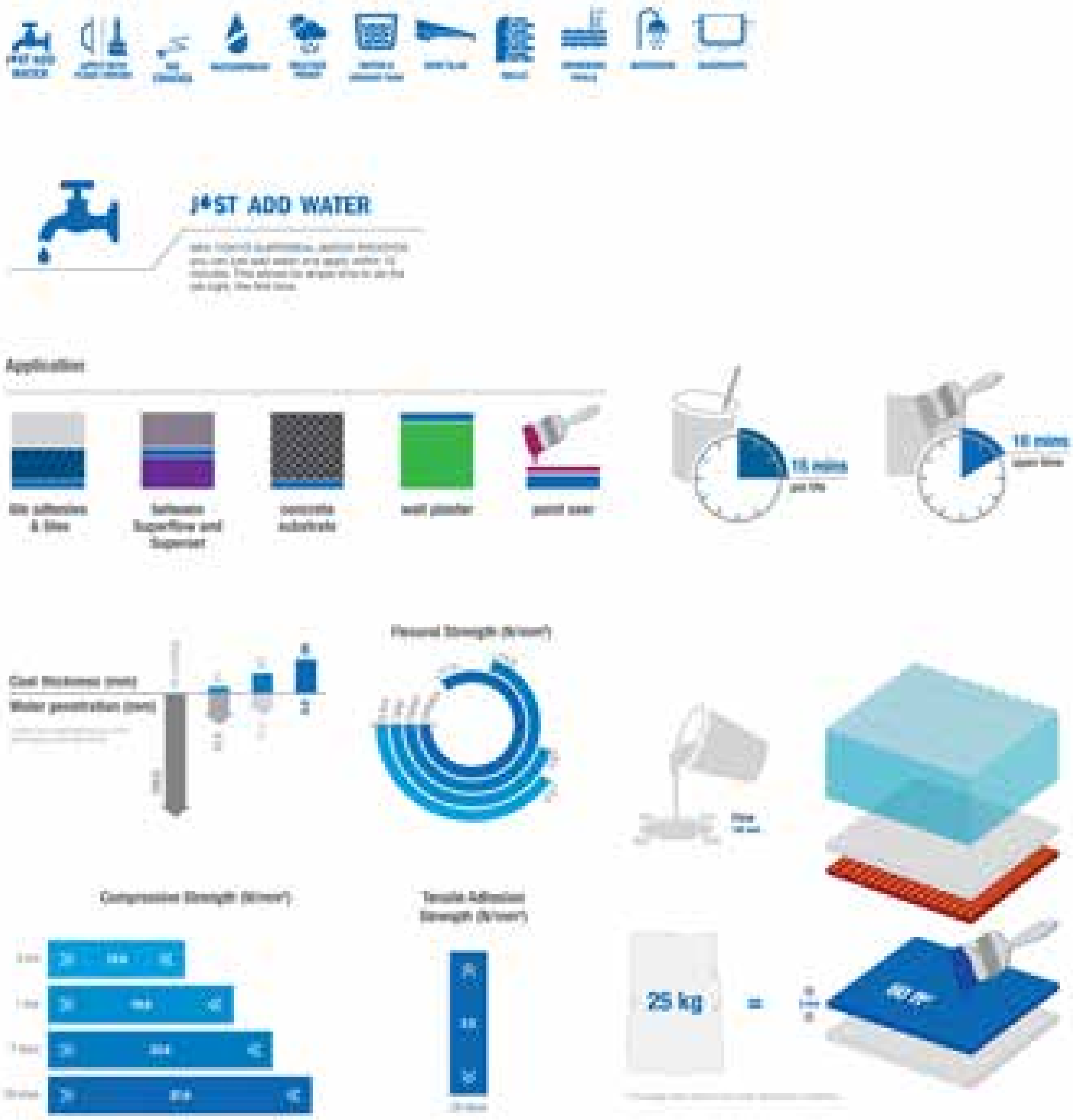




TOKYO SUPERSEAL

WATER PROOFER

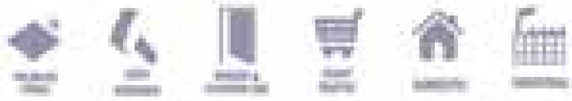
TOKYO SUPERSEAL WATER PROOFER is a one-component cement base material suitable for both interior and exterior surfaces, wherever waterproofing may be required. Traditionally, waterproofing requires the mixture of two components. The main limitation of this is the extremely short pot life that forces the user to apply a coat within 3-4 minutes of mixing. This leads to a lot of errors and re-dos, thereby wasting materials.

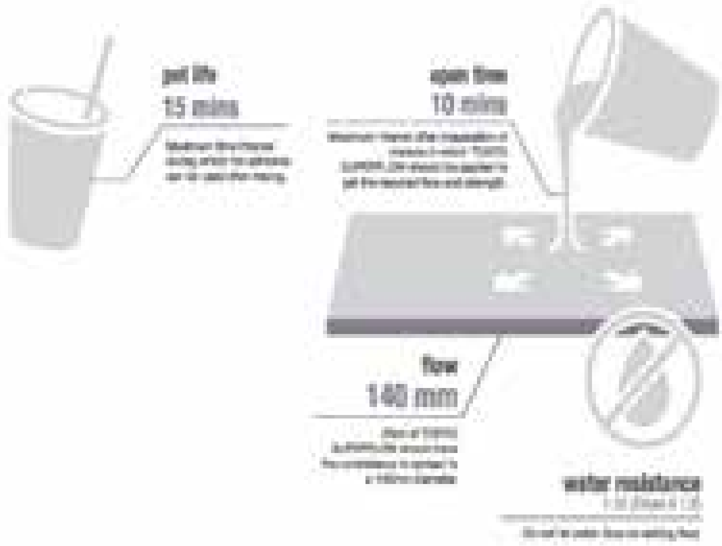


TOKYO SUPERFLOW

FLOORING COMPOUND

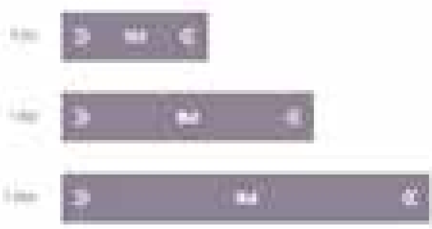
TOKYO SUPERFLOW FLOORING COMPOUND is a self-leveling cementitious flooring compound which can be applied manually or by pump to achieve rapid, flat levelled substrate prior to the application of the final floor finish. Typical uses are in warehouses, factories, manufacturing facilities, hospitals, commercial buildings, residential and domestic properties etc.



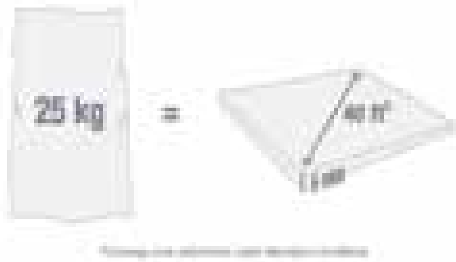


Flexural Strength (N/mm²)

Compressive Strength (N/mm²)



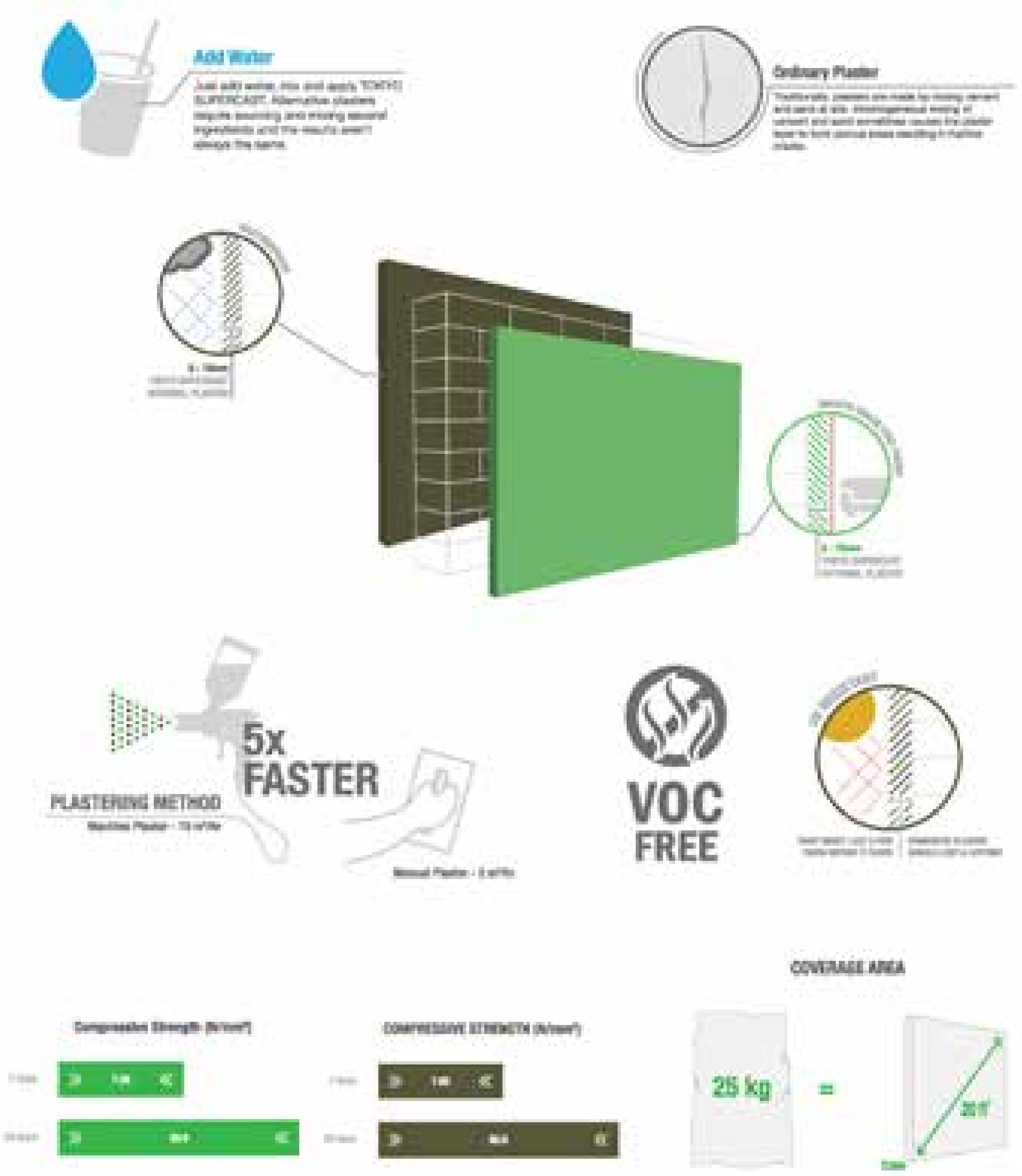
Coverage Area



TOKYO SUPERCAST

INTERNAL PLASTER

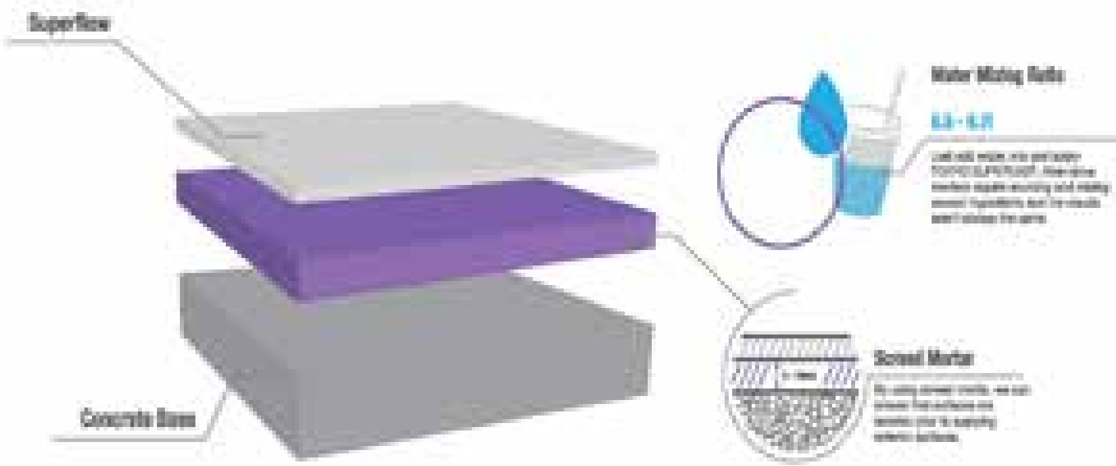
EXTERNAL PLASTER



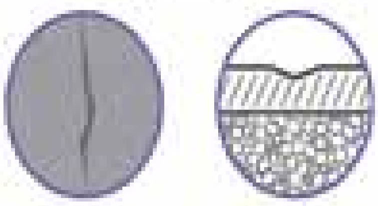
TOKYO SUPERSET

SCREED MORTAR

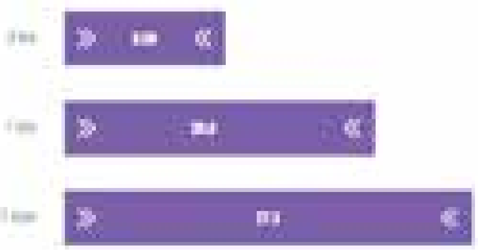
TOKYO SUPER SCREED MORTAR is a mix of cement with filler and fiber. It is a ready-to-use mortar requiring only the addition of water. It can be used for interior and horizontal concrete slabs, balconies, side walk, parking decks and ramps.



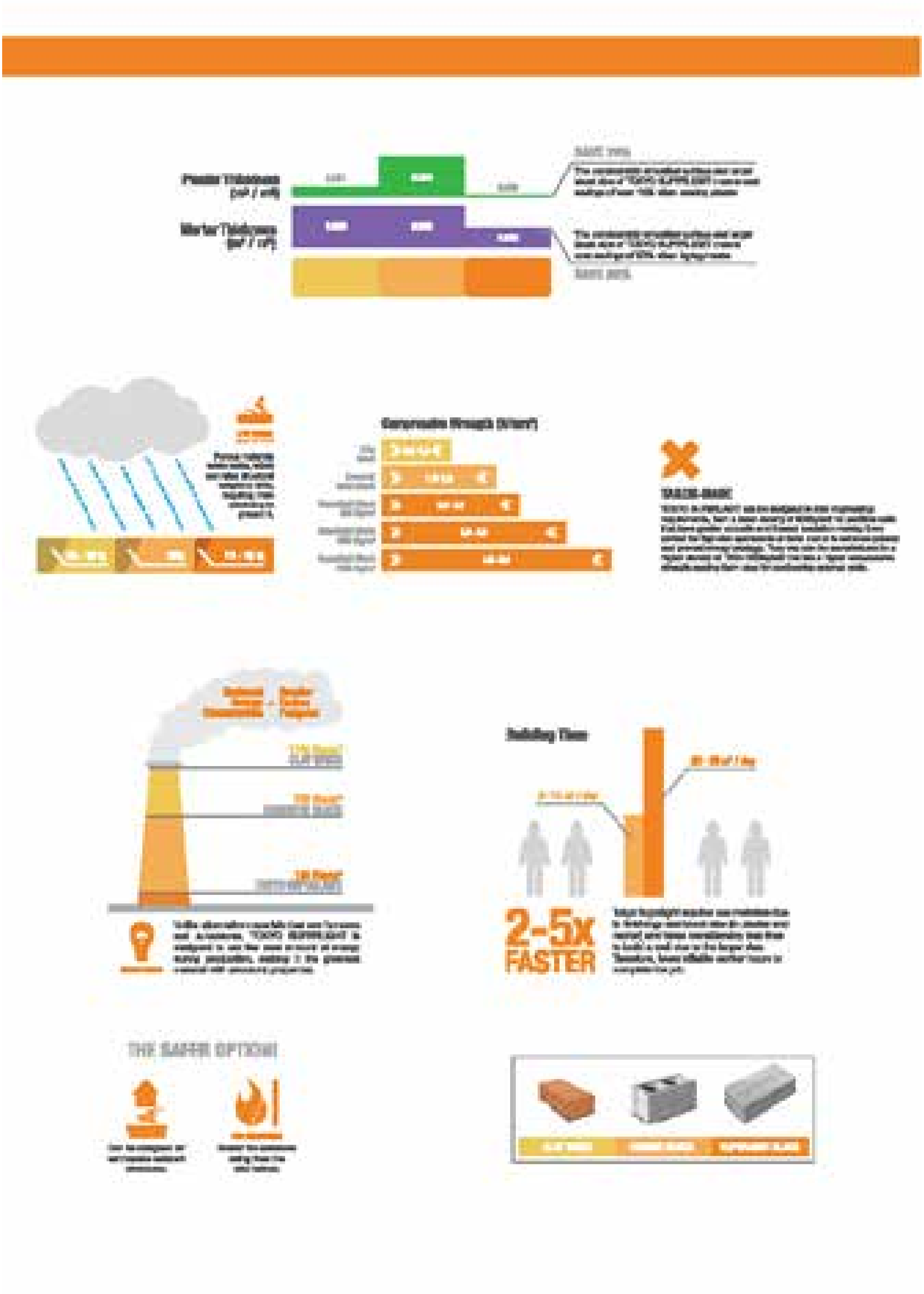
Ordinary Mortar



Compressive Strength (N/mm²)

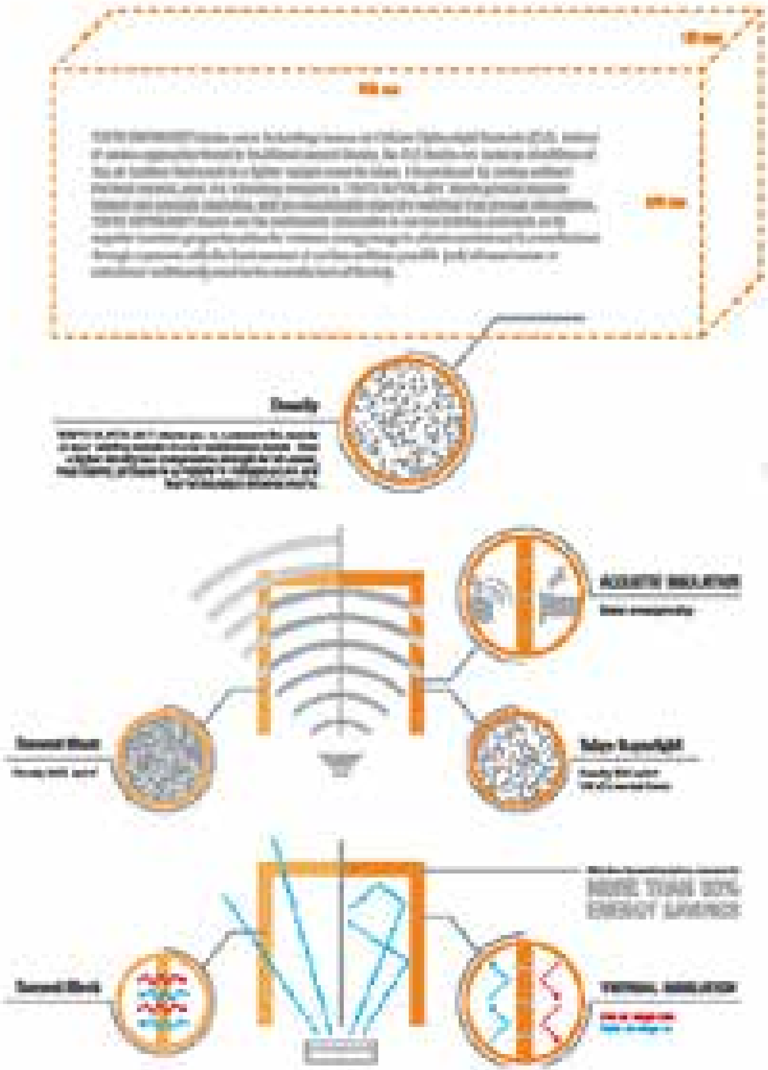


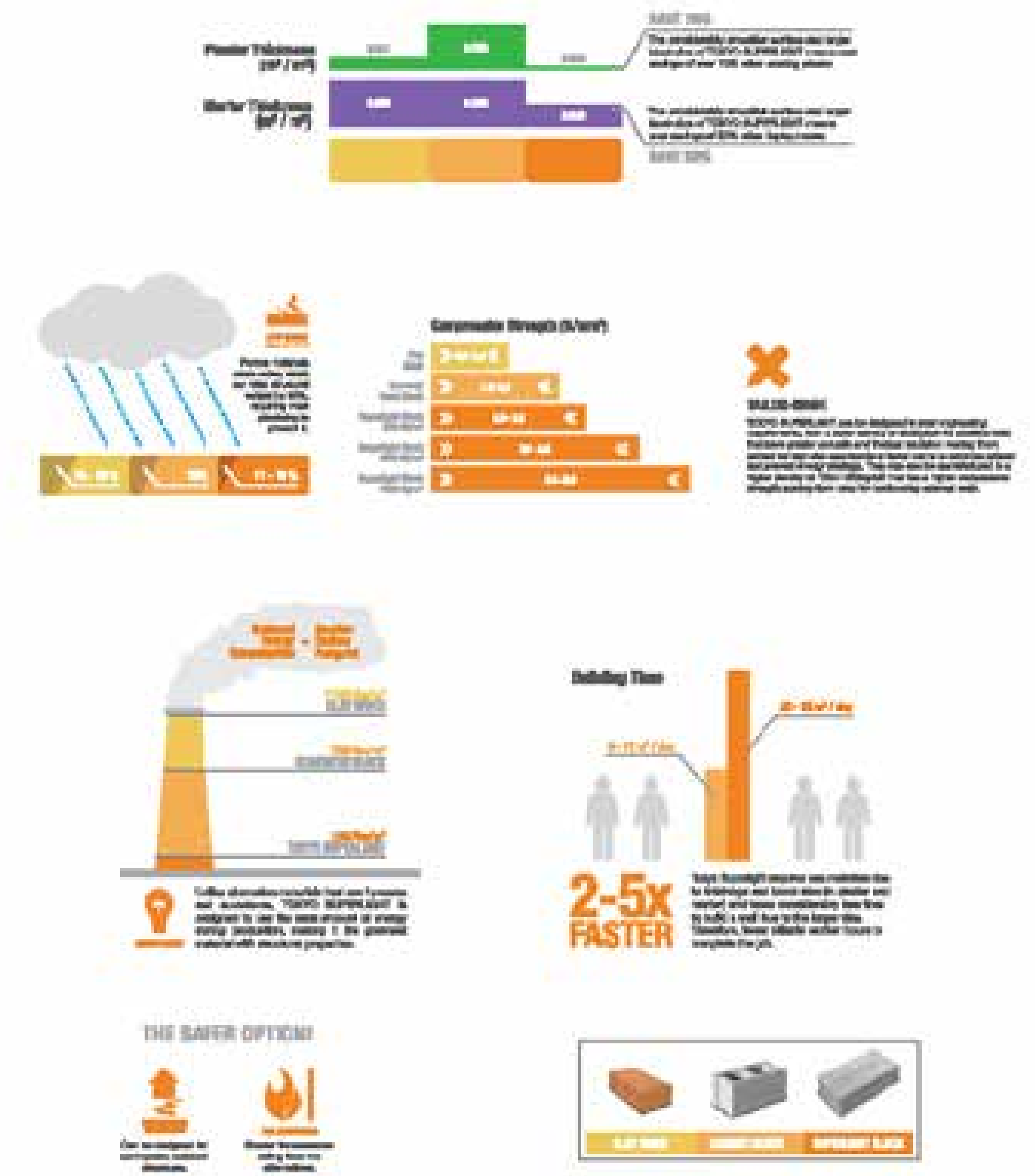
Coverage Area


2-5X
FASTER

TOKYO SUPERLIGHT
LIGHTWEIGHT BLOCKS

1/3 THE WEIGHT 2x THE STRENGTH
OF A TRADITIONAL CEMENT BLOCK




2-5x
FASTER

Chairman's Message

"I am pleased to record that the financial year 2016-17 has been one of the best years in the history of the Company, and I must congratulate the Managing Director and the Tokyo Cement team for a job well done".

It gives me great pleasure to present the annual report and audited accounts of Tokyo Cement Company (Lanka) PLC for the financial year 2016-17. I would also like to take this opportunity to welcome Mr. Asite Talwatte, a former senior partner of Ernst & Young, to the Board of Tokyo Cement as a Non Executive Independent Director. He is replacing Dr. Indrajit Coomaraswamy, who vacated his position on the Board in July 2016, to take up the appointment as the Governor of the Central Bank of Sri Lanka.

This is indeed a happy occasion as I have the pleasure of announcing an exceptionally successful year for Tokyo Cement. The Company has shown resilience towards persistent, adverse external conditions and improved many operational aspects. In fact, I am pleased to record that the financial year 2016-17 has been one of the best years in the history of the Company, and I must congratulate the Managing Director and the Tokyo Cement team for a job well done.

We closed the year, with profit after tax increasing by a commendable 76%, to reach Rs 3.4 Bn, with our operating profits increasing by 57% to Rs 4.5 Bn. Our return on assets and return on equity have improved from 8.7% and 16.9% in the previous financial year, to 11.9% and 23.6% in the current year.

This financial growth is largely due to far-sighted management and solid financial discipline. During the year, the Company faced significant challenges that had to be carefully managed to ensure the current financial results.

Impact of macro developments

Central Bank data for the first half of 2016, indicate that the growth rate of the national economy slowed down to 3.9% against the annual growth of 4.8% registered in 2015. However, the growth rate of the industrial sector improved to 5.2 % during the first half of 2016, compared to 2.5% for the same period of 2015. This positive change was largely due to the recovery of the construction industry.

Compared to the contraction of 2.8% that we experienced in 2015, Tokyo Cement's industry sector of construction, grew by 8.5% in the first half of 2016, which was an encouraging turn of events. This growth in construction activities was reflected in the increase in cement consumption by 22.9% and also increased private sector credit from the commercial banks to construction activities by 40.2%, during the first half of 2016, compared to 2015. Further, building material imports also recorded a significant growth of 33.5% during the period. Increased manufacturing of cement, which represents a major share of production of this subsector, was the key contributor.

While the construction industry's recovery was definitely good news for Tokyo Cement, I must clarify that the above growth took place within an environment of increasing costs, that would have seriously eroded our profit margins, if not for strategic management. On the home front, the industry was hit by new taxes and a VAT increase, rising cost of credit, continuous rupee depreciation and shortages of sand. Externally, the rising prices of oil and raw materials, added to the costs.

One of the most challenging situations was having to face this rapid cost increase without the power to adjust pricing structures. During the year, cost of cement imports and manufacture continued to climb. However, as cement prices are controlled by the State, Tokyo Cement could not increase retail prices to recover the costs. While we have applied to the Consumer Affairs Authority for another price revision for cement, this had not materialised by the end of the financial year.

Our current financial performance therefore, has been achieved against some very strong challenges.

Key company developments during the year

Tokyo Cement maintained its long term oriented focus during the year, to safeguard both immediate and future sustainability of the Company.

In August 2016, Tokyo Cement Company (Lanka) PLC signed a technical cooperation agreement with Ube Industries of Japan. Through this agreement, Tokyo Cement's engineers, technicians and managers will be exposed to modern Japanese production systems, management techniques and new technologies, which will facilitate both technology and knowledge transfer from Japan to Sri Lanka. I believe this will be of strategic importance as we continue to upgrade our products and systems and develop new products for the construction industry.

For greater operational efficiency, in 2016, Tokyo Cement Colombo Terminal (Pvt) Ltd, which is a fully owned subsidiary of Tokyo Cement Compny (Lanka) PLC, was amalgamated with the parent company. Tokyo Cement Colombo Terminal was Tokyo Cement Group's import arm, to import and package cement for domestic consumption. The amalgamation did not result in any changes to Group share structure and business activities, and we will continue to import cement to meet any demand shortfall. However, the amalgamation will facilitate centralised administration and management, and some tax savings that will result in better cost efficiencies for the Group.

As part of our backward integration strategy, Tokyo Cement entered the sand manufacturing business in 2016, by commissioning a new sand manufacturing plant in Dompe. Tokyo Super Aggregate (Pvt) Ltd is already supplying some of the sand required for our ready-mix concrete operations. We hope to expand its output in the new financial year to support demand growth.

Another new ready mix plant was added under the Tokyo Supermix brand, in Meethotamulla. With the new facility we now operate 11 ready mix concrete plants.

Chairman's Message

Construction work on our new cement manufacturing facility, the Tokyo Eastern Company, located adjacent to our existing factory in Trincomalee, was completed during the year. Successful test runs were initiated at the new facility on May 5th, 2017, to commemorate the birthday of the late Mr. A Y S Gnanam, the founder of the Tokyo Cement Group.

Keeping with our sustainable business policy, the Tokyo Eastern Cement Company will operate on renewable energy from a new biomass power plant.

Despite the challenges faced during the year, we continued to uphold the Tokyo Cement tradition of supporting social and environmental causes. Please refer the sections on 'Environmental Responsibility' and 'Building Relationships' for more information on these activities. For details on operational aspects of the business please refer the Managing Director's Review.

Outlook for 2017

Construction activities are expected to contribute largely to economic growth in 2017 and onwards, on account of large-scale construction projects such as the Western Region Megapolis Project and Central Expressway Project, together with the continuation of the Colombo International Financial City, Southern Expressway Extension Project - Matara to Hambantota and the Outer Circular Highway Project – Phase III. Private construction projects such as condominiums, housing developments, commercial buildings, hotels etc.., would also provide impetus for construction growth.

We have continued to expand our capacities and ventured into new products to cater to this anticipated demand growth and I am confident Tokyo Cement will be able to increase its contribution to the national economy in 2017.

I would like to conclude by thanking the Board and the management for their valuable guidance during the year. I also thank our employees and network of dealers, as the current performance would not have been possible without their commitment. As always, I am grateful to our customers and I look forward to serving their needs better in the new financial year.

Dr. Harsha Cabral P C
Chairman

30th June 2017

Message from the Japanese Joint Venture partner

"Sri Lanka's construction industry is poised for unprecedented growth over the next few years, and Tokyo Cement is ready and equipped to cater to this growth".

I would like to extend my congratulations to the Chairman & Board of Tokyo Cement PLC for its record performance during the financial year 2016-17. As the President of Japan's Nippon Coke & Engineering Co., Ltd, the joint venture partner of Tokyo Cement Company (Lanka) PLC, I am proud of this achievement and would like to express my appreciations to the Board, management and staff for their dedication and hard work, that has made this financial performance a reality.

Sri Lanka's construction industry is poised for unprecedented growth over the next few years, and Tokyo Cement is ready and equipped to cater to this growth. The Company has been consistently investing in capacity expansion and developed new product lines to modernise the local construction industry. Tokyo Cement is already pioneering the introduction of modern engineering and construction developments into the Sri Lankan market and the Company will make even greater contributions in the near future.

More importantly these investments have been consciously structured to be as sustainable as possible in terms of resource conservation and limiting environmental impacts. The Company has also upheld its commitment to be a responsible corporate citizen by being fully compliant with all relevant governance and regulatory requirements and by supporting environmental conservation initiatives and corporate social responsibility projects.

This sustainable outlook with regards to growth will be vital in supporting the Company's progress in the future by balancing financial gains through non-financial contributions that help the people of the country.

I take this opportunity to extend my thanks to the shareholders of the Company. We are committed towards enhancing their returns in the new financial year. I would also like to express my gratitude to the customers and business partners of the Company, as they are vital stakeholders in the success of the Company I wish the Company all success in the new financial year.

Kazuya Kage
President
Nippon Coke & Engineering Co., Ltd

30th June 2017

Managing Director's Review

"I believe the current financial gains are a direct result of our investments over the last decade, into becoming more self sufficient and more cost efficient".

As already noted by the Chairman, Tokyo Cement has recorded a strong financial performance for the accounting period 2016-17. I believe the current financial gains are a direct result of our investments over the last decade, into becoming more self sufficient and more cost efficient. Our shareholders may recall that we were among the first companies in Sri Lanka to harness renewable energy. We also started opening up, to new technologies and new ideas, well ahead of the industry. Today, we are beginning to see returns on these investments in the form of cost savings and efficiency gains, that safeguard our bottom line.

Our business environment

Although major projects such as the Port City development restarted during the year, 2016 was somewhat of an anti-climax for the construction industry, as these large projects did not start moving at the expected pace. Demand for most of the year was driven by household and small scale private activities and these activities were repeatedly disrupted by floods and landslides in 2016 and drought in 2017.

Overall, the construction industry saw cost structures spiral upwards during the year, due to a combination of external developments, domestic policies and shortages of sand. The rupee fell by 5% against the dollar and with continued turmoil in the middle east, oil prices started climbing towards end 2016. The resulting upward price revision of raw materials such as clinker, and freight costs, increased import costs. In addition, domestic policies too, contributed to cost increases with the VAT increasing from 11% to 15%, new taxes adding on, and the SVAT, which was supposed to be abolished,continuing to remain. Meanwhile, shortages of key raw materials, such as sand and aggregates, put additional pressure on overall industry prices. Currently, the western province is in short supply of sand due to restrictions on river sand mining and sand transport licenses. The construction sector is also starved for aggregates due to the port project absorbing most of the immediately available granite rock.

Despite the rapid cost increase during 2016, cement retail prices remained controlled and did not reflect real market costs. In early 2016, following 14 months of hard lobbying, Tokyo Cement was able to increase cement prices to reflect cost structures that prevailed in 2014 and 2015. However, losses from rupee depreciation in 2016 to date, and cost increases from rising oil prices, are yet to be recovered.

We continued to feel pressure from duty-free cement imports from India and Pakistan under the free trade agreements. This preferential tax treatment for imported low quality cement, combined with controls on retail prices, made it difficult for local cement producers like Tokyo Cement to manage operating finances, as a majority of our revenues come from cement sales. We had to absorb cost increases but could not increase retail prices to retain margins, and also had to compete with imported cements that did not face the same cost increase.

Our performance

Given the pressure on our cost structures, I believe our performance has been noteworthy. We achieved a top line growth of 18.5% year-on-year with total revenues increasing from Rs 30.1 Bn to Rs 35.7 Bn. Despite total operating costs increasing by 14.5% we maintained an operating profit growth of 57% for a net profit growth of 75% against the previous year.

This financial performance was driven mainly by expanded sales and cost savings. The green light to increase cement retail prices in 2016, in response to cost increases in 2014-15, was another saving grace. This allowed us to recover previous year losses that would have otherwise added-on, to losses from 2016-17 cost increases.

Our revenue growth was achieved through increased outputs, coupled with expanded sales and marketing activities. To increase outputs, a new ready-mix plant was set up in Meethotamulla, which has increased our concrete based revenues. In addition, our new sand manufacturing factory, Tokyo Super Aggregate (Pvt) Ltd, was commissioned during the year. This gave us access to manufactured sand at a reasonable price for ready mix concrete, despite the shortage of river sand in Colombo.

To increase cement revenues, we restructured, strengthened and expanded our sales and distribution network to facilitate market penetration.

Our innovation products too, have continued to grow in popularity and I am confident these value added products will do well in the future.

The bottom line benefited from investments into more cost efficient systems, technologies, and of course our own power generation. Our existing cement factories in Trincomalee are entirely energy self sufficient from a biomass plant. The Mahiyangana dendro plant sells its output to the national grid and is profitable. Energy self-sufficiency protects Tokyo Cement from energy cost increases and potential energy shortages.

We continued to improve our production activities in 2016 and our agreement with Ube Industries will bring specialised technical support to improve our systems. We have already commenced sending managers to Ube factories, to learn from them.

Beyond the numbers

I would like to state that we have not overlooked our social and environmental commitments, while driving-up the numbers. In fact, we have maintained our corporate policy of building a sustainable business. As part of this philosophy, we have continued to invest in quality systems and certification to maintain not only product quality, but also safety and environmental standards. Please refer the 'Tokyo Quality Standards' section for more information.

We try to make our supply chain as 'clean' as possible. Therefore, in 2016 we invested Rs 22.2 Mn to build a sound barrier around the Tokyo Super Aggregate sand manufacturing factory, to address possible impacts from noise pollution. All our manufacturing facilities have maintained conformity with all Central Environmental Authority standards and we have even attempted to go beyond this, wherever possible. In addition to all of this, during the year, we contributed over Rs 40 mn for various environmental projects. Please refer the 'Environmental Responsibility' section for more information.

Throughout Tokyo Cement's history, we have been supporting people and causes in need. Over the last few years we have shifted our focus from a philanthropic outlook, to a more long term corporate social responsibility (CSR) approach in providing community support. Please refer the section on 'Building Relationships' for details of our CSR activities.

Investing in the future

The current financial performance has demonstrated the expediency of future oriented, strategic investments. We have continued to maintain this approach to safeguard the Company from potential risks and to benefit from emerging opportunities.

With development projects now gradually speeding up, we anticipate stronger demand growth for cement and concrete in the new financial year. Tokyo Cement is ready to respond to this opportunity. We have already invested in excess of Rs 7.3 Bn to increase domestic production of cement by 1 million MTs in 2017, by using renewable energy. Our factories will increase total annual cement production to 2.8 million MTs, from the current 1.8 million MTs, and will be energy self-sufficient with a new 8MW biomass plant. We will also accommodate additional capacity for our range of innovation products, together with a new laboratory. The jetty in Trincomalee will be expanded to accommodate larger vessels, to transport raw materials to the factories. Dredging work is ongoing and the jetty is expected to be ready for larger ships by 2018. We will also increase cement imports in 2017, to address any supply shortfall.

As the country is already facing a shortage of sand we hope to increase sand outputs from Tokyo Super Aggregate for our ready-mix plants. This will contribute significantly towards holding down the cost of ready-mix concrete.

In 2017, we also plan to open a technical training centre down Baseline Road, to expose industry professionals and university students to modern construction solutions for mixed design constructions. I believe this type of interactive educational centre will encourage the industry to adopt more efficient construction practices, as the country is already facing energy and raw material constraints.

On the supply end, I expect prices to continue trending upwards in 2017 due to both domestic and international developments. With the Indian economy picking up and western economies gradually recovering, we expect cement supplies to tighten in the region. This coupled with fuel price increases will put pressure on construction industry prices. Uncertainty regarding domestic tax policy will also negatively impact industry prospects in terms of local and foreign investments. Therefore, I once more call on the national authorities for strategic and long term policies for the country.

I conclude by thanking our shareholders, the Board, all our employees, dealers, suppliers and our customers, for their contributions towards an extremely successful year. I believe our success is a result of our cooperation and collaboration, and I am grateful for the diverse contributions made by our different stakeholders. I look forward to your continued support in the new financial year.

S R Gnanam
Managing Director

30th June 2017

Board of Directors

Board of Directors

Dr. Harsha Cabral P C
Chairman

Dr. Cabral was appointed to the Board as an Independent Non-Executive Director in 2009. He is currently the Chairman of the Tokyo Cement Group of Companies, the largest cement company in Sri Lanka and is a Director of several listed and unlisted companies.

Dr. Cabral has been a President's Counsel for 11 years and has 29 years of experience specializing in the fields of company law, intellectual property law, commercial arbitration, commercial law & international trade law.

Dr. Cabral has a PhD in Corporate Law from the University of Canberra. He is a member of the ICC International Court of Arbitration, the Law Commission of Sri Lanka, the Advisory Commission on Company Law in Sri Lanka, the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, the Ministerial Committee 'Public Enterprise Board', the Council of the University of Colombo, the Board of Studies (Council of Legal Education), the Corporate Governance Committee (CA-SEC), the Board of Studies of the School of Accounting & Business (CA Sri Lanka) and the Legal & Judicial Reforms Project (LJRP). He is also a UGC Nominee for the Post Graduate Institute of Medicine (PGIM) and a Senate Member of the Aquinas University College. He is a Council Member, Faculty Member and the Course Director of ICLP, is the Vice President of the Business Recovery & Insolvency Practitioners of SL (BRIPASL) and is a Senior Lecturer & Examiner at the University of Colombo.

He is the author of several books on company law & intellectual property law.

Mr. S R Gnanam
Managing Director

Mr. S R Gnanam was appointed to the Board in 1983. He has over 30-years of experience in business management, strategic planning and social and economic research. He is the Chairman of Orion City Limited, South Asian Investment (Pvt) Limited, Alexandra Industries (Ceylon) Limited, St. Anthony's Hardware (Pvt) Ltd, and Capital City Holding (Pvt) Ltd. He also serves as the Managing Director of St. Anthony's Consolidated (Pvt) Ltd, St. Anthony's Hydro Power Limited, Sofia Kandy Limited and many other companies.

Mr. A S G Gnanam
Director

Mr. A S G Gnanam graduated from the Illinois Institute of Technology in Industrial & Mechanical Engineering in 1973. He has been on the Board since 1999. He is the Chairman & Managing Director of St. Anthony's Industries Group (Pvt) Ltd., the Chairman of Rhino Roofing Products Ltd., and the CEO of many private and public companies.

Mr. E J Gnanam
Director

Mr. E J Gnanam was appointed to the Board in February 2007. He is the Managing Director of South Asian Investments (Pvt) Limited, an investment company, and also serves as the Managing Director of Orion City Limited and Rhino Roofing Products Limited. He also holds directorships in other listed and private companies. He has wide experience at leading corporate sector institutions spanning manufacturing and services. He has a Bachelor of Arts Degree from the University of Texas and an MBA from the University of Melbourne.

Mr. R Seevaratnam
Director

Independent Director Mr. Seevaratnam was appointed to the Board in May 2007 and serves as the Chairman of the Audit Committee. He is a former senior partner of KPMG Ford, Rhodes, Thornton & Company. He is a fellow Member of the Institute of Chartered Accountants of Sri Lanka and England & Wales and is the holder of a General Science Degree from the University of London. He holds directorships in many listed companies and during the current financial year was appointed to the Boards of Lankem PLC , Darley Butler Ltd and the Distilleries Co., of Sri Lanka PLC.

Mr. Hiroki Tsukigawa

Director

Mr. Tsukigawa was appointed to the Board in 2013. He graduated from the Yokohama National University in 1984 with a Bachelor of Business Management Degree. He entered "Mitsui Mining Company, Limited" in 1984. He has over 25 years of working experience in coal & coke procurement and marketing business at Nippon Coke and Engineering Co., Ltd. (formerly Mitsui Mining Co., Ltd.). He has served as the Senior Manager of the Corporate Planning & Administration Department of Nippon Coke and Engineering Co., Ltd. from 2012.

Mr. A D B Talwatte

Director

Mr. Talwatte appointed as Non-Executive Independent Director in August 2016. He is the Chairman of Management Systems (Pvt) Limited (MSL). He is a fellow member of CA Sri Lanka (CASL) and CIMA U.K. Mr. Talwatte has a Post-Graduate Diploma in Business and Financial Administration awarded by CASL and the University of Wageningen, Holland and has a MBA from the University of Sri Jayewardenapura, Sri Lanka. He has also participated in a Kellogg Executive Program at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois.

Mr. Talwatte worked at Ernst & Young in assurance, business risk and advisory services for 37 years, of which 10 years was as Country Managing Partner, prior to his retirement. He has worked with Ernst & Young in Cleveland, Ohio and has served on Ernst & Young's Far-East Area Executive Committee and the Area Advisory Council. He has also served on the ASEAN Leadership Committee, was President of the Institute of Chartered Accountants of Sri Lanka (CASL) for a two year period in 2002/2003 and the CIMA in 1995/96. He served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of ICASL.

He has been closely associated with the development of Corporate Governance in Sri Lanka. He was actively involved with the Code of Corporate Governance of 2003 and the Code of Audit Committees in 2002, co-chaired the committee which revised the Code of Corporate Governance of 2008 and the Listing Rules, co-chaired a Committee on Corporate Governance set up by CASL jointly with the SEC to review and revise the Code of Corporate Governance in 2012, chairs the Committee to review the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code. He has served as a non-executive director on boards of listed companies, public companies and state owned enterprises.

Mr. Ravi Dias

Director

Mr. Dias was appointed as a Director in 2014. Mr. Dias has served Commercial Bank of Ceylon PLC for four decades and retired recently. He holds a Degree in Law and is a fellow of the Institute of Bankers (UK). He is also a Hubert H. Humphrey fellow. He is an Alumnus of the INSEAD Business School –France, having attended the Advanced Management Program in Fontainbleau.

He serves on the Boards of Carson Cumberbatch PLC, Ceylon Tea Marketing (Pvt) Ltd and South Asia Textile Industries (Pvt) Ltd. He serves as Chairman of the Board and companies of Senkadagala Finance PLC and Seylan Bank PLC.

Mr. Ravi has also served on the Boards of Commercial Development Company PLC, Lanka Clear Limited, the Lanka Financial Services Bureau Limited and Commercial Insurance Brokers (Pvt) Ltd.

He is a committee member of the Ceylon Chamber of Commerce and was a Council Member of the Employers Federation of Ceylon.

Mr. W C Fernando

Executive Director

Mr. Fernando was appointed as the Group General Manager in 1991. He is a Director of the Tokyo Super Cement Company Lanka (Pvt) Limited, Tokyo Cement Power (Lanka) (Pvt) Limited, Tokyo Eastern Cement Company (Pvt) Limited and Joint Managing Director of the Tokyo Super Aggregate (Pvt) Limited. He counts over 25 years of experience across various industries. He has a B.A (Hons) Econ, B. Phil (Hons) Econ. and is a FCMA, FCA and is an Attorney-At-Law.

Management Discussion and Analysis

Management Discussion and Analysis

The chapters of the Management Discussion and Analysis, together with the Managing Director's review and Chairman's Message and the audited financial statements of the Company and the Group, reflect the respective state of affairs of the Company and the Group.

Sustainability strategy

The Tokyo Cement sustainability strategy is based on building a financially sustainable business that is also socially and environmentally responsible. To this effect, we leverage technologies to enhance efficiencies, reduce waste, minimise environmental impacts and improve quality. We develop our human resource base to implement our sustainable growth strategy.

Governance

- Sound business ethics
- Regulatory compliance
- Internal controls and risk monitoring
- Investing in quality standards
- Sustainable business strategy

Technology

- Gradually shifting to an electronic, paperless system
- Renewable energy
- Develop new products
- Testing and laboratory facilities

Human capital

- Technical knowledge transfer
- Train distributors
- Train employees
- Provide career development opportunities

Social capital

- Build brand equity
- CSR
- Regular stakeholder engagement

Environmental responsibility

- Minimise Environmental impacts
- Waste treatment
- Recycle and reuse waste
- Conservation projects

Economic value creation

- Shareholder returns
- Employment generation
- Taxes to government
- Developing Skills
- Rural livelihoods
- Better products for industry and customers

Social value creation

- Support research and academic development
- Support youth education
- Develop rural cricketing talent
- Free training of construction industry technicians

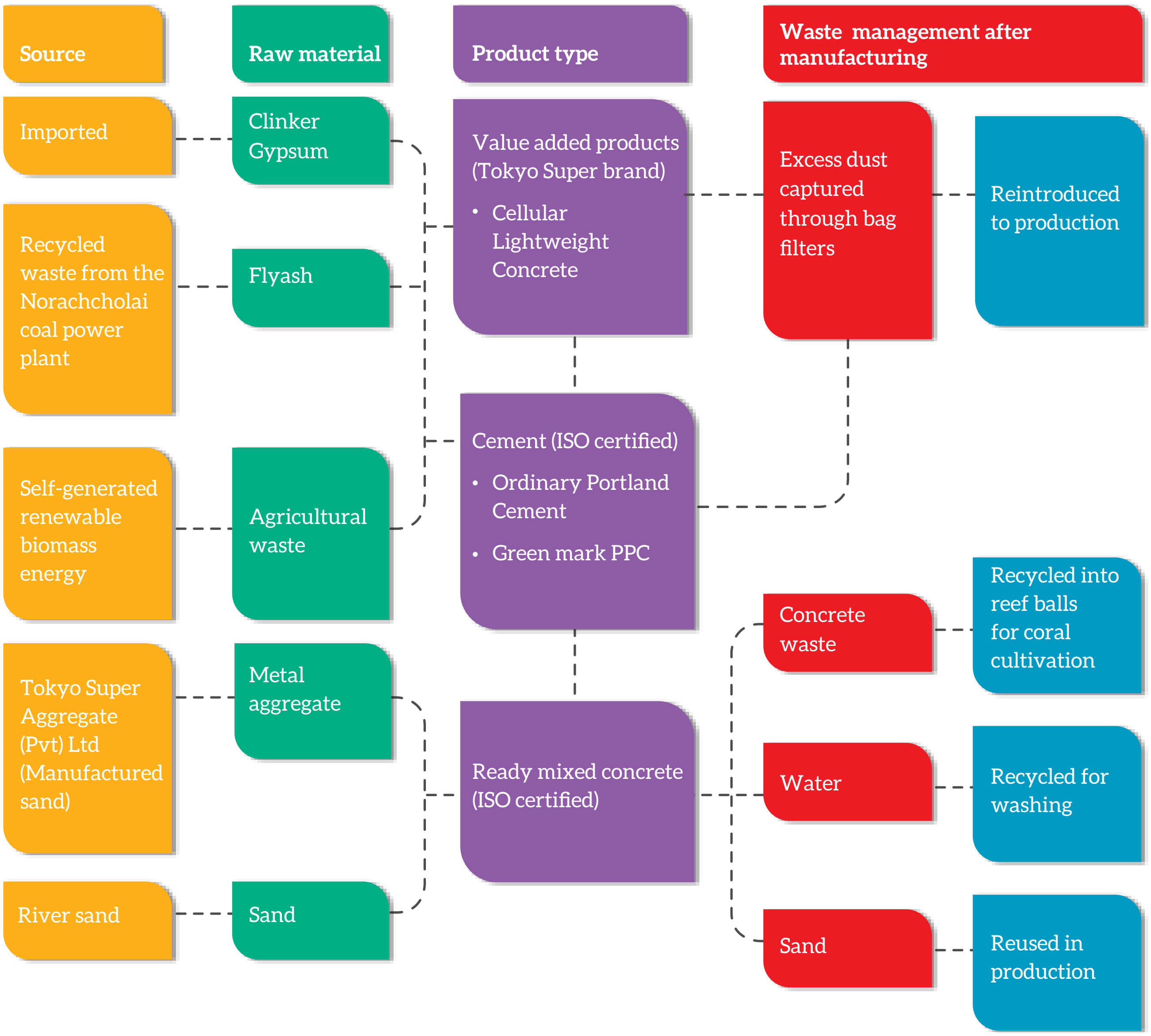
Environmental conservation

- Rehabilitation of coral reefs
- Regeneration of mangrove cover
- Renewable energy from biomass and dendro
- Waste treatment
- Promoting green building concepts

Tokyo Cement Supply Chain

We attempt to build a sustainable supply chain that is both efficient and socially and environmentally responsible. To contain our carbon footprint, we reduce, reuse and recycle wherever possible. We also try to reduce the carbon footprint at the consumer-end by developing products that are more environmentally friendly and resource efficient. Our range of innovative products are designed to consume less resources and reduce wastage in construction activities.

- In 2016-17 we added a new link to our supply chain by commissioning a sand manufacturing facility, Tokyo Super Aggregate (Pvt) Ltd. This facility will reduce environmentally damaging river sand mining.
- We are in the process of shifting operational and administrative functions on to an electronic platform by implementing an ERP system. This will enhance productivity while reducing waste and paper consumption
- Environmental licenses were renewed for 2016-17 for all production facilities in compliance with Central Environmental Authority standards
- During the current financial year we generated 113,580 MWh of renewable energy, out of which 73,248 MWh was from biomass and 40,332 MWh from dendro power plant.
- We have continued to recycle concrete waste, water and sand at our factories.



Engaging with our stakeholders

All statutory stakeholder engagements were discharged as required during the year. In addition, many stakeholder engagement events were conducted to build long term relationships with key stakeholder groups. To enhance competitiveness of the Tokyo Cement brand we conducted brand building activities with consumers, industry bodies and industry professionals through mass market communications and targeted programmes.

➲ Employee Policy

Employees are the heart of the Company and as an equal opportunity employer Tokyo Cement does not discriminate based on gender, race or religion. We are committed to uphold the highest levels of occupational health and safety standards in all our operations and as part of our human resource policy we provide career advancement opportunities to all employees, based on merit.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group during the year.

➲ Customer Policy

We strive to go beyond our customers' expectations in all we do and the Tokyo Cement Customer Policy makes all efforts to provide total satisfaction to all customers. We invest in new products and improvements to existing products and services in line with customer needs. We believe our customers are partners of our success.

➲ Supplier Policy

Suppliers are essential for the efficient operations of our business. Therefore, the Tokyo Cement Supplier Policy is to build long term relationships with our customers based on mutual trust and reliability that creates a win-win situation for all parties.

Shareholders	• The previous annual AGM was held in 04th August 2016 at the ICASL Auditorium • Copies of the annual report was sent to all shareholders who opted for printed copy • Interim financial statements were published and released to the Colombo Stock Exchange on timely basis
Employees	• Employees are being exposed, in batches, to Japanese process and systems through an agreement with Ube Industries of Japan • All statutory employee payments were made and additional welfare activities were held to enhance employee satisfaction • Occupational health and safety standards were maintained
Dealers & distributors	• Annual Tokyo Cement Dealers Convention was held on the 18th of March 2017, at the Oak Room, Cinnamon Grand Hotel, Colombo.
Industry bodies	• Engaged with trade chambers and other industry bodies through sponsorship of construction industry related events, participation in trade fairs, exhibitions and in business delegations • Sponsored 2 events of the Society of Structural Engineers - Sri Lanka (SSE-SL) • Membership in industry bodies • The Ceylon Chamber of Commerce • The Chamber of Construction Industries
Suppliers of raw materials	• Negotiations were aimed at containing prices and delivery costs, amidst rising costs due to rupee depreciation and increasing fuel prices.

Research and educational institutions	• Continued to sponsor the final year research projects of Civil Engineering graduates of the University of Peradeniya • Continued to sponsor the Research Symposium of the Civil Engineering Faculty, University of Peradeniya • Sponsored the Undergraduate Symposium of the Civil Engineering Faculty, University of Ruhuna • Sponsored the 21st International Forestry and Environment Symposium 2016, of the Department of Forestry and Environmental Science, University of Sri Jayewardenepura • Discussions are underway with the Faculty of Engineering of the Sri Lanka Institute of Information Technology (SLIIT), to conduct practical skills development initiatives and to engage engineering undergraduates
Customers	• Customer access to our products was increased by expanding our distribution and retail network • Increased direct customer contact through trade fairs and exhibitions
Community	• We continued our social marketing strategy for community engagement through our ongoing CSR projects

Operations review

Performance of our products

➲ Marketing, Sales and Distribution

The cement retail market is extremely competitive due to imported cements competing with local products that are sold at controlled prices. In 2016-17 we enhanced our focus on our marketing and distribution operations to benefit from the increase in demand from the construction industry. The agent and dealer network was strengthened and reorganised to take Tokyo Cement products deeper into the country and to ensure our products are available at strategic growth locations. This wider distribution network has improved accessibility of Tokyo Cement products to households across the country.

The distribution channel was also reinforced with a boost of technical knowledge and skills. During the current financial year, we recruited sales engineers to work with our regional managers, to provide specialised technical advice and customer support. We believe this move will add value and build confidence among Tokyo Cement customers, who will now have access to technical expertise at their own worksites.

We also focused on differentiating Tokyo Cement products from the competition by educating consumers about quality and construction safety aspects. A key element of brand building has been the Tokyo Cement social marketing strategy that aims to build brand relationships through social welfare programmes. Please refer the chapter on Relationship Building for more information.

➲ Value added products

Tokyo Cement is a pioneer in the value added construction products sector in Sri Lanka and enjoys the early mover advantage in the local market. While overall revenues from these products remain small at present, during the year the segment saw a 100% growth year-on-year, in terms of sales revenues. As industry awareness increases about ease of usage and the superior quality of these products, compared to traditional construction materials, we will see further growth.

Our new factory, the Tokyo Eastern Cement Company, will allow us to expand production of these items in the new financial year. We will continue to educate both industry professionals and consumers about the significant cost and quality advantages and environmental benefits of these products.

In addition, we continuously monitor international and regional advancements in construction related products and technologies. Our R&D teams are constantly exploring new ideas that can be adapted to local conditions.

➲ Laboratory facilities

Currently Tokyo Cement operates 2 laboratories, one in our factory in Trincomalee and the second at the A.Y.S. Gnanam Construction Training Academy in Dambulla. In addition, a new state-of-the-art laboratory and R&D centre will be opened at the Tokyo Eastern Cement Company in 2017. Tokyo Cement also operates a mobile laboratory that brings testing facilities directly to customers. These facilities provide much needed industry support to test the quality of products and also to develop new products and introduce new applications for existing products. During 2016-17 financial year our laboratories offered services to 37 external industry customers, conducting a total of 1158 tests.

➲ IT system upgrades

We are in the process of implementing an ERP system for the Company to improve financial reporting, monitoring and management of resources. The new system is an investment of Rs. 119 Mn and will be operational in the new financial year. The system will enhance overall management efficiencies and provide better insights for strategic planning. Employees are being trained to use the new system, which will result in a gradual shift from manual processes to a more efficient electronic environment, which improves employee productivity while consuming less paper.

Human resource development

Our total employee cadre expanded during the year to meet staffing needs at our new facility at Tokyo Eastern Cement Company and the new ready-mix concrete plant in Meethotamulla. As at end March 2017, the total workforce stood at 1138 personnel, compared to 1004 in the previous year.

➲ Employee benefits and health and safety

All health and safety standards are observed within the factory premises and health and safety training is provided. We also provide hospitalisation insurance cover for employees who have completed 10 or more years of service. As part of our employee welfare system, we provide accommodation for senior and junior staff in Trincomalee.

➲ Employee grievance management

Formal, transparent grievance management systems have been established to ensure fair treatment of all employees regardless of age, sex, religion or ethnicity. An open-door policy is maintained to facilitate communications between management and employees at all times. As a result, we enjoy extremely low staff turnover and high retention.

➲ Employee training and development

In 2016, we initiated a new employee skill development programme under the technical agreement with Ube Industries of Japan. The agreement is used to expose our technical personnel and management to modern Japanese processes and methods and also to transfer new technologies to Sri Lanka.

During the current financial year several local and foreign training programmes were held for employees. In total, we invested Rs. 4.8 Mn in training during the year.

Building relationships

Our CSR programmes support different stakeholder groups by contributing towards their growth and development. Through such engagements, we hope to build long term relationships between communities and the Tokyo Cement brand. To date, some of our projects, such as the Tokyo Super Quiz programme for schools, have been extremely successful and have even gained national recognition, contributing towards immediate brand recognition and building long term connection with young people.

➲ Divi Shakthi Programme

The Tokyo Cement Divi Shakthi workshops on business management is a specialised SME training programme in association with the International Finance Corporation. During the current financial year, over 200 sub-dealers and distributors were trained marking a significant milestone in empowering the dealer network.

The Tokyo Cement Divi Shakthi programme is designed especially for owners and managers of enterprises engaged in the dealership and distribution business, in selected districts in the Northern and Eastern provinces. Conducted under the theme "Planning to Compete", the trainings are customised to cater to the Sri Lankan SMEs. Participants are nominated by Tokyo Cement's regional sales teams who work closely with its distribution channel. The training course delivers knowledge in areas of Human Resource Management, Marketing, Finance, Cash flow Management, Operational and Personal Productivity.

➲ The Music Project

Tokyo Cement Group extended support to The Music Project, a non-profit initiative dedicated to uplifting the lives of children through music. With this partnership, Tokyo Cement will sponsor three schools; two in Mullaitivu and another from Mawathagama, Kurunegala, to further their music education.

The Music Project, launched in 2010 makes music accessible to children who do not have the required facilities. The project is currently underway in a few selected schools in the North and East provinces, linking them with children from Kurunegala in the North-Western Province. These students are trained to play orchestral instruments including the recorder, flute, violin, cello, trumpet, clarinet and a wide variety percussion instruments. They have the benefit of learning from specialist instructors as well as volunteers from various parts of the world. Students who participate become members of The Music Project Orchestra that travels across the country for special performances. Residential programmes are held alternatively in Kurunegala and Mullaitivu, connecting the two communities using music as the link language.

➲ Developing the construction industry skill pool

The 5th Competency Based Training Programme, a 2-month residential training, was concluded on the 11th August 2016, under the distinguished patronage of Mr. Athula Galagoda, Senior Vice President of National Construction Association of Sri Lanka, at the A.Y.S. Gnanam Construction Training Academy, Dambulla. The Trainees will be called for the National Vocational Qualification Test in due course.

➲ Tokyo Cement All Island Schools Quiz

Tokyo Super Quiz, the only All-island schools' general knowledge quiz competition is the Company's flagship CSR programme. The Super Quiz was launched with the objective of enhancing general knowledge of school children and encouraging them to participate in a competitive environment, creating good values while grooming them to be well-rounded citizens and future leaders.

The quiz completed its third season in 2016 and has become the most popular children's television programme in the country. The grand national winner of Tokyo Super Quiz Season 3 was Mahinda College, Galle and the runners up was Visakha Vidyalaya, Colombo.

This unique CSR programme, designed to build the foundation for tomorrow's leaders, is endorsed by the Ministry of Education and is conducted in collaboration with Swarnavahini and is televised to the entire country.

➲ Developing future cricketers

Implemented with the Foundation of Goodness, the programme aims to develop cricketing talent of rural children through coaching camps. The programme also builds infrastructure for cricket practice in Seenigama and Hikkaduwa and sponsors the Annual Murali Harmony Cup, which is an island wide cricketing event.

During the current year, 12 coaching camps were held and 30 potential stars were handpicked by the cricketing experts to continue training with the final objective of entering the national cricket team. The programme is also looking into conducting coaching camps in the Northern Province to enhance participation of youth from the North.

Sri Lanka's cricket star Muttiah Muralitharan continued to be a strong brand ambassador for Tokyo Cement through his support of the coaching camps and by representing Tokyo Cement in advertising campaigns.

Sponsoring the Society of Structural Engineers Annual Sessions 2016

Tokyo Cement sponsored the 2016 Annual Sessions of the Society of Structural Engineers of Sri Lanka (SSE-SL) that saw participation of over 200 engineers, consultants, construction professionals and developers, as well as students and undergraduates from all the leading universities in the country. The main objective was to foster a culture of scientific research and innovation among the Structural Engineering fraternity, by creating a platform to share knowledge and experience on various construction related topics among peers and experts in Sri Lanka and around the world.

Tokyo Cement sponsored the participation of renowned Structural Engineer Dr. Takanori Kawamoto of UBE Industries Limited, Japan as a Keynote Speaker at the conference, where nine breakthrough research papers were presented.

School nutrition programme

During the year, Tokyo Cement continued to support three schools in the Trincomalee and Kandy districts by providing a balanced meal for over 500 underprivileged children. In addition to providing the children with a nutritious meal, the programme also provides necessary equipment for the school kitchens and gets the support of volunteer parents in food preparation, making it a sustainable community project. The school nutrition programme has a very far reaching impact and is conducted with the view of providing a much-needed boost towards the education of rural children.

Environmental responsibility

Tokyo Cement makes all possible efforts to minimise the environmental impact of operations and is fully compliant with all environmental regulations. All waste by-products are treated to regulatory specifications and recycled to minimise the ecological impact. The company has also invested in renewable energy generation to fuel its manufacturing activities. Our range of value added Do It Yourself (DIY) products have been specially designed to reduce waste in construction activities and conserve natural resources. We also promote green building concepts to raise awareness about environmentally friendly lifestyles.

In addition to the above, we support a number of environmental conservation projects that have a long-term, national impact.

Renewable Energy

Dendro power project: The Tokyo Cement 5MW dendro power project in Mahiyangana generates electricity using Gliricidia wood that is cultivated by local farmers. The dendro power is sold to the national grid. In the current financial year, the dendro plantations expanded by another 589,310 trees taking the total cultivation to 3.25 million trees. At present over 2,000 farming families are involved in harvesting Gliricidia wood and collectively earned over Rs. 275 million in income by selling Gliricidia wood to Tokyo cement. The dendro plant generated 40,332 MWh of electricity during the year.

Biomass energy: Tokyo Cement's biomass plant in Trincomalee has a capacity of 10 MWs that is used to manufacture cement. Biomass energy is generated primarily using Paddy husk sourced from rice mills in the Trincomalee and surrounding districts. During the current year 73,248 MWh of electricity was generated using biomass.

In the new financial year, we will add another 8 MW of biomass capacity through our proposed new biomass plant at the Tokyo Eastern Cement Company in Trincomalee.

➲ Sponsoring International Forestry and Environment Symposium

Tokyo Cement was the platinum sponsor of the 21st International Forestry and Environment Symposium organised by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura.

Around 150 new key research findings under Energy, Forest & Natural resource Management and Biodiversity Conservation, were presented at the event and Tokyo Cement made presentations on Biodiversity Conservation and Green Technology Solutions, and Corporate Trends in Sustainability.

A stall depicting all environmental conservation activities undertaken by the Tokyo Cement Group was also on display.

➲ Mangrove Reforestation

The Tokyo Cement mangrove cultivation project, which is implemented with the assistance of the Sri Lanka Navy's Eastern Command, planted 10,000 new mangrove saplings along the eastern coastline during the year. Once grown, the mangrove cover will act as a protective barrier against coastal erosion and tsunamis and will support coastal ecosystems, developing vibrant ecosystems in which young fish may propagate before moving out into the ocean.

➲ Coral Rehabilitation

Tokyo Cement's coral rehabilitation project aims to rehabilitate damaged and destroyed coral cover along the Eastern coast. The Company uses recycled ready-mix concrete to produce reef balls which are artificial structures that are used for new corals to grow on. The project faced a setback in 2014 when young coral nurseries were destroyed by monsoonal tides. In 2015, the Company recommenced the project in Pasikudah Bay.

In 2016, the project entered a new phase by tying up with two marine conservation groups who will bring in their specialised expertise to enhance the programme and its long-term results. Exploration and scoping work commenced during the year and baseline data collection has been initiated.

To facilitate the project, engagement with the Sri Lanka Navy was increased while training Navy diving units on scientific research methodology on coral rehabilitation and monitoring. The project is conducted in collaboration with the Sri Lanka Wildlife Department and international agencies.

With the help of a consortium of partners that include the Blue Resources Trust, Sri Lanka Navy and the Department of Wildlife Conservation, Tokyo Cement reef balls are placed on the ocean bed in areas such as Pasikudah, Kayenkerni, Dutch Bay, Pigeon Island, all the way up to Jaffna.

➲ MOU with Wildlife Research and Conservation Trust (WRCT)

Tokyo Cement and the Wildlife Research and Conservation Trust (WRCT) entered into an MOU for collaboration on coral reef research, rehabilitation and conservation, making it one of the key building blocks of Tokyo Cement's Coral Reef Rehabilitation initiative.

As part of this understanding, the WRCT will bring their expertise in marine research, training and education to perform field work, including coral nursery preparation, reef-ball placement, coral planting and after care, to carry out Tokyo Cement's coral conservation programme.

➲ Tokyo Cement Group join forces with Blue Resources Trust

Tokyo Cement signed an MOU with the Blue Resources Trust, a marine research organization, to access expertise in underwater survey methods, that will be used to monitor coral growth.

The organization, with extensive local and international research experience, will promote science-based decision-making in coral conservation. This partnership spanning a period of three years, will develop education programmes, build awareness and encourage greater participation of local communities.

Tokyo Cement Quality Standards

Tokyo Cement has invested in obtaining international quality certifications to maintain consistent manufacturing quality of our products. In addition, we have renewed all relevant environmental licenses for our manufacturing facilities,issued by regulatory bodies. The Company did not face any penalties or legal action for non-compliance with any environmental regulations during the year.

ISO 9001: 2015

- Tokyo Cement factories in Trincomalee
- 11 Ready-Mixed Concrete Plants (New plant commissioned in 2016 in Meethotamulla, is pending certification)
- Tokyo Super Aggregate (Pvt) Ltd is pending ISO certification

ISO 14001:2015

- Tokyo Cement factories in Trincomalee
- Tokyo Super Aggregate (Pvt) Ltd is pending ISO certification

ISO 17025:2005

(by the Sri Lanka Accreditation Board)

- Tokyo Cement laboratory in Trincomalee
- Tokyo Cement R&D laboratory in Dambulla

Central Environmental Authority licenses

- Tokyo Cement factory in Trincomalee
- All 11 Ready-Mixed Concrete Plants
- Tokyo Super Aggregate (Pvt) Ltd

Green Mark (Singapore) in 2015

(For Environmentally friendly manufacturing)

- Tokyo Super Portland Pozzolana Cement (PPC)

Annual Report of the Directors

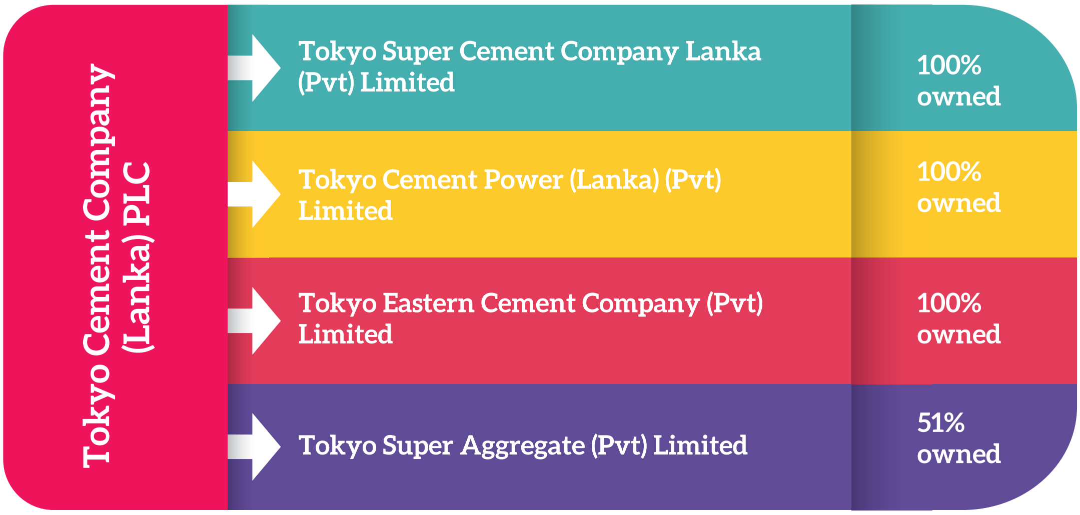
About the Company

Tokyo Cement Company (Lanka) PLC, was established in 1982, as a partnership between Japan's Nippon Coke and Engineering Company, (formerly Mitsui Mining company) and Sri Lanka's St. Anthony's Consolidated. Sri Lanka's first privately owned cement manufacturer was listed in the Colombo Stock Exchange in 1984.

The Tokyo Cement Group

As at end March 2017, the Tokyo Cement Group comprises four subsidiaries, following the amalgamation of the fully owned subsidiary, the Tokyo Cement Colombo Terminal (Pvt) Ltd, with the parent company during the current financial year. The Group now consists of:

1. Tokyo Super Cement Company Lanka (Pvt) Limited
2. Tokyo Cement Power (Lanka) (Pvt) Limited
3. Tokyo Eastern Cement Company (Pvt) Limited
4. Tokyo Super Aggregate (Pvt) Limited.



Principal Activities

The Company's core activities are the manufacture of Ordinary Portland Cement, Portland Pozzolana Cement, Tile Adhesives, Water Proofing Products, Pre-Mix Concrete, Ready-Mix Concrete, CLC Blocks and Power Generation, Manufacture sand and aggrigates.

Please refer the Chairman's Message and the Managing Director's Review for details of the Company's activities during the financial year 2016-17.

FINANCIAL REVIW

Significant Accounting Policies

The significant accounting policies adopted in the preparation of Financial Statements are given on page 75 to page 89 of the Annual Report.

Sri Lanka Accounting Standards (SLFRSs/ LKASs)

The Financial Statement of the Company for the year ended 31st March 2017, are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs).

Revenue and Profits

The Group's gross profits increased by 29%, to Rs. 8.9 Bn in 2016-17, from Rs. 6.9 Bn in the preceding year. The Company's gross profits increased to Rs. 4.9 Bn from Rs. 3.1 Bn.

Group profit before tax increased from Rs. 2.5 Bn to Rs 4.1 Bn, while profit after tax increased from Rs. 1.9 Bn to Rs. 3.4 Bn during the financial year under review.

Profit attributable to equity holders in the current financial year stood at Rs. 3.4 Bn compared to Rs. 1.9 Bn in the previous year.

Donations

The Tokyo Cement Group donated Rs. 3.7 Mn cash to numerous charities during the current financial year.

➲ Taxation

Tokyo Super Cement Company Lanka (Pvt) Ltd and Tokyo Cement Power (Lanka) (Pvt) Ltd are not liable for income tax on its main income at the reporting date.

Tokyo Cement Company (Lanka) PLC and Tokyo Super Aggrigate (Pvt) Ltd are liable for income tax at the reporting date.

Deferred tax: Deferred tax is provided for, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. For Group Companies under BOI tax holidays, deferred tax during the tax holiday period has been recognised for temporary differences, when reversals of such differences extend beyond the tax exemption period, taking into account the requirements of LKASs 12 and the Institute of Chartered Accountants of Sri Lanka (ICASL) council's ruling on deferred tax. Please refer accounting policy number 3.20.2 on page 86.

➲ Dividends

The Directors have recommended a tax free first and final dividend of Rs 1.87 per share, amounting to Rs. 499.8 Mn on issued stated capital of ordinary voting shares and Rs. 1.87 per share amounting to Rs. 249.9 Mn on issued stated capital of non-voting ordinary shares of the Company for the financial year under review. The dividend warrant will be posted on or before 08th August 2017 and the shares will be quoted ex-dividend with effect from 28th July 2017 as per the rules of Colombo Stock Exchange.

➲ Earning per share

Please refer note 10 on page 93.

➲ Net assets per share

Please refer on page 71.

➲ Stated Capital

The Company's stated capital at the end of the year under review, was represented by 222,750 Mn ordinary voting shares and 111,375 Mn ordinary non-voting shares.

➲ Reserves

The Group's total reserves increased from Rs 8.5 Bn to Rs 11.5 Bn by March 31, 2017.

➲ Debts

The Group's long term debts amounted to Rs 4.9 Bn against Rs. 2.9 Bn in the previous year. The Company's long term debts amounted to Rs 3.9 Bn compared to Rs. 3 Bn in the previous year. The Group's short term debts stood at Rs 3.8 Bn against Rs. 3.3 Bn a year ago. The short term debt of the Company as at 31st March 2017 came to Rs 2.5 Bn compared to Rs. 1.9 Bn a year ago.

The Group incurred an interest cost of Rs 533 Mn during the current financial year, compared to Rs. 466 Mn in the previous year.

➲ Property, plant and equipment

The consolidated property, plant and equipment amounted to Rs 21.1 Bn by March 31, 2017 compared to Rs. 19.8 Bn in the previous year. The value of the Company's property, plant and equipment was Rs 13.5 Bn compared to Rs. 12.6 Bn a year earlier. The Group's total capital expenditure for the year under review was Rs 4.6 Bn from Rs. 5.4 Bn in the previous year. A total of Rs 40.5 Mn worth of Group assets were disposed of during the year. Details regarding the movement of assets extent and location of properties and number of buildings are provided in the note 12 to the Financial Statements.

➲ Current assets

The total current assets of the Group, as at March 31, 2017, were valued at Rs 7.5 Bn against Rs. 4.8 Bn in the previous year. The total current assets of the Company was valued at Rs 4.4 Bn compared to Rs. 4.5 Bn in the previous financial year.

➲ Statutory payments

The Directors to the best of their knowledge are satisfied that all statutory financial obligation to the government and to employees have been either duly paid, or adequately provided for, in the Financial Statements. A confirmation of the same is included in the statement of directors responsibilities on pages 64 of this annual report.

Post-balance sheet events

Please refer note 35 on page 116.

Outstanding litigation

In the opinion of the Directors and the Company lawyers/legal counsel, litigations pending against the Company will not have major impact to the Financial Statements. Contingencies and commitments, information with regards to contingent liabilities and capital commitments as at March 31, 2017, are given in notes 27 and 28 on pages 105 of the Financial Statement.

Going concern

The preparation of financial statements have been done on the going concern basis, as confirmed in the Statement of Directors' Responsibilities on page 64.

Shareholders information

This information provided in pages 120 to 124 of this annual report.

Substantial Shareholdings

The 20 major shareholders and the percentage held by each of them as at March 31, 2017 are given in pages 123 to 124.

Equitable treatment to shareholders

The Directors at all times ensure that all shareholders are treated equitably.

Board committees

The Board has appointed a number of committees, with specific terms of reference, to improve management effectiveness of the Company. Accordingly the following committees have been constituted.

- Audit committee
- Remuneration committee
- Nomination committee
- Related Party Transactions Review Committee

The reports of the committees are given in pages 65 to 67 of the Annual Report.

Directors' responsibilities for financial statements

The Directors are responsible for the preparation and presentation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Statement of Directors' Responsibilities for the Financial Statements is given in page 64 of this Annual Report.

Board of Directors

Director	Designation
Dr. Harsha Cabral P C	Chairman and Non Executive Independent Director
Mr. S R Gnanam	Managing Director
Mr. A S G Gnanam	Non Executive Director
Mr. E J Gnanam	Non Executive Director
Mr. R Seevaratnam	Non Executive Independent Director
Mr. Ravi Dias	Non Executive Independent Director
Mr. Shiro Takihara	Non Executive & Nominee Director of Nippon Coke & Engineering Company Limited, Japan (Resigned on 24th January 2017)
Mr. W C Fernando	Executive Director & Group General Manager
Mr Asite Talwatte	Non Executive Independent Director (Appointed on 8th August 2016)
Dr. Indrajit Coomaraswamy	Non Executive Independent Director (Resigned on 3rd July 2016)
Mr. Hiroki Tsukigawa	Non Executive & Nominee Director of Nippon Coke & Engineering Company Limited, Japan

Directors' / CEO's Shareholding

Directors' / CEO's Shareholding - Ordinary Shares

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16
Local Joint Venture Partner - St. Anthony's Consolidated (Pvt) Limited	61,255,977	61,255,977	-	-
Mr. S R Gnanam - Managing Director/CEO	12	12	-	-
Mr. A S G Gnanam	12	12	-	-
Mr. E J Gnanam	12	12	-	-
Foreign Joint Venture Partner – Nippon Coke Engineering Co Limited, Japan	34,115,300	46,370,300	-	-
Nominee Directors of Foreign Collaborator				
Mr. Shiro Takihara (Resigned on 24th January 2017)	-	-	-	-
Mr. Hiroki Tsukigawa	-	-	-	-
Mr. W C Fernando - Executive Director and GGM	-	-	59,400	59,400
Independent Non Executive Directors				
Mr. Ranjeevan Seevaratnam	-	-	-	-
Dr. Harsha Cabral P C	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
	95,371,313	107,626,313	59,400	59,400
Total Shares in Issue	222,750,000	222,750,000	111,375,000	111,375,000

➲ Recommendation for re-election

To re-elect Mr. A.S.G. Gnanam who retires by rotation in terms of Article 115 of the Articles of Association. To re-elect Mr. A D B Talwatte who retires by rotation in terms of Article 120 of the Articles of Association. To re-elect as a director Mr. Ranjeevan Seevaratnam and being over the age over 70 years and who retires in terms of Articles of Association and pursuant to Section 211 of the Companies Act No 7 of 2007 for which special notice of the following ordinary resolution has been given by a member for the purpose.

That the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Ranjeevan Seevaratnam who is over 70 years and that he be re-elected as a Director of the Company

➲ Directors' remuneration

Directors' remuneration in respect of the Group and the Company, for the financial year ended March 31, 2017 are given in note 8 in page 91 of the Annual Report.

➲ Directors' Interests

The Directors' Interests in the Company contracts appear in pages 109 to 113 of the Financial Statements and have been declared at the meetings of the Directors. Apart from the information disclosed, the Directors have no other direct or indirect interest in any contracts or proposed contracts pertaining to the business of the Group.

➲ Directors' meetings

The Board of Directors met seven times during the year under review.

Annual Report of the Directors

Interest register

As required by the Companies Act No. 07 of 2007 Interest Registers have been maintained by the Company.

Related party transactions

Directors have disclosed related party transactions and such transactions are given in note 30 in pages 109 to 113 of the Annual Report.

Risk management

The directors have established and adhered to a comprehensive risk management framework at both strategic business units and group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified and significance of those risk are evaluated on basis of impact of such risks and the probability of occurrence of such risks. Based on the significance of risks mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the audit committee. The risk management report of the Group is in pages 57 to 61 of this report.

Auditors

The independent auditors report on the financial statements is given in page 68 of the Annual Report.

The retiring auditors Messrs BDO Partners, Chartered Accountants have stated their willingness to continue in office and resolution to grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The fees payable to auditors Messrs BDO Partners, Chartered Accountants are given in note 8 in page 91 of the Annual Report. As far as the directors are aware, the auditors have neither any other relationship with the Company nor any of its subsidiaries, that would have an impact on their independence. Messrs BDO Partners, Chartered Accountants, the auditors of the Company are also the auditors of all subsidiaries of the Group. The list of subsidiaries, audited by them is included in page 75 of the Annual Report.

Annual General Meeting

The Annual General Meeting will be held on 27th July 2017. The notice of the Annual General Meeting appears in page 129.

Mr. S R Gnanam
Managing Director

Mr. W C Fernando
Executive Director

Seccom (Pvt) Limited
Company Secretaries

30th June 2017

Corporate Governance

Tokyo Cement has remained fully compliant with all applicable regulatory requirements during the year and has continued to maintain compliance with the Code of Best Conduct on Corporate Governance.

Board of Directors

The highest governing body of the Company is the Board of Directors. The Board is committed to the maximum ethical standards and industry best practices of governance. The Board of Directors are appointed by the shareholders at the Annual General Meeting, except for the Nominee Director of Nippon Coke & Engineering Co. Ltd. The Board of Directors consists of nine (9) members. Four (4) Directors are Independent Non-Executive Directors and three (3) Directors are Non-Executive Directors. All Independent Non-Executive Directors are professionals in the field of banking, economic, legal and accountancy with many years of experience in business and administration.

Corporate Governance Process

As the highest decision making body of the Company, the Board of Directors formulate overall business strategy in association with corporate management and determine corporate goals, which are communicated down the management hierarchy through a systematic budgetary control procedure approved by the Board of Directors. Board of Directors review the corporate and operational performance of the Group each month in the context of political, economic, social and technological environment and provide direction to corporate management in managing the business. In order to assist the Board of Directors in implementation of their role following sub committees have been formed.

Audit Committee

The Audit Committee comprises of three Non-Executive Independent Directors. Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka. Audit Committee assists the Board of Directors in its general oversight of Financial Reporting, Risk Management, Internal Controls and functions relating to internal and external audit and monitoring of compliance with laws, regulations and best practices.

This Committee meets quarterly and the Managing Director, Executive Director, Chief Financial Officer and Internal Auditor participates at the Audit Committee meeting upon invitation. The report of the Audit Committee appears in page 65.

Audit Committee Members:

- Mr. R Seevaratnam - Chairman
- Mr. Ravi Dias
- Mr. Asite Talwatte

The Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors. The Committee is empowered to examine any matters relating to remuneration paid to executive members. Their terms of reference also encompass the review of matters relating to human resources management of the Company. The Company has adopted a policy of remuneration to Senior Management Team and Executive Directors based on performance. It is a policy of the Company to link remuneration of Senior Management Team with the Company's short range and long range business strategies and the committee makes its best endeavour to maintain remuneration levels sufficient to attract and retain Senior Management Team of the Company. The decisions on the matters relating remuneration of Senior Management Team were arrived in consultation with the Chairman and Managing Director. No director is involved in determining his or her own remuneration. The report of the Remuneration Committee appears in page 66.

Remuneration Committee Members

- Dr. Harsha Cabral P C - Chairman
- Mr. R Seevaratnam
- Mr. Ravi Dias

The Nomination Committee

The Nomination Committee comprises four directors of which three are Non Executive Independent Directors. The Committee is responsible for recommending the process of selecting Chairman and Managing Director and identifying suitable persons for appointment to the Board as Executive and Non-Executive Directors. The report of the Nomination Committee appears in page 67.

Nomination Committee Members

- Dr. Harsha Cabral P C - Chairman
- Mr. S R Gnanam
- Mr. R Seevaratnam
- Mr. Ravi Dias

Related Party Transactions Review Committee

As required by the Colombo Stock Exchange regulations set out in the provisions contained in Section 9 of the Listing Rules, a Related Party Transactions Review Committee was formed by the Board of Directors on January 1, 2016. In conformity with the Listing Rules, the Committee has been authorised to review all Related Party Transactions ensuring compliance with Listing Rules and legal requirements, concerning the transaction.

The Committee has met four times during the year under review. The report of the Related Party Transactions Review Committee appears in page 67.

Related Party Transactions Review Committee Members

- Mr. R Seevaratnam - Chairman
- Mr. Ravi Dias
- Mr. Asite Talwatte

Internal Controls and Monitoring

Board of Directors are responsible for maintenance of an effective system of internal control to ensure effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations, conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans. Board of Directors monitor operations through regular Board meetings and review various management information obtained at these meetings, including reports of the internal auditors.

Internal Control is implemented through corporate management by ensuring adherence to board accepted policies and adequacy of internal control implemented by the management is measured through the Internal Audit team who shall review the systems and controls in accordance with a board approved audit plan. This includes surprise audits of sales depots, Ready Mixed Concrete operations, and the factory. These reports are scrutinised and discussed by the members of the Audit Committee and suitable action is taken where necessary, in consultation with senior management. Members of the Audit Committee also reviews monthly/interim financial statements submitted to the Board, and ensures financial information reported are in compliance with various accounting standards promulgated by Institute of Chartered Accountants of Sri Lanka.

Going Concern

The Board is tasked with ensuring that the Company is a ‘going concern’ and therefore adopts processes and features into its decision making and in the preparation of financial statements, to form a solid foundation of sufficient resources to continue operations into the foreseeable future.

Transparency

The Board discloses full information, both financial and non financial information within the bounds of commercial realities. Being the only cement manufacturer listed on the Colombo Stock Exchange, it is committed to a responsible business philosophy. Dissemination of quarterly accounts and the release of the Annual Report and Audited Accounts are complied within the stipulated time frame.

Investor Relations

The Company continues to maintain good communication with all shareholders comprising both corporates and individuals. The Board invites questions from shareholders during the General Meeting. In addition, the Chairman and Executive Directors meet institutional investors and analysts to discuss the Company’s performance. Share price sensitive information not available to other shareholders is not divulged during these meetings.

Shareholder Value and Returns

We are firmly committed to constituting a Board of Directors who are eminent, erudite and well respected as we strongly believe that this adds value to the Company, a fact that is reflected in the strong share value we have gained over the years. The Board also maintains an attractive dividend rate aligned to the expectations of the shareholders as well as for Capital formations of future expansion.

External governance

As a responsible corporate citizen the Group adheres to regulations, codes of best practices etc. adopted by different governing bodies including the following:

- Companies Act No 7 of 2007
- Listing rules of Colombo Stock Exchange
- Code of best practice on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka and Securities & Exchange Commission of Sri Lanka
- Inland Revenue Act No 10 of 2006, VAT Act No 14 of 2002 and other revenue related regulations and subsequent amendments
- Exchange Control Act No. 24 of 1953 and subsequent amendments
- Customs Ordinance
- Consumers Affairs Authority Act No 9 of 2003
- Electricity Act No 20 of 2009
- Central Environment Authority Act No 47 of 1980
- Other legislations and pronouncements relating to the industry in force

We summarise below the extent to which the Group is in compliance with the rules set out in Section 7.10 of the Colombo Stock Exchange listing rules on corporate governance.

Compliance with the rules set out in Section 7.10 of the Colombo Stock Exchange listing rules on corporate governance.

No:	Rule	Compliance status
01	Board of Directors The correct number of Non-Executive Directors, in accordance with Rule 7.10.1 (a)	Compliant
02	The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.2 (a)	Compliant
03	Specified whether the Non-Executive Directors submitted a Declaration annually of his/her independence or non-independence to the Board of Directors - Rule 7.10.2 (b)	Compliant
04	Confirmed that the Board of Directors made an annual determination as to the independence or non-independence of each Non-Executive Director based on the Declaration mentioned above and other information available to the Board and states the names of Non-Executive Directors determined to be 'Independent' – Rule 7.10.3 (a)	Compliant
05	If the Director does not qualify as 'Independent', but if the Board taking into account all the circumstances is of the opinion that the Non-Executive Directors is 'Independent", the Board has specified, in the Annual Report, the qualification not met under Rule 7.10.4 of the CSE Listing Rules and the basis for determining the Director to be 'Independent' Rule 7.10.3 (b)	Compliant
06	Published a brief resume in the Annual Report, of each Director of the Board, which includes information on the nature of his/her expertise - Rule 7.10.3 (c)	Compliant
07	Remuneration Committee The correct number of Independent Non-Executive Directors in the Remuneration Committee, in accordance with Rule 7.10.5 (a)	Compliant
08	Specified whether a separate Remuneration Committee was formed or whether listed parent Company's Remuneration Committee used - Rule 7.10.5 (a)	Compliant

No:	Rule	Compliance status
09	Specified the names of Directors comprising the Remuneration Committee (where the parent company's Remuneration Committee qualifies to function as the listed company's Remuneration Committee, a statement in the Annual Report to this effect and disclosed the names of the Directors) - Rule 7.10.5 (c)	Compliant
10	Disclosed the functions of the Remuneration Committee, in accordance with Rule 7.10.5 (b)	Compliant
11	Specified whether the Chairman of the Committee is a Non-Executive Director Rule 7.10.5 (a)	Compliant
12	The Annual Report contained a statement on the Remuneration policy - Rule 7.10.5 (c)	Compliant
13	Specified the aggregate remuneration paid to Executive and Non-Executive Directors in the Annul Report - ["Remuneration" should include cash and all noncash benefits paid in consideration of employment with the Listed Entity (excluding statutory entitlements such as EPF and ETF)] - Rule 7.10.5 (c)	Compliant
14	Audit Committee The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.6 (a)	Compliant
15	Specified whether a separate Audit Committee formed or whether listed parent company's Audit Committee used - Rule 7.10.6 (a)	Compliant
16	Specified the names of Directors comprising the Audit Committee (where the parent company's Audit Committee qualifies to function as the listed company's Audit Committee, a statement to this effect and disclosed the names of the Directors) Rule 7.10.6 (c)	Compliant
17	Confirmed that the functions of the Committee has being in accordance with Rule 7.10.6 (b)	Compliant
18	Specified whether the Chairman of the Committee is a Non-Executive Director Rule 7.10.6 (b)	Compliant
19	Specified whether the Chairman or one member of Committee is a member of a recognised professional accounting body – Rule 7.10.6 (a)	Compliant
20	Specified whether the CEO and CFO attended Committee meetings, unless otherwise determined by the Audit Committee – Rule 7.10.6 (a)	Compliant
21	The Annual Report contained a report by the Audit Committee stating the manner of compliance in relation to the functions required of the Audit Committee and the determinations made by the Audit Committee – Rule 7.10.6 (c)	Compliant
22	Specified the basis for determining External Auditors as being Independent Rule 7.10.6 (c)	Compliant
23	Board shall avoid any conflict of interest from any transaction with any person and particularly with persons considered as related parties. Rule 9.2	Compliant
24	Monitor and approve recurrent and non-recurrent Related Party Transactions as set out in the Group policy guidelines. Rule 9.3	Compliant

Risk Management

As a heavy industry Tokyo Cement faces a multiplicity of risks that have varying degrees of impact on its daily business operations and its long term sustainability. Therefore, risk management is a core business management function of the Company and involves both the Board of Directors and the management. The objective is to increase shareholder value through successful risk management.

Process of managing risks

Risk management involves a three step process of identification, assessment, and prioritization of the effect of uncertain events on our business objectives. The Board of Directors and management have a key role in designing an effective system to identify potential uncertain events that may have adverse impacts and to manage such risks within the risk appetite of the Company or to eliminate the cause, to provide a reasonable assurance for the achievement of Company objectives. The administrative and operational activities of the Company are executed within an internal control system by managing risks associated with the enterprise.

Risk management strategies

1. Transferring the risk to another party,
2. Avoiding the risk,
3. Reducing the negative effect/probability of the risk, or even accepting some or all of the potential or actual consequences of a particular risk, and the opposite for opportunities.

Three lines of defense

Tokyo Cement's three lines of defense on risk management are:

1st line of defense

Identifying risks at their operations, evaluating and managing the risks within the approved framework of policies set by the Board of Directors at the ground level of operations.

2nd line of defense

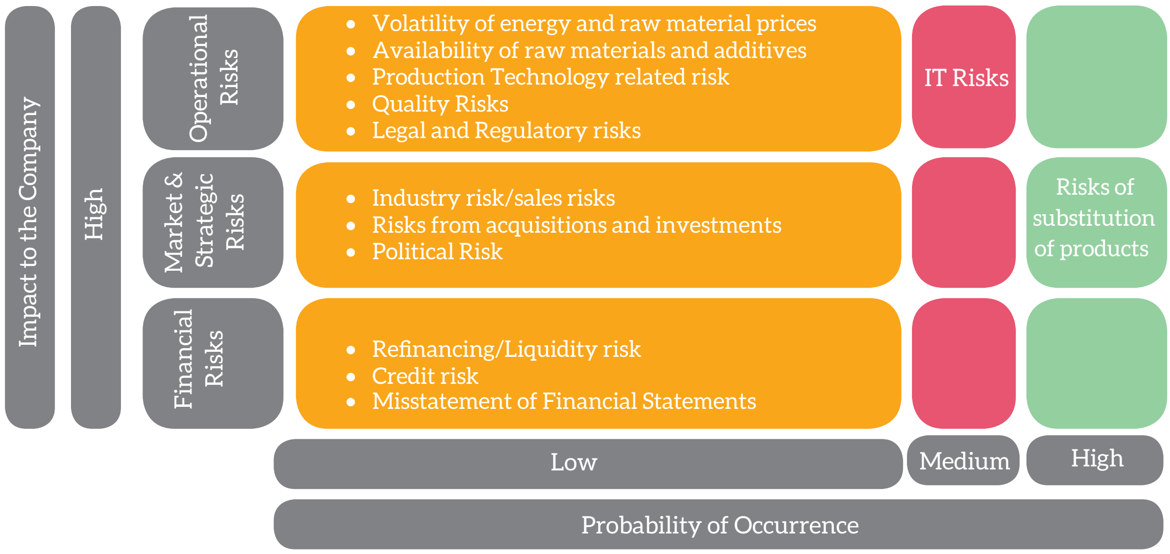
Major support functions - Accounting & Finance, Administration, Operations, and Information Technology - work in close relationship with the business units, to ensure that uncertain events that may face each business unit has been appropriately identified and managed.

3rd line of defense

The Internal Audit Function assesses the efficiency & effectiveness of the processes executed by the first and second lines of defence independently and provides an assurance on these processes to the Board of Directors through the Audit Committee, continuously.

Quantitative and qualitative aspects of risk management

The risk assessment mechanism of the Company considers two aspects of the risk; quantitative and qualitative aspects which have a significant influence on operations of the business. Quantitative risk assessment requires calculations of two components of risk; the magnitude of the potential loss and the probability that the loss will occur in an event of materialization of such risks, and the probable impact to the business. Any significant risk above the tolerable risk requires the keen attention of the management. The calculation of quantitative risks is measured both as gross risk and net risk. The assessment of gross risk involves the identification of possible effect without any mitigating actions, while the net risk assessment considers possible losses which the Company has to bear when mitigating action has been taken. Major risks that are identified by the Company are depicted in the following diagram and details are provided in the accompanying table below.



Major risks identified by the Company and company responses

Risk	Potential Effect	Impact	Probability	Mitigating Actions
Financial Risks				
Currency Risks	Fluctuations in exchange rate causing potential losses on transactions denominated in foreign currency	Medium	High	Closely monitor movement in currency rates and take appropriate action to revise pricing as and when required
Interest Rate Risks	Increase in interest rates impacting cost of funding and reduced business volumes due to low level of investments in constructions	Medium	High	Maintaining long term interest rate agreements Strong long term relationships with banks as a prime customer Prudent treasury management
Refinancing/ Liquidity Risks	Unavailability of sufficient funds impacting smooth functioning of day to day operations of the Group	High	Low	Arrangement of adequate banking facilities Sound cash position Cash flow planning and monitoring
Credit Risks	Possibility of incurring bad debts due to adverse economic conditions and poor credit management	High	Low	Strong customer credit evaluation process Regular review of credit status/worthiness Credit facilities to be backed by bank guarantees.

Risk management

Risk	Potential Effect	Impact	Probability	Mitigating Actions
Market & Strategic Risks				
Sales Risks/ Market Risks	Low level of residential construction, commercial constructions and public constructions due to stagnating economy Fluctuating weather patterns such as monsoon.	High High	Low High	Product diversification Increased customer focus Development of special products i.e. Innovation Products Planning based on analytics
Risks from acquisitions and investments	Adverse impact due to changes to financial structure, failure to integrate employees, processes, technologies & products, and social and political changes	High	Low	Rigorous forecast and analysis of acquisition and investments and methods of financing A low employee turnover and employees with long tenure with the Company
Risks from substitution of products	Availability of low quality imported products	High	High	Uncompromising quality standards Strong dealer network Educating customer/ decision makers influencers such as masons
Political Risks & Exceptional External Risks	Adverse impact on business due to political uncertainty, and natural disasters and risks arising from exceptional external incidents	High	Low	Country has a stable political environment after the war and economic policies conducive a positive business climate. Assets and business interruptions are covered by insurances with major insurers

Risk	Potential Effect	Impact	Probability	Mitigating Actions
Operational Risks				
Volatility of energy and raw material prices	Adverse effect on the cost of production due to increased energy prices and increased world market prices on imported raw materials	High	Low	Utilization of renewable energy sources to maximum and long term supplier contracts to reduce volatility of raw material prices
Availability of raw materials and additives	Interruption to business activity due to non availability of raw materials and additives	High	Low	Long term contracts with reliable material suppliers who are with the Company for many years and own supply of additives such as fly ash
Production Technology Related Risks	Technological obsolescence could adversely affect the performance	High	Low	Regular investment in upgrading technology. In house and overseas training for staff
Quality Risks	Adverse impact due to sales returns and damages due to claims for supply low quality products and decrease in sales volume	High	Low	Strict quality maintenance in terms of ISO 9001 Quality management system and compliance with SLS requirements
Legal & Regulatory Risks	Negative Effect on business on changes to regulations or non compliance with regulations mainly connected with environmental and consumer protection Acts	High	Low	Regular review of compliances with statutory provisions and scrutiny of legal agreements by legal consultants prior to signing.
IT Risks	Adverse impact on loss of confidentiality, integrity and non availability of systems	High	Medium	Back up procedures, password controls, firewalls, malware and anti-virus protections are implementated to continuously measure, upgrade and protect data, applications, systems and networks.

Financial Information

Statement of Directors' Responsibilities

The statement of Directors Responsibilities explains the responsibility of the directors regarding the financial statements presented in this annual report. In accordance with the provisions of the Companies Act No 7 of 2007, the responsibility of the auditors, regarding the financial statements is set out in the Report of the Auditors.

As required, the financial statements consist of:

- The Statement of Profit or Loss and other Comprehensive Income of the Company and its subsidiaries, which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year
- A Statement of Financial Position which presents a true and fair view of the state of affairs of the Company and it's subsidiaries as at the end of the financial year.

Directors are responsible to ensure compliance with requirements in terms of Section 150(1), 151, 152(1) & 153 of the Companies Act No 7 of 2007, to prepare financial statements for each year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the profit and loss of the Company and its subsidiaries of the Group for the financial year.

Directors are also required take appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records which reflect the true financial position of each such Company and hence the Group, in terms of Section 148 of the Companies Act No 7 of 2007 .

In addition, directors are responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities while acknowledging that there is no single system of internal control that could guarantee absolutely against mismanagement or fraud.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The financial statements presented in the Annual Report for the year ended 31st March 2017, have been prepared based on the Sri Lanka Accounting Standards (SLFRSs/ LKASs). The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2017 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2017 reflect a true and fair view of the Company and the Group respectively.

The financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2017 incorporated in this report have been prepared in accordance with the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the financial statements.

Compliance Report

As a compliant entity, the Directors confirm that to the best of their knowledge, all taxes, duties and levies all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in note 28.1 to the financial statements covering contingent liabilities.

By Order of the Board of Tokyo Cement Company (Lanka) PLC

Seccom (Pvt) Limited
Company Secretaries,

30th June 2017

Audit Committee Report

Terms of Reference

The Audit Committee has been structured according to the 'Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange' and 'Code of Best Practice on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Terms of Reference (TOR) of the Audit Committee sets out the functions and role of the Committee in line with best practices of corporate governance. The Committee reports directly to the Board of Directors and reports on its activities regularly. The activities of the Audit Committee includes

Financial Reporting

The Committee assists the Board of Directors to discharge their responsibility in the preparation of Financial Statements to reflect a true and fair view on financial position and performance, based on the Company's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards. In accordance with the mandate mentioned above, the Committee reviews the following:

- Procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account.
- Effectiveness of financial reporting system is in place to ensure reliability of the information provided to the stakeholders.
- Accounting policies to determine most appropriate accounting policies after considering all choices available.
- Process by which compliance with Sri Lanka Accounting Standards, Companies Act No 7 of 2007 and other regulatory provisions relating to financial reporting and disclosures are ensured.
- Annual report and interim financial statements prepared for publication prior to submission to the Board.
- Internal Control, Internal Audit & Risk Management

The Committee reviewed the business processes in operation in order to evaluate the effectiveness of the internal controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of the financial statements. The Audit Committee monitors and guides the Internal Audit Department which performs audits according to the plan of activities which covers financial and operational audits, risk assessments and IT security reviews. The reports of the Internal Audit Department have been reviewed, discussed by the Committee, and initiated corrective measures.

- **Monitoring of compliance**

  The Audit Committee is mandated to monitor the Company's compliance with laws, regulations and best practices to ensure that the highest standards of compliance are maintained at all time.

Members of the Audit Committee

The Audit Committee comprises of three Non Executive Independent Directors. Two members of the committee are qualified Chartered Accountants. Others participating at the Audit Committee deliberations are the Managing Director, Group General Manager/Executive Director, Chief Financial Officer, and Internal Auditor. Members of the Senior Management of the Company are invited to participate in the meetings as and when required. Members of the committee are listed below.

- Mr. R Seevaratnam - Chairman
- Mr. Ravi Dias
- Mr. Asite Talwatte

Meetings

The Audit Committee met four times during the year ended 31st March 2017 and proceedings of the meetings are reported to the Board of Directors regularly

Independence of the External Auditors

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee recommends the reappointment of Messes BDO Partners for the financial year ending 31st March 2018.

Concluding remarks

Having monitored the Company stringently, the Audit Committee is satisfied that the Group's accounting policies, internal controls including operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with policy framework of the Group set out by the Board of Directors and that Group assets are properly accounted and adequately safeguarded.

R. Seevaratnam
Chairman - Audit Committee
30th June 2017

Report of the Remuneration Committee

Terms of reference

According to the Terms of Reference (TOR), the objective of the Remuneration Committee are:

- No director determines his own remuneration and instead the Remuneration Committee is entrusted with the task of making recommendations regarding the remuneration of the Board of Directors

- Determine and make recommendations to the Board specific remuneration packages for the Senior Management and design and recommend any contract of employment or related contract with the Senior Management and determine the terms of any compensation package in the event of early termination of the contract of any member of the Senior Management Team. Decisions on the matters relating remuneration of Senior Management Team were arrived in consultation with the Chairman and Managing Director.

- Make recommendations to the Board regarding the content to be included in the Annual Report on Directors' remuneration.

- Seek independent external professional advice on matters within its purview, if considered necessary

- The Committee also discusses and advises the Directors and Executive Officers on structuring of remuneration packages.

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

Tokyo Cement has adopted a performance based policy of remuneration to Senior Management Team and Executive Directors. It is a policy of the Company to link remuneration of Senior Management Team with the Company's short range and long range business strategies and Committee make its best endeavour to maintain remuneration levels sufficient to attract and retain Senior Management Team of the Company.

Composition

The Remuneration Committee is appointed by the Board of Directors and comprises three Non-Executive Independent Directors. The Managing Director and other executive directors attend Committee meetings by invitation.

Members of the Remuneration Committee

- Dr. Harsha Cabral P C - Chairman

- Mr. R Seevaratnam

- Mr. Ravi Dias

The Minutes of the Remuneration Committee approved by the said Committee are circulated and affirmed by the Board of Directors.

Director's emoluments in aggregate for Executive and Non Executive Directors are disclosed in note 8 to the financial statements in page 91.

Dr. Harsha Cabral P C
Chairman - Remuneration Committee
30th June 2017

Report of the Nomination Committee

As required by the corporate governance best practices, Tokyo Cement has in place a Nomination Committee which has been entrusted with:

- Recommending to the Board the process of selecting the Chairman and Managing Director, based on industry best practices.
- Identifying suitable persons who could be considered for appointments to the Board as Executive and Non-Executive Directors.
- Making recommendations on matters referred to by the Board.

The Nomination Committee during the year consisted of the Non-Executive Chairman Dr. Harsha Cabral, Managing Director Mr. S R Gnanam, Mr. R Seevaratnam and Mr. Ravi Dias.

During the year under review, the Committee has met two times to nominate new appointments to the Directorate.

Dr. Harsha Cabral P C
Chairman - Nomination Committee
30th June 2017

Related Party Transactions Review Committee

As required by the Colombo Stock Exchange regulations set out in the provisions contained in Section 9 of the Listing Rules, a Related Party Transactions Review Committee was formed by the Board of Directors on January 1, 2016.

In conformity with the Listing Rules, the Committee has been authorised to review all Related Party Transactions ensuring compliance with Listing Rules and legal requirements, concerning the transaction.

In the event a Related Party Transaction is a Recurrent Related Party Transaction and is ongoing, the Related Party Transaction Review Committee has established guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee on an annual basis, reviews and assess ongoing relationships with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate

The Committee comprises of Chairman
Mr. R Seevaratnam, Mr. Ravi Dias and Mr. Asite Talwatte.

The Committee has met four times during the year under review.

Mr. R Seevaratnam
Chairman - Related Party Transaction Review Committee
30th June 2017

Independent Auditor's Report

BDO

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Chartered Accountants
"Charter House"
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Sri Lanka

TO THE SHAREHOLDERS OF TOKYO CEMENT COMPANY (LANKA) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Tokyo Cement Company (Lanka) PLC ("the Company") and consolidated financial statements of the Company and its subsidiaries ("Group") as at 31st March, 2017 which comprise the statement of financial position as at 31st March, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 75 to 119.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control, as the Board determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

The financial statements of the Company give a true and fair view of its financial position as at 31st March, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

The financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No 07 of 2007.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
30th June 2017
TS/cc

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company		
For the year ended 31st March, 2017		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016	31st March, 2016
					Restated *	**
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Continuing operations						
Turnover		35,701,445,003	30,117,151,812	24,419,713,304	17,545,179,894	13,334,522,959
Cost of sales		(26,760,881,930)	(23,191,197,627)	(19,420,344,302)	(14,399,647,514)	(10,681,920,891)
Gross profit		8,940,563,073	6,925,954,185	4,999,369,002	3,145,532,380	2,652,602,068
Other income	5	169,653,784	155,920,064	2,299,599,051	1,301,687,343	1,291,276,721
		9,110,216,857	7,081,874,249	7,298,968,053	4,447,219,723	3,943,878,789
Distribution expenses		(3,108,467,699)	(2,914,466,883)	(1,824,391,760)	(1,497,457,736)	(1,239,074,399)
Administrative expenses		(1,485,838,210)	(1,292,252,641)	(990,583,606)	(821,417,399)	(784,397,959)
Profit from operations		4,515,910,948	2,875,154,725	4,483,992,687	2,128,344,588	1,920,406,431
Finance income	6	94,617,097	77,089,301	24,682,035	15,225,744	15,225,744
Finance expenses	7	(532,878,807)	(465,644,420)	(532,325,177)	(335,690,921)	(280,560,782)
Profit before taxation	8	4,077,649,238	2,486,599,606	3,976,349,545	1,807,879,411	1,655,071,393
Income tax expenses	9	(676,626,913)	(555,955,614)	(478,744,727)	(333,016,912)	(270,145,191)
Profit for the year		3,401,022,325	1,930,643,992	3,497,604,818	1,474,862,499	1,384,926,202
Other comprehensive income						
Items that will not be re-classified to the statement of profit or loss						
Re-measurement of defined benefit obligation		3,090,233	10,872,917	2,007,038	9,631,944	10,756,351
Tax relating to components of other comprehensive income		252,679	2,696,944	252,679	2,696,944	3,011,778
Total other comprehensive income net of tax		3,342,912	13,569,861	2,259,717	12,328,888	13,768,129
Total comprehensive income for the year		3,404,365,237	1,944,213,853	3,499,864,535	1,487,191,387	1,398,694,331
Profit for the year attributable to:						
Owners of the parent		3,397,836,436	1,930,643,992	3,497,604,818	1,474,862,499	1,384,926,202
Non-controlling interest		3,185,889	-	-	-	-
Profit for the year		3,401,022,325	1,930,643,992	3,497,604,818	1,474,862,499	1,384,926,202
Total comprehensive income attributable to:						
Owners of the parent		3,401,179,348	1,944,213,853	3,499,864,535	1,487,191,387	1,398,694,331
Non-controlling interest		3,185,889	-	-	-	-
Total comprehensive income for the year		3,404,365,237	1,944,213,853	3,499,864,535	1,487,191,387	1,398,694,331
Basic earnings per share (Rs.)						
- Voting	10	10.17	5.78	10.47	4.41	4.14
- Non Voting	10	10.17	5.78	10.47	4.41	4.14
Dividend per share						
- Voting	11	-	-	1.87	1.35	1.35
- Non Voting	11	-	-	1.87	1.35	1.35

* The amounts shown here do not correspond to the financial statements for 2015/2016 and reflect the adjustments made due to the amalgamation between the Company and Tokyo Cement Colombo Terminal (Pvt) Ltd which are disclosed under note 37.

** Comparatives as a stand alone entity as at 2015/2016 have also been given to aid comparability.

Figures in brackets indicate deductions.

The accounting policies and notes from pages 75 to 119 form an integral part of these financial statements.

Colombo
30th June 2017

Statement of Financial Position

As at 31st March, 2017	Note	Group 31st March, 2017	Group 31st March, 2016	Company 31st March, 2017	Company 31st March, 2016 Restated *	Company 31st March, 2016 **
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Non-current assets						
Property, plant and equipment	12	13,147,402,395	12,891,752,092	7,884,757,861	7,735,513,178	7,231,489,633
Capital work-in-progress	13	7,602,545,748	4,352,258,767	1,091,017,485	269,970,984	269,970,984
Intangible assets	14	68,436,140	83,169,566	18,751,438	25,140,017	25,034,540
Investments in subsidiaries	15	-	-	7,496,099,160	4,246,101,016	4,714,517,829
Operating lease prepayment	16	58,580,317	63,411,649	58,580,317	63,411,649	19,998,953
Total non-current assets		20,876,964,600	17,390,592,074	16,549,206,261	12,340,136,844	12,261,011,939
Current assets						
Inventories	17	2,001,600,714	1,542,012,067	876,166,154	909,445,693	736,791,862
Trade and other receivables	18	3,025,990,482	2,718,811,487	1,934,375,800	1,693,983,025	1,359,083,345
Operating lease prepayment	16	4,726,317	4,621,302	4,726,317	4,621,302	280,032
Tax receivables		-	16,169,482	-	19,360,902	25,674,807
Amount due from subsidiaries	19	-	-	438,834,112	1,510,828,371	1,624,199,030
Financial investments	20	6,237,826	5,875,593	-	-	-
Cash and cash equivalents		2,523,940,748	571,724,013	1,194,352,153	417,849,940	283,454,107
Total current assets		7,562,496,087	4,859,213,944	4,448,454,536	4,556,089,233	4,029,483,183
Total assets		28,439,460,687	22,249,806,018	20,997,660,797	16,896,226,077	16,290,495,122
EQUITY AND LIABILITIES						
Equity						
Stated capital	21	2,893,756,250	2,893,756,250	2,893,756,250	2,893,756,250	2,893,756,250
Retained earnings		11,478,370,860	8,528,260,262	8,037,306,769	4,988,510,984	5,143,126,636
Equity attributable to the owners of the parent		14,372,127,110	11,422,016,512	10,931,063,019	7,882,267,234	8,036,882,886
Non-controlling interest		52,185,889	49,000,000	-	-	-
Total equity		14,424,312,999	11,471,016,512	10,931,063,019	7,882,267,234	8,036,882,886
		-				
Non-current liabilities						
Interest bearing borrowings	22	4,886,979,983	2,858,172,290	3,912,481,600	3,049,968,800	2,974,998,800
Deferred tax liability	23	2,355,308,093	2,206,574,079	1,517,920,066	1,516,659,784	1,476,404,721
Retirement benefits obligation	24	130,405,612	112,424,408	121,221,280	104,388,800	96,787,857

As at 31st March, 2017	Note	Group 31st March, 2017	 31st March, 2016	 31st March, 2017	Company 31st March, 2016 Restated *	 31st March, 2016 **
		Rs.	Rs.	Rs.	Rs.	Rs.
Total non-current liabilities		7,372,693,688	5,177,170,777	5,551,622,946	4,671,017,384	4,548,191,378
Current liabilities						
Trade and other payables	25	2,001,029,138	1,849,716,616	1,266,429,041	975,251,959	1,118,829,753
Amount due to subsidiaries	26	-	-	204,321,340	1,071,780,661	907,460,378
Current tax payable		274,159,229	-	286,994,103	-	-
Interest bearing borrowings	22	1,610,805,640	717,311,640	737,517,200	462,523,200	424,993,200
Short-term borrowings	22	2,211,643,013	2,610,798,056	1,802,956,012	1,512,934,163	933,686,051
Bank overdrafts		544,816,980	423,792,417	216,757,136	320,451,476	320,451,476
Total current liabilities		6,642,454,000	5,601,618,729	4,514,974,832	4,342,941,459	3,705,420,858
Total equity and liabilities		28,439,460,687	22,249,806,018	20,997,660,797	16,896,226,077	16,290,495,122
Net asset value per share		43.01	34.18	32.72	23.59	24.05

* The amounts shown here do not correspond to the financial statements for 2015/2016 and reflect the adjustments made due to the amalgamation between the Company and Tokyo Cement Colombo Terminal (Pvt) Ltd which are disclosed under note 37.

** Comparatives as a stand alone entity as at 2015/2016 have also been given to aid comparability.

Figures in brackets indicate deductions.

The accounting policies and notes from pages 75 to 119 form an integral part of these financial statements.
These financial statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

Mr. Vishwa N Kuruwita
Chief Financial Officer (CFO)

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the board.

Mr. S R Gnanam
Managing Director

Mr. W C Fernando
Executive Director

Colombo
30th June 2017
TS/cc

Statement of Changes in Equity

Group	Stated capital Rs.	Retained earnings Rs.	Total Rs.	Non-controlling interest Rs.	Total equity Rs.
	Attributable to owners of the parent				
As at 01st April, 2015	2,893,756,250	7,088,585,946	9,982,342,196	-	9,982,342,196
Super gain tax paid		(105,680,487)	(105,680,487)		(105,680,487)
Comprehensive income for the year					
Profit for the year	-	1,930,643,992	1,930,643,992	-	1,930,643,992
Other comprehensive income	-	13,569,861	13,569,861	-	13,569,861
Total comprehensive income for the year	-	1,944,213,853	1,944,213,853	-	1,944,213,853
Cost on issue of shares	-	(1,250,300)	(1,250,300)	-	(1,250,300)
Acquisitions and changes in non-controlling interest	-	-	-	49,000,000	49,000,000
Dividend paid	-	(397,608,750)	(397,608,750)	-	(397,608,750)
As at 31st March, 2016	2,893,756,250	8,528,260,262	11,422,016,512	49,000,000	11,471,016,512
Comprehensive income for the year					
Profit for the year	-	3,397,836,436	3,397,836,436	3,185,889	3,401,022,325
Other comprehensive income	-	3,342,912	3,342,912	-	3,342,912
Total comprehensive income for the year	-	3,401,179,348	3,401,179,348	3,185,889	3,404,365,237
Dividend paid	-	(451,068,750)	(451,068,750)	-	(451,068,750)
As at 31st March, 2017	2,893,756,250	11,478,370,860	14,372,127,110	52,185,889	14,424,312,999

Company	Stated capital Rs.	Retained earnings Rs.	Total Rs.
As at 01st April, 2015	2,893,756,250	4,228,897,850	7,122,654,100
Adjustment due to amalgamation	-	(225,060,418)	(225,060,418)
Balance as at 1st April 2015 - Restated	2,893,756,250	4,003,837,432	6,897,593,682
Super gain tax paid		(104,909,085)	(104,909,085)
Comprehensive income for the year			
Profit for the year	-	1,474,862,499	1,474,862,499
Other comprehensive income	-	12,328,888	12,328,888
Total comprehensive income for the year	-	1,487,191,387	1,487,191,387
Dividend paid	-	(397,608,750)	(397,608,750)
As at 31st March, 2016	2,893,756,250	4,988,510,984	7,882,267,234
Comprehensive income for the year			
Profit for the year	-	3,497,604,818	3,497,604,818
Other comprehensive income	-	2,259,717	2,259,717
Total comprehensive income for the year	-	3,499,864,535	3,499,864,535
Dividend paid	-	(451,068,750)	(451,068,750)
As at 31st March, 2017	2,893,756,250	8,037,306,769	10,931,063,019

Figures in brackets indicate deductions.

The accounting policies and notes from pages 75 to 119 form an integral part of these financial statements.

Colombo
30th June 2017

Statement of Cash Flow

		Group		Company	
For the year ended 31st march, 2017		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
	Note	Rs.	Rs.	Rs.	Rs.
Cash flow from operating activities					
Profit before taxation		4,077,649,238	2,486,599,606	3,976,349,545	1,807,879,411
Adjustments for :					
Depreciation		1,083,941,725	993,105,881	746,145,554	672,391,995
Amortization of intangible assets		17,232,426	18,532,891	8,887,579	8,344,848
Retirement benefit obligation		24,099,919	20,705,770	21,724,225	18,591,022
Profit on disposal of property, plant and equipment		(21,459,791)	(22,432,419)	(21,459,791)	(18,868,333)
Interest expense		532,878,807	465,644,420	532,325,177	335,690,921
Amortization of operating lease		4,726,317	4,621,302	4,726,317	4,621,302
Interest income		(94,617,097)	(77,089,301)	(24,682,035)	(15,225,744)
Dividend income		-	-	(2,102,475,045)	(1,052,447,222)
Unabsorbed taxes		20,231,514	1,986,453	11,091,954	1,986,453
De-recognition loss on plant and machinery		-	24,205,274	-	24,205,274
Effect of reinstatement in useful life of property, plant and equipment		-	(17,514,198)	-	(17,514,198)
Write back of liabilities		(5,941,064)	(6,469,937)	(3,082,515)	(1,934,250)
Operating profit before working capital changes		5,638,741,994	3,891,895,742	3,149,550,965	1,767,721,479
(Increase)/decrease in inventories		(459,588,647)	76,900,318	33,279,539	221,066,650
(Increase)/decrease in trade and other receivables		(383,888,119)	15,022,752	(251,484,729)	(80,682,836)
Increase/(decrease) in trade and other payables		62,608,828	(448,289,366)	199,614,836	(486,509,583)
Cash generated from operation		4,857,874,056	3,535,529,446	3,130,960,611	1,421,595,710
Interest paid		(532,878,807)	(478,741,304)	(532,325,177)	(340,989,528)
Taxation paid		(86,189,141)	(42,173,153)	(76,232,000)	(30,968,785)
Super gain tax paid		-	(105,680,487)	-	(104,909,085)
Retirement benefit obligation paid		(3,028,482)	(5,634,719)	(2,884,707)	(5,634,719)
Net cash flow from operating activities		4,235,777,626	2,903,299,783	2,519,518,727	939,093,593
Cash flow from/(used in) investing activities					
Purchase of property, plant and equipment	A	(811,689,393)	(1,094,410,819)	(679,834,382)	(925,441,266)
Intangible asset acquired		(2,499,000)	-	(2,499,000)	-
Dividend received		-	-	2,102,475,045	1,052,447,222
Expenditure incurred on capital work-in-progress		(3,786,719,825)	(4,349,906,978)	(1,045,132,565)	(428,996,056)
Interest received		94,617,097	77,089,301	24,682,035	15,225,744
Proceeds from sale of property, plant and equipment		29,990,000	33,703,576	29,990,000	29,408,531
Investment/withdrawals on short-term deposits		(362,233)	1,616,596,013	-	-
Investment in shares - subsidiary		-	-	(800,000,000)	(301,000,000)
Net cash used in investing activities		(4,476,663,354)	(3,716,928,907)	(370,318,867)	(558,355,825)
Cash flow from/(used in) financing activities					
Cost on issue of shares		-	(1,250,300)	-	-
Proceeds from issue of shares		-	49,000,000	-	-
Repayment of interest bearing borrowings		(13,212,257,997)	(14,550,770,465)	(7,873,784,894)	(8,172,710,128)
Receipt of interest bearing borrowings		15,735,404,647	15,372,141,114	9,301,313,543	9,255,635,953
Dividend paid		(451,068,750)	(397,608,750)	(451,068,750)	(397,608,750)
Advances (to)/from subsidiary (Net)		-	-	(2,245,463,206)	(1,271,995,251)
Net cash from/(used in) financing activities		2,072,077,900	471,511,599	(1,269,003,307)	(586,678,176)
Net increase/(decrease) in cash and cash equivalents		1,831,192,172	(342,117,525)	880,196,553	(205,940,408)
Cash and cash equivalents at the beginning of the year	B	147,931,596	490,049,121	97,398,464	303,338,872
Cash and cash equivalents at the end of the year	C	1,979,123,768	147,931,596	977,595,017	97,398,464

* The amounts shown here do not correspond to the financial statements for 2015/2016 and reflect the adjustments made due to the amalgamation between the Company and Tokyo Cement Colombo Terminal (Pvt) Ltd. which are disclosed under note 37.

Figures in brackets indicate deductions.

The accounting policies and notes from pages 75 to 119 form an integral part of these financial statements.

Colombo
30th June 2017

Notes to Statement of Cash Flow

For the year ended 31st March, 2017		Group		Company	
		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016
					Restated *
		Rs.	Rs.	Rs.	Rs.
A	**Purchase of property, plant and equipment**				
	Total of additions during the year	1,348,122,237	1,477,301,199	903,920,446	1,308,331,646
	Less: Transferred from capital work-in-progress	(536,432,844)	(382,890,380)	(224,086,064)	(382,890,380)
		811,689,393	1,094,410,819	679,834,382	925,441,266
B	**Cash and cash equivalents at the beginning of the year**				
	Bank balances and cash in hand	571,724,013	786,557,098	417,849,940	552,397,672
	Bank overdraft	(423,792,417)	(296,507,977)	(320,451,476)	(249,058,800)
		147,931,596	490,049,121	97,398,464	303,338,872
C	**Cash and cash equivalents at the end of the year**				
	Bank balances and cash in hand	2,523,940,748	571,724,013	1,194,352,153	417,849,940
	Bank overdraft	(544,816,980)	(423,792,417)	(216,757,136)	(320,451,476)
		1,979,123,768	147,931,596	977,595,017	97,398,464

Figures in brackets indicate deductions.

The accounting policies and notes from pages 75 to 119 form an integral part of these financial statements.

Colombo
30th June, 2017

Significant Accounting Policies to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity – Domicile and legal form

Tokyo Cement Company (Lanka) PLC (Company) is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business of the Company is located at No.469 - 1/1, Galle Road, Colombo 03. The factories of the Company are located at Cod-Bay, China Bay and Trincomalee and PVQ Jetty, Colombo Port.

1.2 Consolidated financial statements

The financial statements for the year ended 31st March, 2017, comprise "the Company" referring to Tokyo Cement Company (Lanka) PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.3 Principal activities and nature of operations

During the year, the principal activities of the Company and the subsidiaries dealt within these financial statements were as follows:

Name of the Company	Nature of business
Tokyo Cement Company (Lanka) PLC	Manufacturing, importing and marketing of cement, value added products and ready mixed concrete
Tokyo Super Cement Company Lanka (Pvt) Ltd	Manufacturing and marketing of cement
Tokyo Cement Colombo Terminal (Pvt) Ltd (amalgamated with the Company with effect from 19th September, 2016)	Importing, packaging and marketing of cement
Tokyo Eastern Cement Company (Pvt) Ltd	Manufacturing and marketing of cement (Under development)
Tokyo Cement Power (Lanka) (Pvt) Ltd	Generation of power
Tokyo Super Aggregate (Pvt) Ltd	Manufacturing sand and aggregate

As per the resolution made by the directors of the Company, Tokyo Cement Colombo Terminal (Pvt) Ltd has been amalgamated with the Company with effect from 19th September, 2016. On post amalgamation, the operations of Tokyo Cement Colombo Terminal (Pvt) Ltd is continued under the Company's name.

Except for the above, there were no other significant changes in principal activities and nature of the operations of the Group during the year.

1.4 Parent enterprise

The parent undertaking of the Group is Tokyo Cement Company (Lanka) PLC which is also the ultimate parent entity of the Group.

1.5 Financial period

The financial period of the Company and its Group represents twelve months period from 01st April, 2016 to 31st March, 2017.

1.6 Date of authorization for issue

The consolidated financial statements of the Group for the year ended 31st March, 2017 were authorized for issue by the Board of Directors on 30th June, 2017.

1.7 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company and the Group as per the provisions of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

These financial statements include the following components:

- a statement of profit or loss and other comprehensive income providing the information on the financial performance of the Company and the Group for the year under review,
- a statement of financial position providing the information on the financial position of the Company and the Group as at the year-end,
- a statement of changes in equity depicting all changes in shareholders' funds during the year under review of the Company and the Group,
- a statement of cash flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entities to utilize those cash flows and
- notes to the financial statements comprising accounting policies and other explanatory information.

Significant Accounting Policies to the Financial Statements

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention.

2.2 Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency which is also Sri Lankan Rupees.

2.3 Statement of compliance

The statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow, together with accounting policies and notes ("financial statements") of the Company and the Group as at 31st March, 2017 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

2.4 Going concern

The directors have made an assessment of the Company and its subsidiaries' ability to continue as a going concern and is confident that the Company and its subsidiaries will be able to continue as a going concern.

2.5 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.7 Basis of consolidations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st March, 2017 except Tokyo Cement Colombo Terminal (Pvt) Ltd, which was amalgamated with the Company with effect from 19th September, 2016 as disclosed in note 37 to the financial statements. (List of subsidiaries are disclosed in note 31 to the financial statements).

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than the majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company occurs when the Company is determined to exert control over the subsidiary company and ceases when the Company is determined not to be able to exert control of the subsidiary company.

The acquisition method of accounting is used to account for the acquisition of subsidiary companies by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the Group's statement of profit or loss as gain on bargain purchase.

Changes in the Company's ownership interest in a subsidiary company that does not result in the Company losing control of the subsidiary company are equity transactions (i.e. transactions with owners in their capacity as owners) and accordingly, reflected directly in the statement of changes in equity of the Group.

The Group de-recognizes the assets and liabilities of the former subsidiary (including goodwill) from the Group's statement of financial position upon loss of control over a subsidiary company effective from the date the Group losses its control. Furthermore, the resulting gain or loss associated with the loss of control attributable to the former controlling interest is recognized in the statement of profit or loss.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated.

The financial statements of subsidiary companies are prepared in compliance with group's accounting policies.

The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, which is twelve months ending 31st March.

Non-controlling interests

The profit or loss and net assets of subsidiaries attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, are disclosed separately under the heading 'Non-controlling interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The Group has only one minority shareholder, Radella Engineering & Earth Movers (Pvt) Ltd who has 49% shareholding in Tokyo Super Aggregate (Pvt)Ltd.

2.8 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements.

Those which management has assessed to have the most significant effect on the amounts recognized in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Impairment of non-financial assets

b) Taxes

c) Employee benefit liability

d) Impairment of trade receivables

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

Transactions and balances

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at the balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognized in the statement of profit or loss in the period in which they arise.

3.2 Business combination and goodwill

Acquisition of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred and included as administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in statement of profit or loss and other comprehensive income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3 Property, plant and equipment

Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group de-recognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Further, vessel dry docking cost and special survey dry docking cost are also recognized in the carrying amount of the vessel.

Restoration cost

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

De-recognition

An item of property, plant and equipment is de-recognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognized.

Depreciation

The depreciation of an asset begins when it is available for use and ceases at earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation is calculated on a straight line basis over the useful lives of the assets as disclosed below:

Category	Years
Factory buildings	Over the lease period
Generator house	20
Other buildings	10
Plant and machinery	50
Power plant	30
Laboratory equipment and generators	10
Office equipment	4 – 8
Factory and other equipment	20
Recycling system	8
Furniture and fittings	8
Vehicles	4 – 5
Cement silo	60
Tug boat	10
Railway platform	30

Category	Years
Barges	10
Computer and other electrical equipment	8
Packer house	20
Landing jetty	20
Batching plant	30
Vessel	32
Vessel dry docking	2.5
Dry docking – special survey	5
Vessel equipment	20
Bio-mass building	30
Bio-mass plant and machinery	30
Bulk cement carriers	22
Bag storage warehouse	10
Cement Silo Steel (Movable)	5
Cement Silo Steel	20

Useful lives of property, plant and equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgement made by management based on the professional experts is exercised in the estimation of these values, rates and methods.

3.4 Capital work-in-progress

Capital work-in-progress was transferred to the respective asset accounts at the time of the first utilization of the asset.

3.5 Intangible assets

An Intangible asset is recognized if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The intangible assets of the Company consist Goodwill and Computer Software.

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of cash generating unit (or a group of cash generating units) is less than the carrying amount of cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill is not reversed in future periods.

b) Computer software – Accounting and related software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognized as an expense when incurred. Costs directly associated with the development of identifiable and unique software products controlled by the Group, and generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development, employee costs and an appropriate portion of relevant overheads.

Computer software is amortized over 04 years on straight line basis.

The amortization period and the amortization method for computer software are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss.

3.6 Leases

a) Finance leases

Leases in terms of which the Group assumes that transfer substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

The corresponding principal amount payable to the lessor is shown as a liability. The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to profit or loss over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Any excess of sales proceeds over the carrying amount of assets in respect of a sale and leaseback transaction that results in a finance lease is deferred and amortized over the lease term.

b) Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of an asset under the leased term are classified as operating leases.

Lease payments (excluding cost of service such as insurance and maintenance) paid under operating leases are recognized as an expense in the statement of profit or loss over the period of lease on a straight line basis.

c) Leasehold property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortized over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.7 Exploration and evaluation of mineral resources

a) Measurement of exploration and evaluation assets

The asset which satisfies the following conditions is recognized as exploration and evaluation asset.

i. Before the exploration for an evaluation of mineral resources, such as expenditure incurred before obtaining the legal right to explore a specific area,

ii. After the technical feasibility and commercial viability of extracting mineral resources is demonstrable,

iii. Expenditure related to the development of mineral resources shall not be recognized as exploration and evaluation assets.

b) Measurement after recognition

Exploration and evaluation assets are recognized either as the cost model or the revaluation model. If the revaluation model is applied, it should be consistent with the classification of the assets.

c) Classification of exploration and evaluation assets

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired and applied the classification consistently.

d) Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, shall measure, present and disclose any resulting impairment loss in accordance with LKAS 36.

3.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity upto the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group will make an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset will be increased to its recoverable amount.

The increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Financial instruments - Initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as loans and receivables and held-to-maturity investments. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) is recognized on the trade date, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification as described below:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss in selling and distribution expenses.

The loans and receivables of the Group includes trade and other receivables, cash and cash equivalents which have been explained under note 18 to the financial statements.

b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss in finance costs.

The held to maturity investments of the Group includes investment in treasury bills which has been explained under note 20 to the financial statements.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

i) the rights to receive cash flows from the asset have expired,

ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.10 Impairment of financial assets

The Group assesses at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss will be the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of ensuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss would be increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery will be credited to finance costs in the statement of profit or loss.

3.11 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income, when the liabilities are de-recognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

The loans and borrowings of the Group includes interest bearing borrowings (including bank overdraft) and trade and other payables which have been explained under notes 22 and 25 to the financial statements.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified. Such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognized in the statement of profit or loss.

3.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.13 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

SLFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and;

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement, financial assets and financial liabilities are classified in their entirety into only one of the three levels.

3.14 Trade and other receivables

Trade and other receivables are recognized at the amounts they are estimated to realize net of provisions for impairment. Other receivables and dues from related parties are recognized at fair value less provision for impairment. The amount of the provision is recognized in the statement of profit or loss and other comprehensive income. Trade receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest method, less provision for impairment.

3.15 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and demand deposits.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

The cash flow statements are reported based on the indirect method.

3.16 Investments

Long-term investments

Long-term investments are classified as non-current investments and are stated at cost less any impairment losses. The cost of the Investment includes acquisition charges such as brokerages, fee, duties and bank charges.

In the parent company's financial statement, investment in subsidiaries is carried at cost less impairment loss.

Provision for impairment is made in the statement of profit or loss when in the opinion of the directors there has been a decline other than temporary in the value of the investments determined on individual basis.

3.17 Inventories

Inventories are measured at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula;

Raw material	-	At cost determined on first-in-first-out basis (FIFO)
Finished goods	-	At the cost of direct materials, direct labour and appropriate proportion of fixed production overheads at normal operating capacity.
Work-In-progress	-	At the cost of direct materials, direct labour and appropriate proportion of fixed production overheads.
Packing material	-	At cost determined on first-in first-out basis.
Goods in transit	-	At actual cost.

Provisions for inventory obsolescence are recorded based on reviews of inventories. Inventories considered obsolete or un-saleable are written off in the year in which they are identified.

3.18 Liabilities and provisions

3.18.1 Liabilities

Liabilities classified under current liabilities in the statement of financial position are those expected to fall due within one year from the statement of financial position date. Items classified as non-current liabilities are those expected to fall due at a point of time after one year from the reporting date.

Trade and other payables

Trade creditors and other payables are stated at amortized cost.

3.18.2 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

All the contingent liabilities are disclosed as notes to the financial statements unless the outflow of resources is remote.

3.19 Retirement benefit obligations

3.19.1 Defined benefit plans – gratuity

Provision has been made for retirement gratuities, in conformity with LKAS 19 / Gratuity Act No.12 of 1983. The liability is not externally funded. The gratuity liabilities were based on actuarial valuation carried out. The actuarial gains and losses are charged or credited to the statement of other comprehensive income in the period in which they arise.

The retirement benefit obligation of the Company and its subsidiaries with more than 100 employees are based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd., Actuaries. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 24. The main assumptions used relate to mortality, disability rates and withdrawal rates. The assumptions regarding the discount rate and salary rate are of critical importance in determining the pace of providing for a final salary retirement scheme.

3.19.2 Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Company and its subsidiaries contribute 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

3.20 Taxes

3.20.1 Current tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and for items recognized in other comprehensive income shall be recognized in other comprehensive income and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgement on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

3.20.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilized except:

- where the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized outside the statement of profit or loss is recognized outside the statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax during the tax holiday period for a group of companies under BOI tax holidays has been recognized for temporary differences, where reversals of such differences extend beyond the tax exemption period, taking into account the requirements of LKAS 12 and The Institute of Chartered Accountants of Sri Lanka (ICASL) Council's ruling on deferred tax.

3.20.3 Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.21 Commitments

All material commitments as at the reporting date have been identified and disclosed in the notes to the financial statements.

3.22 Revenue recognition

a) Sale of goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the Group revenue and associated costs incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs and possible return of goods can be estimated reliably.

b) Interest

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate. Interest income is recognized as the interest accrued on the time basis.

c) **Dividend**

Dividend income is recognized when the shareholders' right to receive payment has been established.

d) **Others**

Other income is recognized on an accrual basis.

e) **Gains and losses**

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other non- current assets including investments have been accounted for in the statement of profit or loss having deducted from proceeds on disposal, the carrying amount of the assets and related property, plant and equipment amount remaining in revaluation reserve relating to that asset is transferred directly to accumulated profit/ (loss).

3.23 Expenditure recognition

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to income in arriving at the profit for the year.

For the purpose of presentation of the statement of profit or loss, the directors are of the opinion that function of expenses method presents fairly the elements of the Company's and the Group's performance and hence, such presentation method is adopted.

3.24 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily take a substantial period of time to get ready for its intended purpose are added to the cost of those assets until such time, as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.25 Events occurring after the reporting date

All material events occurring after the statement of financial position date have been considered and where necessary, adjustments or disclosures have been made in the respective notes to the financial statements.

3.26 Related party transactions

Disclosures are made in respect of the transactions in which the Group has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of whether a price is charged.

3.27 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the number of voting and non-voting ordinary shares.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT HAVE BEEN ISSUED BUT ARE NOT MANDATORILY EFFECTIVE AS AT 31ST MARCH, 2017

The following are some relevant new standards, interpretations and amendments, which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements. The Group intends to adopt these standards, interpretations and amendments, if applicable, when they become effective.

4.1 Standards issued but not yet effective

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods after the reporting date.

SLFRS 9 - Financial instruments: classification and measurement

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39, Financial instruments: Recognition and Measurement.

SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model to calculating impairment on financial assets. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 09 will become effective on 01st January, 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 15 - Revenue from contracts with customers

SLFRS establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts".

SLFRS 15 will become effective on 01st January, 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 16 – Leases

SLFRS 16 eliminates the classification of leases as either operating or finance for lessees and instead, introduce a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying LKAS 17.

The new standard SLFRS 16, supersedes the requirement in LKAS 17 leases and will become effective on 01st January, 2019.

Notes to the Financial Statement

5 OTHER INCOME

	Note	Group 31st March, 2017	Group 31st March, 2016	Company 31st March, 2017	Company 31st March, 2016 Restated *
		Rs.	Rs.	Rs.	Rs.
Bio-mass power income (net)		35,909,838	74,098,405	81,636,570	145,902,195
Profit on disposal of property, plant and equipment		21,459,791	22,432,419	21,459,791	18,868,333
Sale of carbon credit		32,297,254	51,368,400	32,297,254	51,368,400
Exchange gain from import bills		63,742,921	97,786	27,437,043	-
Dividend received from subsidiaries		-	-	2,102,475,045	1,052,447,222
Packing income		-	-	20,802,355	25,763,007
Sundry income		10,302,916	1,453,117	10,302,916	1,453,117
Write back of liabilities		5,941,064	6,469,937	3,082,515	5,779,507
Lease rental income		-	-	105,562	105,562
		169,653,784	155,920,064	2,299,599,051	1,301,687,343

6 FINANCE INCOME

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Interest on fixed deposit		-	2,542,195	-	1,233,873
Interest on repo	6.1	362,232	49,452,208	-	-
Interest on money market deposit		94,254,865	25,094,898	24,682,035	13,991,871
		94,617,097	77,089,301	24,682,035	15,225,744

6.1 Notional tax credit

The Inland Revenue Act No. 10 of 2006 and the amendments thereto provide that a company which derives interest income from secondary market transactions in Government Securities would be entitled to a notional tax credit (being one ninth of the net interest income), provided such interest income forms a part of the statutory income of the Company for that year of assessment.

Accordingly, the net interest income earned from secondary market transactions in Government Securities for the year has been grossed up in the financial statements for the year 2016/2017. The resulting notional tax credit is amounting to Rs.36,223/= for the Group.

7 FINANCE EXPENSES

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Interest expenses on borrowings		695,239,731	475,333,866	466,647,641	338,056,479
Less : Borrowing cost capitalized during the year	7.1 (a)	(179,333,698)	(13,096,885)	(49,547,945)	(5,298,607)
Interest on related party borrowing		-	-	110,000,000	-
Interest expenses on bank overdrafts		16,972,774	3,407,439	5,225,481	2,933,049
		532,878,807	465,644,420	532,325,177	335,690,921

7.1 (a) Borrowing cost capitalized during the year

This amount relates to borrowing costs that are directly attributable to the acquisition, construction or production of certain qualifying assets that are being constructed and developed are shown in note number 13.A capital work-in-progress. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably as per LKAS 23.

7.1(b) Rate of capitalization

As the borrowing cost that directly relates to the qualifying asset which was readily identified on import loan obtained on the specific items purchased and specific cost of borrowing on term loan obtained for the special purpose of construction and acquisition of asset have been identified and capitalized to the extent that the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

8 PROFIT BEFORE TAXATION

			Group			Company
			31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
		Note	Rs.	Rs.	Rs.	Rs.
A	Profit before taxation		4,077,649,238	2,486,599,606	3,976,349,545	1,807,879,411
B	Profit before taxation is stated after charging all expenses including the following:					
	Depreciation on property, plant and equipment		1,083,941,725	933,105,881	746,145,554	672,391,995
	Amortization of intangible assets		17,232,426	18,532,891	8,887,579	8,344,848
	Directors' emoluments		45,807,368	37,695,962	45,807,368	37,695,962
	Auditors' remuneration - Audit services		4,905,816	4,521,665	2,950,000	3,005,480
	Charity and donations		3,750,104	5,882,677	2,852,825	4,872,640
	Staff cost including all benefits		804,120,737	681,189,982	737,615,643	623,216,306
	Defined benefits cost - Retirement benefit obligation		24,099,919	20,705,770	21,724,225	18,591,022
	Defined contribution plan cost - E.P.F. and E.T.F.		59,412,012	48,928,534	54,092,630	44,531,110
	Amortization of operating lease		4,726,317	4,621,302	4,726,317	4,621,302
	Research and development cost		3,141,125	4,598,748	2,504,150	4,570,409
	Legal expenses and professional fee		59,533,891	33,364,497	49,625,000	21,625,397
	Repairs and maintenance		978,340,655	725,460,068	756,778,605	527,022,120
	Reimbursement of vessel operational expenses		685,236,030	623,061,197	473,965,395	433,353,297
	Sales commission		724,983,083	666,690,019	416,931,901	322,721,643
	NBT expenses		626,681,259	471,509,111	414,825,656	236,488,812
	Advertisements		149,738,244	121,993,833	37,435,040	70,019,057
	De-recognition loss on plant and machinery		-	24,205,274	-	24,205,274

9 INCOME TAX EXPENSES

	Note				
Current income tax provision	9 A	527,892,899	81,334,327	477,484,445	63,014,222
Deferred taxation	9 B	148,734,014	474,621,287	1,260,282	270,002,690
		676,626,913	555,955,614	478,744,727	333,016,912

Income tax expenses (contd...)

			Group			Company
			31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
		Note	Rs.	Rs.	Rs.	Rs.
9 A	**Income tax**					
	Reconciliation between current tax expense / (income) and the product of accounting profit					
	Profit before taxation		4,077,649,238	2,486,599,606	3,976,349,545	1,807,879,411
	Other comprehensive income		3,090,233	10,872,917	2,007,038	9,631,944
	Less : Income considered separately		(1,753,671,309)	(222,991,497)	(24,683,083)	(1,213,575,162)
	Profit from trade or business		2,327,068,162	2,274,481,026	3,953,673,500	603,936,193
	Less: Exempt profit	9A.2	(1,876,115,861)	(1,672,452,910)	(2,102,475,045)	-
	Taxable profit from trade or business	a	450,952,301	602,028,116	1,851,198,455	603,936,193
	Income considered separately		1,753,671,309	222,991,497	24,683,083	1,213,575,162
	Income taxable @ 12%		(205,812,602)	-	(205,812,602)	(145,902,195)
	Exempt other income	9A.2	-	-	-	(1,052,447,222)
	Liable other income	b	1,547,858,707	222,991,497	(181,129,519)	15,225,745
	Taxable profit	(a+b)	1,998,811,008	825,019,613	1,670,068,936	619,161,938
	Tax rates for the year		28% & 12%	28% & 12%	28% & 12%	28% & 12%
	Tax effect on chargeable profits @ 28%		559,667,082	231,005,492	467,619,302	173,365,343
	Tax effect on chargeable profits @ 12%		24,697,512	17,508,262	24,697,512	17,508,263
	Add : Tax effect of disallowable expenses in determining taxable income/(loss)		312,782,593	230,218,852	235,282,593	229,220,543
	Tax effect on allowable expenses in determining taxable income /(loss)		(338,454,288)	(344,732,200)	(250,114,962)	(344,732,200)
	Group tax effect on intercompany taxable income		(30,800,000)	(40,318,352)	-	-
			527,892,899	93,682,054	477,484,445	75,361,949
	Tax effect on deduction under section 32		-	(12,347,727)	-	(12,347,727)
	Current income tax provision for the year		527,892,899	81,334,327	477,484,445	63,014,222
	The applicable tax rate of the Company and its subsidiaries are given in note no 3.20.					
	Tax loss carried forward to the Y/A 2017/2018		-	123,768,632	-	-
9A.1	**Current tax attributable to profit or loss and other comprehensive income/(loss)**					
	Tax attributable to profit or loss	9	527,892,899	81,334,327	477,484,445	63,014,222
	Tax attributable to other comprehensive income		(252,679)	(2,696,944)	(252,679)	(2,696,944)
			527,640,220	78,637,383	477,231,766	60,317,278

9A.2 Exempt profit

The dividend income included under other income has already been taxed and exempted from income tax.

Trading profit from the business of subsidiary companies, Tokyo Super Cement Company Lanka (Pvt) Ltd and Tokyo Cement Power (Lanka) (Pvt) Ltd were exempted from income tax under BOI law.

9 B	**Deferred tax expenses**				
	Deferred tax expenses arising from;				
	- Accelerated depreciation for tax purposes on freehold property	148,910,547	512,749,032	5,973,376	307,930,129
	- Retirement benefit liabilities	(176,533)	(3,256,593)	(4,713,094)	(3,056,287)
	- Tax effect arising from tax losses	-	(34,871,152)	-	(34,871,152)
		148,734,014	474,621,287	1,260,282	270,002,690

9B.1 Deferred tax has been calculated at 28% and 15% that is expected to apply after the tax exemption period, assuming that tax rate will not be changed over the specified period.

10 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
	31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
	Rs.	Rs.	Rs.	Rs.
Amount used as the numerator:				
Profit attributable to owners of the parent	3,397,836,436	1,930,643,992	3,497,604,818	1,474,862,499
	3,397,836,436	1,930,643,992	3,497,604,818	1,474,862,499
Number of ordinary shares used as the denominator:	Nos.	Nos.	Nos.	Nos.
Weighted average number of shares at the year end	334,125,000	334,125,000	334,125,000	334,125,000
- Ordinary voting shares	222,750,000	222,750,000	222,750,000	222,750,000
- Ordinary non-voting shares	111,375,000	111,375,000	111,375,000	111,375,000
Basic earnings per share (Rupee per share)				
- Ordinary voting shares	10.17	5.78	10.47	4.41
- Ordinary non-voting shares	10.17	5.78	10.47	4.41

10.1 Diluted earnings per share

There is no potentially diluted share of the Company and as a result, the diluted earnings per share (DPS) is as same as the basic EPS shown above.

11 DIVIDEND PER SHARE (RUPEE PER SHARE)

Final dividends				
- Ordinary voting shares	-	-	1.87	1.35
- Ordinary non-voting shares	-	-	1.87	1.35

12. PROPERTY, PLANT AND EQUIPMENT

12.A Group

Item	Cost/ Valuation				Depreciation				Written Down Value	
	As at 01.04.2016 Rs.	Additions Rs.	Disposals / Reinstatement Rs.	As at 31.03.2017 Rs.	As at 01.04.2016 Rs.	Charged for the year Rs.	On Disposals / Reinstatement Rs.	As at 31.03.2017 Rs.	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Freehold land	691,893,066	64,627,197	-	756,520,263	-	-	-	-	756,573,263	691,893,066
Factory buildings	1,729,892,286	-	-	1,729,892,286	310,100,137	30,169,196	-	340,269,333	1,389,622,953	1,419,792,149
Generator house	22,558,795	-	-	22,558,795	21,427,422	1,127,937	-	22,555,359	3,436	1,131,373
Other buildings	501,000,991	218,221,501	-	719,222,492	371,947,720	47,539,335	-	419,487,055	299,682,437	129,053,271
Plant and machinery	5,843,424,529	269,571,253	-	6,112,995,782	1,383,902,055	153,648,458	-	1,537,550,513	4,575,445,269	4,459,522,474
Power plant	221,083,463	-	-	221,083,463	152,578,673	508,114	-	153,086,787	67,996,676	68,504,790
Factory and other equipment	588,680,009	31,676,246	-	620,356,255	264,387,487	23,330,257	-	287,717,744	332,638,511	324,292,522
Laboratory equipment	64,254,529	45,553,011	-	109,807,540	34,268,517	7,588,430	-	41,856,947	67,950,593	29,986,012
Office equipment	23,352,603	3,514,960	-	26,867,563	19,004,919	3,258,797	-	22,263,716	4,603,847	4,347,684
Generators	68,337,390	-	-	68,337,390	30,359,386	6,624,115	-	36,983,501	31,353,889	37,978,004
Recycling system	3,929,015	-	-	3,929,015	1,053,443	196,449	-	1,249,892	2,679,123	2,875,572
Furniture and fittings	29,221,615	5,712,907	-	34,934,522	19,040,245	4,609,804	-	23,650,049	11,284,473	10,181,370
Vehicles	1,444,677,210	385,977,463	40,531,577	1,790,123,096	932,831,435	220,707,810	32,001,368	1,121,537,877	668,585,219	511,845,775
Bulk cement carriers	12,637,344	-	-	12,637,344	1,992,964	574,424	-	2,567,388	10,069,956	10,644,380
Cement silos	486,932,907	-	-	486,932,907	210,181,125	20,965,569	-	231,146,694	255,786,213	276,751,782
Cement silos - Steel	254,514,792	6,260,894	-	260,775,686	32,056,084	5,888,493	-	37,944,577	222,831,109	222,458,708
Tug boat	8,940,227	-	-	8,940,227	5,366,273	772,161	-	6,138,434	2,801,793	3,573,954
Railway platform	7,263,915	-	-	7,263,915	1,210,652	242,131	-	1,452,783	5,811,132	6,053,263
Barges	8,354,413	-	-	8,354,413	383,544	383,444	-	766,988	7,587,425	7,970,869
Computer and other electronic equipment	120,909,514	21,374,472	-	142,283,986	83,445,281	16,578,297	-	100,023,578	42,260,408	37,464,233
Packer house	171,738,244	-	-	171,738,244	47,427,295	7,546,820	-	54,974,115	116,764,129	124,310,949
Landing jetty	69,837,150	-	-	69,837,150	53,642,523	3,491,856	-	57,134,379	12,702,771	16,194,627
Batching plant and pumper truck	774,274,450	226,570,678	-	1,000,845,128	132,403,978	44,376,589	-	176,780,567	824,064,561	641,870,472
Vessel	3,338,058,349	-	-	3,338,058,349	1,884,015,646	249,965,158	-	2,133,980,804	1,204,077,545	1,454,042,703
Vessel dry docking	627,619,095	-	-	627,619,095	280,221,765	135,432,530	-	415,654,295	211,964,800	347,397,330
Bio-mass building	220,637,920	-	-	220,637,920	63,443,193	7,145,220	-	70,588,413	150,049,507	157,194,727
Bio-mass plant and machinery	2,472,214,952	69,061,655	-	2,541,276,607	617,039,939	84,799,151	-	701,839,090	1,839,437,517	1,855,175,013
Bag storage warehouse - Dambulla	64,711,746	-	-	64,711,746	25,466,726	6,471,180	-	31,937,906	32,773,840	39,245,020
	19,870,950,519	1,348,122,237	40,531,577	21,178,541,179	6,979,198,427	1,083,941,725	32,001,368	8,031,138,784	13,147,402,395	12,891,752,092

12. Property, plant and equipment (contd...)

12.B Company

Item	Cost/ Valuation				Depreciation				Written Down Value	
	As at 01.04.2016 Rs.	Additions Rs.	Disposals / Reinstatement Rs.	As at 31.03.2017 Rs.	As at 01.04.2016 Rs.	Charged for the year Rs.	On Disposals / Reinstatement Rs.	As at 31.03.2017 Rs.	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
	Restated				Restated					Restated
Freehold land	603,348,072	64,627,197	-	667,975,269	-	-	-	-	667,975,269	603,348,072
Factory buildings	327,782,498	-	-	327,782,498	140,372,336	2,835,059	-	143,207,395	184,575,103	187,410,162
Generator house	22,558,795	-	-	22,558,795	21,427,422	1,127,937	-	22,555,359	3,436	1,131,373
Other buildings	461,544,412	142,029,920	-	603,574,332	360,054,178	42,435,663	-	402,489,841	201,084,491	101,490,234
Plant and machinery	1,981,230,813	70,504,348	-	2,051,735,161	997,786,390	44,026,154	-	1,041,812,544	1,009,922,617	983,444,423
Power plant	210,267,852	-	-	210,267,852	152,028,044	508,114	-	152,536,158	57,731,694	58,239,808
Factory and other equipment	546,497,962	19,553,687	-	566,051,649	242,460,207	20,933,704	-	263,393,911	302,657,738	304,037,755
Laboratory equipment	63,793,760	43,414,728	-	107,208,488	34,244,605	7,566,051	-	41,810,656	65,397,832	29,549,155
Office equipment	17,670,546	1,924,239	-	19,594,785	15,924,041	2,892,510	-	18,816,551	778,234	1,746,505
Generators	59,162,662	-	-	59,162,662	27,987,065	5,713,951	-	33,701,016	25,461,646	31,175,597
Recycling system	3,929,015	-	-	3,929,015	1,053,443	196,449	-	1,249,892	2,679,123	2,875,572
Furniture and fittings	24,508,794	3,478,626	-	27,987,420	17,902,896	3,986,778	-	21,889,674	6,097,746	6,605,898
Vehicles	1,282,183,676	241,228,656	40,531,577	1,482,880,755	838,918,360	186,932,562	32,001,368	993,849,554	489,031,201	443,265,316
Bulk cement carriers	12,637,344	-	-	12,637,344	1,992,964	574,424	-	2,567,388	10,069,956	10,644,380
Cement silos	474,728,202	-	-	474,728,202	172,574,799	14,664,813	-	187,239,612	287,488,590	302,153,403
Cement silos - Steel	253,914,792	6,260,894	-	260,175,686	31,456,084	5,888,493	-	37,344,577	222,831,109	222,458,708
Tug boat	8,940,227	-	-	8,940,227	5,366,273	772,161	-	6,138,434	2,801,793	3,573,954
Railway platform	7,263,915	-	-	7,263,915	1,210,652	242,131	-	1,452,783	5,811,132	6,053,263
Barges	6,573,428	-	-	6,573,428	383,544	383,444	-	766,988	5,806,440	6,189,884
Computer and other electronic equipment	116,031,803	15,265,818	-	131,297,621	83,185,617	15,004,085	-	98,189,702	33,107,919	32,846,186
Packer house	153,618,474	-	-	153,618,474	45,186,433	7,546,820	-	52,733,253	100,885,221	108,432,041
Landing jetty	69,837,150	-	-	69,837,150	53,803,345	3,491,856	-	57,295,201	12,541,949	16,033,805
Batching plant and pumper truck	774,274,450	226,570,678	-	1,000,845,128	132,243,155	44,376,589	-	176,619,744	824,225,384	642,031,295
Vessel dry docking	438,961,043	-	-	438,961,043	166,379,386	84,909,457	-	251,288,843	187,672,200	272,581,657
Bio-mass building	220,637,920	-	-	220,637,920	63,443,192	7,145,220	-	70,588,412	150,049,508	157,194,728
Bio-mass plant and machinery	2,472,214,952	69,061,655	-	2,541,276,607	617,039,936	84,799,151	-	701,839,087	1,839,437,520	1,855,175,016
Vessel	2,005,284,463	-	-	2,005,284,463	659,459,475	157,191,978	-	816,651,453	1,188,633,010	1,345,824,988
Grand total	12,619,397,020	903,920,446	40,531,577	13,482,785,889	4,883,883,842	746,145,554	32,001,368	5,598,028,028	7,884,757,861	7,735,513,178

12. Property, plant and equipment (contd...)

12.C Value of land and ownership

	Company	Location	Land extent	Number of buildings	Building cost (Rs.)	Land cost Rs.
a)	Tokyo Cement Company (Lanka) PLC	Cod bay, China bay,				
		Trincomalee (Leasehold)	Acres 44.00	7	1,144,123,580	-
		Elpitiya	Acres 7.50	3	111,344,366	17,906,600
		Jaffna	Acres 6.50	2	29,323,996	8,495,843
		Colombo	Perches 40.90	-	-	180,982,714
		Peliyagoda (Leasehold)	Acres 1.90	5	28,011,803	-
		Negombo Land 01-Batching Plant	Acres 1.97	1	23,120,689	28,935,510
		Negombo Land 01-CLC Plant	Acres 2.04	1	-	15,392,900
		Kandy Land	Acres 1.52		-	48,016,200
		Weligama Land	Acres 12		-	90,326,120
		Meethotamulla Land	Acres 2.01		-	233,865,385
		Anuradhapura Land	Acres 2.31		-	44,054,000
b)	Tokyo Super Cement Company Lanka (Pvt) Ltd	Cod bay, China bay,				
		Trincomalee (Leasehold)	Perches 16.89	2	668,505,440	-
		Dambulla	Acres 5.00	2	104,690,457	14,675,000
c)	Tokyo Cement Power (Lanka) (Pvt) Ltd	Mahiyanganaya	Acres 19.00	8	706,537,548	13,338,695
d)	Tokyo Eastern Cement Company (Pvt) Ltd	Cod bay, China bay,	Hect 4.77	-	-	-
		Trincomalee (Leasehold)				
e)	Tokyo Super Aggregate (Pvt) Limited	Dompe	Acres 10.5		76,138,581	60,531,300

The Directors are of the opinion that the market value of the above lands does not substantially differ from its book values as at the reporting date.

13. CAPITAL WORK-IN-PROGRESS

13.A Group

Description	Balance as at 01.04.2016 Rs.	Expenses incurred during the Year Rs.	Capitalized/ charged during the year Rs.	Balance as at 31.03.2017 Rs.	Balance as at 31.03.2016 Rs.
ERP implementation	18,262,858	25,866,017	-	44,128,875	18,262,858
Resource planning project	54,322,546	36,642,898	-	90,965,444	54,322,546
Batching plants	115,549,633	175,388,292	221,674,872	69,263,053	115,549,633
Tile motor plant	129,373,426	12,737,203	-	142,110,629	129,373,426
Cement grinding mill	2,394,868,956	1,819,795,464	-	4,214,664,420	2,394,868,956
Bio-mass power plant	1,388,279,148	752,531,798	-	2,140,810,946	1,388,279,148
Jetty Expantion Project	89,023,090	768,227,597	-	857,250,687	89,023,090
Engineers quarters	2,143,240	11,024,944	-	13,168,184	2,143,240
Automation of Chinese Silo Extension	-	661,693	-	661,693	-
Roller Oil Treatment Plant	-	3,064,961	3,064,961	-	-
HFO Fuel Tank	-	8,918,009	8,918,009	-	-
Barge Work	-	16,133,615	-	16,133,615	-
Head office Building Project	-	10,714,286	-	10,714,286	-
Crusher plant - Dompe	156,485,678	143,878,132	300,363,810	-	156,485,678
Other projects	3,950,192	1,134,916	2,411,192	2,673,916	3,950,192
Total	4,352,258,767	3,786,719,825	536,432,844	7,602,545,748	4,352,258,767

13. Capital work-in-progress (contd...)

13.B Company

Description	Balance as at 01.04.2016 Rs. Restated	Expenses incurred during the Year Rs.	Capitalized/ charged during the year Rs.	Balance as at 31.03.2017 Rs.	Balance as at 31.03.2016 Rs. Restated
ERP implementation	18,262,858	25,866,017	-	44,128,875	18,262,858
Resource planning project	54,322,546	36,642,898	-	90,965,444	54,322,546
Jetty Expantion Project	75,742,515	768,227,597	-	843,970,112	75,742,515
Batching plants					
Meethottamulla	112,640,408	106,125,239	218,765,647	-	112,640,408
Trinco	-	6,626,333	-	6,626,333	-
Weligama	2,909,225	-	2,909,225	-	2,909,225
Aladeniya	-	8,656,059	-	8,656,059	-
CIC Plant	-	53,980,661	-	53,980,661	-
Engineers quarters	2,143,240	11,024,944	-	13,168,184	2,143,240
Barge Work	-	16,133,615	-	16,133,615	-
Head office building	-	10,714,286	-	10,714,286	-
Other projects	3,950,192	1,134,916	2,411,192	2,673,916	3,950,192
Total	269,970,984	1,045,132,565	224,086,064	1,091,017,485	269,970,984

14. INTANGIBLE ASSETS

Group

Item	Note	As at 31.03.2017 Rs.	Written Down Value As at 31.03.2016 Rs.
Goodwill		32,995,007	32,995,007
Accounting and related software	14.1	35,441,133	50,174,559
		68,436,140	83,169,566

In compliance with SLFRS 3-Business Combinations upon acquiring controlling interest, the accounted goodwill reflects the excess of the purchase price of shares in Tokyo Cement Colombo Terminal (Pvt) Ltd, (Formerly known as Samudra Cement Company Lanka (Pvt) Ltd.) over the fair value of the proportionate share of the net assets of such company as at the date of acquisition. Unamortized balance of goodwill as at 01st December, 2006 as well as the goodwill generated from subsequent acquisition which was made upto 01st March, 2014 has been recorded as a permanent asset.

It continue to be recorded in the financial statements after the amalgamation of Tokyo Cement Colombo Terminal (Pvt) Ltd, in accordance with the Statement of Recommended Practice for Merger Accounting for Common Central Combination issue by the Institute of Chartered Accountants of Sri Lanka.

When assessing the impairment, the recoverable amount of the Cash Generating unit has been determined using the higher of fair value less cost to sell and the value in use. Since the value in use of the cash generating unit is higher than the fair value less cost to sell, it has been considered as the recoverable amount where the value in use is based on the present value of the future cash flows of the forecasted business operations of Tokyo Cement Colombo Terminal (Pvt) Ltd as a separate business unit for next years, using the key assumptions such as discount rate 26% per annum, inflation and general price rate 10% annum exchange rate considered from Rs.155.00 to Rs. 165.70 throughout the period made by considering the past experience and external source of Information which has been approved by the Board of Directors.

Notes to the Financial Statement

14. Intagible assets (contd...)

14.1 Accounting and related software

14.1 A Group

Item	Cost/Valuation As at 01.04.2016 Rs.	Additions Rs.	As at 31.03.2017 Rs.	Amortization As at 01.04.2016 Rs.	For the year Rs	As at 31.03.2017 Rs.	Written Down Value As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
ABAS ERP solution system	75,839,104	-	75,839,104	25,770,022	16,689,695	42,459,717	33,379,387	50, 069,082
H Senid HRM-Payroll enterprise system	475,000	2,499,000	2,974,000	475,000	472,413	947,413	2,026,587	-
Weigh bridge intergration software	562,541	-	562,541	457,064	70,318	527,382	35,159	105,477
	76,876,645	2,499,000	79,375,645	26,702,086	17,232,426	43,934,512	35,441,133	50,174,559

14.1 B Company

Item	Cost/Valuation As at 01.04.2016 Rs.	Additions Rs.	As at 31.03.2017 Rs.	Amortization As at 01.04.2016 Rs.	For the year Rs	As at 31.03.2017 Rs.	Written Down Value As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
	Restated			Restated				Restated
ABAS ERP solution system	33,379,388	-	33,379,388	8,344,848	8,344,848	16,689,696	16,689,692	25,034,540
H Senid HRM-Payroll enterprise system	475,000	2,499,000	2,974,000	475,000	472,413	947,413	2,026,587	-
Weigh bridge intergration software	562,541	-	562,541	457,064	70,318	527,382	35,159	105,477
	34,416,929	2,499,000	36,915,929	9,276,912	8,887,579	18,164,491	18,751,438	25,140,017

15. INVESTMENTS IN SUBSIDIARIES

	Group 31st March, 2017 Rs.	Group 31st March, 2016 Rs.	Company 31st March, 2017 Rs.	Company 31st March, 2016 Restated * Rs.
15.1 Investments In subsidiaries - Unquoted - At cost				
Tokyo Super Cement Company Lanka (Pvt) Ltd				
Ordinary shares (60,564,926 shares)	-	-	2,945,098,150	1,345,100,006
Tokyo Cement Power (Lanka) (Pvt) Ltd				
Ordinary shares (2,200,000,010 shares)	-	-	2,200,000,010	1,350,000,010
Tokyo Eastern Cement Company (Pvt) Ltd				
Ordinary shares (2,300,001,000 shares)	-	-	2,300,001,000	1,500,001,000
Tokyo Super Aggregate (Pvt) Limited				
Ordinary Shares (51,000,000 Shares)			51,000,000	51,000,000
			7,496,099,160	4,246,101,016

15.2 Partly - owned subsidiaries	2016/2017	2015/2016
Name of the Company		
Tokyo Super Aggregate (Pvt) Limited	51%	51%
Accumulated balances of non-controlling interests:		
Tokyo Super Aggregate (Pvt) Limited	52,185,889	49,000,000

The summarised financial information of the above Subsidiary is provided below. This information is based on amounts before inter-company eliminations.

15. INVESTMENTS IN SUBSIDIARIES (Contd.)

		2016/2017 Rs.	2015/2016 Rs.
15.2.1	**Summarize statement of profit or loss and other comprehensive income**		
	Total Comprehensive income for the year	6,501,815	-
15.2.2	**Summarised statement of financial position**		
	Non-current assets	362,531,510	217,016,978
	Current assets	87,895,887	35,690,699
	Total assets	450,427,397	252,707,677
	Capital and reserve	106,501,815	100,000,000
	Non-current liabilities	127,146,075	150,000,000
	Current liabilities	216,779,507	2,707,677
	Total equity and liabilities	450,427,397	252,707,677
15.2.3	**Summarised statement of cash flow information**		
	Cash flows from operating activities	(60,443,861)	453,741
	Cash flows used in investing activities	(150,740,086)	(217,016,978)
	Cash flows from financing activities	44,988,411	250,062,530
		(166,195,536)	33,499,293

16. OPERATING LEASE PREPAYMENT

	Group		Company	
	31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016
	Rs.	Rs.	Rs.	Rs.
				Restated
At the beginning of the year	68,032,951	72,654,253	68,032,951	72,654,253
Amortization during the year	(4,726,317)	(4,621,302)	(4,726,317)	(4,621,302)
At the end of the year	63,306,634	68,032,951	63,306,634	68,032,951
Less: Current portion of pre-payment	(4,726,317)	(4,621,302)	(4,726,317)	(4,621,302)
Long-term portion of pre-payment	58,580,317	63,411,649	58,580,317	63,411,649

Pre-paid lease rentals to acquire the rights to use have been classified as lease rental paid in advance/leasehold property and are amortized over the lease term in accordance with the pattern of benefits provided.

17. INVENTORIES

Raw material	459,952,316	604,021,680	167,651,962	525,526,809
Finished goods	741,443,764	121,982,437	585,998,612	119,535,649
Packing materials	150,885,581	377,856,901	8,709,468	92,659,027
Spares and consumables	457,847,850	215,177,175	95,585,870	125,539,832
Goods - in - transit	191,471,203	222,973,874	18,220,242	46,184,376
	2,001,600,714	1,542,012,067	876,166,154	909,445,693

The inventories have been pledged against borrowings as disclosed in note no 29.

18. TRADE AND OTHER RECEIVABLES

		Group		Company	
		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
	Note	Rs.	Rs.	Rs.	Rs.
Trade debtors - Related parties	18.1	108,844,090	167,876,643	134,520,845	172,538,476
- Others		2,089,885,098	1,685,624,054	1,558,881,687	1,139,348,478
		2,198,729,188	1,853,500,697	1,693,402,532	1,311,886,954
Less: Impairment provision		(8,315,639)	(8,315,639)	(8,315,639)	(8,315,639)
		2,190,413,549	1,845,185,058	1,685,086,893	1,303,571,315
Deposits, advances and pre-payments		383,059,321	334,629,563	174,553,103	89,915,458
Other receivables		452,517,612	538,996,866	74,735,804	300,496,252
		3,025,990,482	2,718,811,487	1,934,375,800	1,693,983,025

The trade and other receivables are classified as loans and receivables other than prepayments.

18.1 Trade debtors - Related parties

Name of the related party	Nature of the relationship				
Rhino Roofing Products Ltd	Common Directors	62,621,152	117,730,983	62,621,152	75,936,434
Rhino Products Ltd	Common Directors	46,222,938	50,145,660	46,222,938	96,602,042
Tokyo Eastern Cement Company (Pvt) Ltd	Common Directors	-	-	25,676,755	-
		108,844,090	167,876,643	134,520,845	172,538,476

18.2 Mitigation of credit risk exposure

The management reviews impairment indications of each debtor on individual basis and fair value of trade debtors are subject to the net of impairment loss and sought no requirement to the allowance for credit risk. Also, the above outstanding balances are secured by the bank guarantees.

19. AMOUNT DUE FROM SUBSIDIARIES

Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	-	798,436,457
Tokyo Eastern Cement Company (Pvt) Ltd	-	-	433,366,503	712,391,914
Tokyo Super Aggregate (Pvt) Ltd.	-	-	5,467,609	-
	-	-	438,834,112	1,510,828,371

20. FINANCIAL INVESTEMENTS

Held to maturity				
Investments in treasury bills	6,237,826	5,875,593	-	-
	6,237,826	5,875,593	-	-

21. STATED CAPITAL

				Group
Description	At the beginning of the year 01st April, 2016	Issued during the year	At the end of the year 31st March, 2017	At the end of the year 31st March, 2016
	Rs.	Rs.	Rs.	Rs.
Value of ordinary shares	2,893,756,250	-	2,893,756,250	2,893,756,250
	2,893,756,250	-	2,893,756,250	2,893,756,250

				Company
Description	At the beginning of the year 01st April, 2016	Issued during the year	At the end of the year 31st March, 2017	At the end of the year 31st March, 2016
	Rs.	Rs.	Rs.	Rs.
Value of ordinary shares	2,893,756,250	-	2,893,756,250	2,893,756,250
	2,893,756,250	-	2,893,756,250	2,893,756,250

In accordance with Section 58 of the Companies Act No.07 of 2007 which became effective from 03rd May, 2007, share capital and share premium have been classified as stated capital. Also, in order to comply with the provision of this act, all share issue costs have been directly debited to equity (retained earnings) rather than debiting to stated capital. Also, in order to comply with the provision of this act, all share issue costs have been directly debited to equity (retained earnings).

21.1 Movement in number of ordinary shares

				Group
Description	At the beginning of the year 01st April, 2016	Issued during the year	At the end of the year 31st March, 2017	At the end of the year 31st March, 2016
	Nos.	Nos.	Nos.	Nos.
Ordinary shares				
- Voting	222,750,000	-	222,750,000	222,750,000
- Non-voting	111,375,000	-	111,375,000	111,375,000
	334,125,000	-	334,125,000	334,125,000

				Company
Description	At the beginning of the year 01st April, 2016	Issued during the year	At the end of the year 31st March, 2017	At the end of the year 31st March, 2016
	Nos.	Nos.	Nos.	Nos.
Value of ordinary shares				
- Voting	222,750,000	-	222,750,000	222,750,000
- Non-voting	111,375,000	-	111,375,000	111,375,000
	334,125,000	-	334,125,000	334,125,000

The above shares are quoted in the Colombo Stock Exchange. The non-voting shares rank pari pasu in respect of all rights with the ordinary voting shares of the Company except for the voting rights.

22. INTEREST BEARING BORROWINGS

	Note	Group 31st March, 2017 Rs.	Group 31st March, 2016 Rs.	Company 31st March, 2017 Rs.	Company 31st March, 2016 Restated * Rs.
22.1 Long-term interest bearing borrowings					
At the beginning of the year		3,575,483,930	4,042,299,485	3,512,492,000	2,619,888,485
Add: Loans obtained during the year		3,675,000,000	396,917,515	1,600,000,000	1,246,917,515
		7,250,483,930	4,439,217,000	5,112,492,000	3,866,806,000
Less: Settlements during the year		(752,698,307)	(863,733,070)	(462,493,200)	(354,314,000)
At the end of the year		6,497,785,623	3,575,483,930	4,649,998,800	3,512,492,000
Current maturity portion		1,610,805,640	717,311,640	737,517,200	462,523,200
Non-current maturity portion					
- Related parties		-	-	1,000,000,000	1,000,000,000
- Others		4,886,979,983	2,858,172,290	2,912,481,600	2,049,968,800
		4,886,979,983	2,858,172,290	3,912,481,600	3,049,968,800
		6,497,785,623	3,575,483,930	4,649,998,800	3,512,492,000
Repayable after one year					
Repayable between one and five years		6,497,785,623	2,858,172,290	4,649,998,800	2,799,968,800
Repayable after five years		-	-	-	250,000,000
		6,497,785,623	2,858,172,290	4,649,998,800	3,049,968,800

Note: a) Current and long term portion of the borrowings over interest cost and capital repayable has been apportioned between borrowings repayable within one year, repayable between one and five years and more than five years.

b} The Company has obtained related party loan from its fully owned subsidiary Tokyo Super Cement Company Lanka (Pvt) Ltd in the value of Rs 1 Bn & to be repaid within 6 years including a grace period of 2 years at an interest rate of 10.70%.

	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
22.2 Short-term borrowings					
Import demand loans	22.2.1	2,211,643,013	2,525,798,056	1,802,956,012	1,427,934,163
Working capital loans	22.2.2	-	85,000,000	-	85,000,000
		2,211,643,013	2,610,798,056	1,802,956,012	1,512,934,163
22.2.1 Import demand loans					
At the beginning of the year		2,525,798,056	1,322,611,852	1,427,934,163	1,322,611,853
Add: Loans obtained during the year		12,060,404,647	14,890,223,599	7,701,313,543	7,923,718,439
Less: Settlements during the year		(12,374,559,690)	(13,687,037,395)	(7,326,291,694)	(7,818,396,129)
At the end of the year		2,211,643,013	2,525,798,056	1,802,956,012	1,427,934,163
22.2.2 Working capital loans					
At the beginning of the year		85,000,000	-	85,000,000	-
Add: Loans obtained during the year		-	85,000,000	-	85,000,000
Less: Settlements during the year		(85,000,000)	-	(85,000,000)	-
At the end of the year		-	85,000,000	-	85,000,000

23 DEFERRED TAX LIABILITY

		Group		Company	
		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
	Note	Rs.	Rs.	Rs.	Rs.
At the beginning of the year		2,206,574,079	1,731,952,792	1,516,659,784	1,246,657,094
Charged to statement of profit or loss	Note 9.B	148,734,014	474,621,287	1,260,282	270,002,690
At the end of the year		2,355,308,093	2,206,574,079	1,517,920,066	1,516,659,784

23.1	Tax effect on temporary difference on property, plant and equipment	2,391,338,168	2,272,766,958	1,551,862,024	1,580,759,801
	Tax effect on temporary difference on retirement benefit obligations	(36,030,075)	(31,321,727)	(33,941,958)	(29,228,865)
		2,355,308,093	2,241,445,231	1,517,920,066	1,551,530,936
	Less: Unused tax losses	-	(34,871,152)	-	(34,871,152)
	Deferred tax liability	2,355,308,093	2,206,574,079	1,517,920,066	1,516,659,784

23.2 Deferred tax for tax holiday companies

For group of companies under BOI tax holidays, deferred tax has been recognized for temporary differences, when reversals of such differences extend beyond the tax exemption period, taking into account the requirements of LKAS 12 and the ICASL Council's ruling on deferred tax.

24 RETIREMENT BENEFITS OBLIGATION

		Group		Company	
		31st March, 2017	31st March, 2016	31st March, 2017	31st March, 2016 Restated *
	Note	Rs.	Rs.	Rs.	Rs.
At the beginning of the year		112,424,408	108,226,274	104,388,800	101,064,441
Actuarial (gain) or loss from change in financial assumption		(3,090,233)	(10,872,917)	(2,007,038)	(9,631,944)
Current service cost		12,924,099	10,965,407	11,432,322	9,495,224
Interest cost		11,175,820	9,740,363	10,291,903	9,095,798
Provision for the year		21,009,686	9,832,853	19,717,187	8,959,078
		133,434,094	118,059,127	124,105,987	110,023,519
Payment made during the year		(3,028,482)	(5,634,719)	(2,884,707)	(5,634,719)
At the end of the year		130,405,612	112,424,408	121,221,280	104,388,800

24.1 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible changes in the key assumptions employed with all other variables held constant in the employee benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year. -

24. RETIREMENT BENEFITS OBLIGATION (Contd.)

	Increase/ (decrease) in discount rate	Increase/ (decrease) in salary escalation rate	Group effect on employee benefit obligation Rs.	Company effect on employee benefit obligation
	1%	**	123,402,200	115,044,078
	-1%	**	138,400,761	128,265,354
	**	1%	139,114,170	128,909,993
	**	-1%	122,663,698	114,375,688

The retirement benefit obligation of Tokyo Cement Company (Lanka) PLC and of its subsidiaries are based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd. The Group has adopted the "Project Unit Credit Method" to determine the present value of the retirement benefit obligation as recommended by LKAS 19.

The principal assumptions used in determining the cost of employee benefits were;

	31st March, 2017	31st March, 2016
a) Discount rate	13%	11%
b) Salary increment rate	10%	10%
c) Retirement age	55 Years	55 Years
d) Employee turnover ratio	2%	2%

Assumptions regarding future mortality are based on 67/70 mortality table issued by the Institute of Actuaries, London.

25. TRADE AND OTHER PAYABLES

	Note	Group			Company
		31st March, 2017 Rs.	31st March, 2016 Rs.	31st March, 2017 Rs.	31st March, 2016 Rs. Restated
Bills payable		83,058,097	592,826,746	1,738,107	350,478,287
Expense creditors - Related parties	25.1	35,394,785	-	84,746,784	-
- Others		986,100,465	514,687,943	985,591,124	512,466,646
Other creditors		896,475,791	742,201,927	194,353,026	112,307,026
		2,001,029,138	1,849,716,616	1,266,429,041	975,251,959

25.1 Payable to related parties

Name of the related party	Nature of the relationship				
St. Anthony's Consolidated (Pvt) Ltd	Common Directos (Note 30.1)	28,465,021	-	28,465,021	-
St. Anthony's Hardware Ltd	Common Directos (Note 30.1)	6,929,764		6,929,764	-
South Asian Investment (Pvt) Ltd	Common Directos (Note 30.1)	-	-	-	-
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	49,351,999	-
		35,394,785	-	84,746,784	-

26. AMOUNT DUE TO SUBSIDIARIES

Tokyo Super Cement Company Lanka (Pvt) Ltd	-	-	98,282,326	1,071,780,661
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	106,039,014	-
	-	-	204,321,340	1,071,780,661

27. CAPITAL AND OTHER COMMITMENTS

27.1 Company

27.1.1 Capital commitments

The following capital commitments have been approved by the respective board of directors but not provided for in the financial statements.

a) Implementation of a new Enterprise Resource Planning (ERP) System with an estimated cost of Rs.70 Mn. Total cost of project completed as at 31st March, 2017 is Rs.119 Mn with the additional approval for cost overrun. Remaining modules are expected to be completed within the next 12 months.

b) Investment on proposed jetty expansion and dredging project in Trincomalee at an estimated cost of Rs.1.1 Bn (USD 8 Mn).Total cost of project completed as at 31st March, 2017 is Rs. 857 Mn.

c) Investment on a proposed resource planning project in Mannar for Rs.90.9 Mn.

27.1.2 Other commitments

a) The Company has entered into an agreement to export Bio-Mass power with Ceylon Electricity Board (CEB) for a period of 20 years subject to the terms and conditions.

27.2 Subsidiary companies

a) Tokyo Eastern Cement Company (Pvt) Ltd
The Company has announced an investment of USD 50 Mn (USD 50 Mn - Rs 7.3 Bn Approx:) & total cost of work completed as at 31st March, 2017 is Rs. 6.5 Bn.

b) Tokyo Cement Power (Lanka) (Pvt) Ltd
The Company has entered into an agreement to export Dendro power with Ceylon Electricity Board (CEB) for a period of 20 years subject to the terms and conditions.

28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

28.1 Contingent liabilities

There are no contingent labilities as at the reporting date other than the following:

Tokyo Cement Company (Lanka) PLC

a) The Department of Inland Revenue has not allowed Rs.300 Mn donation made in the year of assessment 2002/03 to the Ministry of Shipping and Ports Development, as a qualifying payment relief and an appeal has been preferred in the Court of Appeal on question of law under Section 141 (1) of the Inland Revenue Act. Lawyers have informed that the question of law is very much in favour of the Company to overturn the court of applied determinations. The case is yet to be listed.

28.2 Contingent assets

There were no material contingent assets for the Group existing as at the reporting date.

29 ASSETS PLEDGED

Following assets have been pledged as securities for liabilities

Name of the Company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2017 Rs.	Balance outstanding as at 31.03.2016 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	a. Term loans					
	i. Commercial Bank of Ceylon PLC	800,000,000	199,988,000	399,992,000	Repayable in 47 equal monthly instalments of Rs.16,667,000/- a final instalment of Rs.16,651,000/-.	On demand loan agreement.
	ii. Commercial Bank of Ceylon PLC	2,000,000,000	1,900,010,000	1,500,000,000	Repayable in 59 equal monthly instalments of Rs.33,330,000/- a final instalment of Rs.33,530,000/- (A grace period of 2 years at the beginning).	(a) Mortgage over plant, machinery and project assets of cement and bio-mass power plant under construction (Tokyo Eastern Cement Company Ltd) (b) Corporate guarantee of TCCL for Rs.650 Mn
	iii. Sampath Bank PLC	500,000,000	375,000,800	500,000,000	Repayable in 47 equal monthly instalments of Rs.10,416,600/- a final instalments of Rs.10,419,800/- (A grace period of 1 years at the beginning).	(a) Loan agreement for Rs. 500 Mn. (b) Negative pledge over project assets. (Ready mix plant at Matara and Orugodawaththa)
	iv. Commercial Bank of Ceylon PLC	1,100,000,000	1,100,000,000	-	Repayable in 26 equal monthly instalments of Rs.40,800,000/-, a final instalment of Rs.39,200,000/-. (A grace period of 21 months)	Negative pledge over project assets.
	V. National Development Bank PLC	150,000,000	75,000,000	112,500,000	Loan amount repayable in 48 monthly instalments of Rs.3,125,000.	Loan agreement on term loan for 150 Mn.
	b. Short term loan					
	Commercial Bank of Ceylon PLC	85,000,000	-	85,000,000	On demand	On demand loan agreement.

Name of the Company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2017 Rs.	Balance outstanding as at 31.03.2016 Rs.	Repayment	Security pledged
	c. Import demand loan					
	i. Commercial Bank PLC	1,000,000,000	537,868,000	203,042,000	Each loan to be settled within 90 days from date of grant.	Lien over documents of title to the goods under import and counter indemnity in respect of letter of guarantee/bills purchase facility.
	ii. Commercial Bank PLC	750,000,000	730,262,937	240,423,683	Each loan to be settled within 90 days from date of grant.	Mortgage Bond No. 1649 dated 06th August, 2002, executed over stock in trade and book debts of the Company for Rs.110 Mn ranking equal and pari passu with the primary mortgage on executed by the Company in favour of Sampath Bank for Rs.385 Mn and documents relating to goods received duly accepted by the Company.
	iii. Sampath Bank PLC	1,000,000,000	269,198,514	645,644,051	Each loan to be settled within 90 days from date of grant.	On demand loan agreement. (a) General terms and condition documents relating to IDL. (b) Lien over documents of Title of the goods under import (c) Corporate guarantee of TCCL for Rs.800 Mn
	iv. Sampath Bank PLC	525,000,000	265,626,561	338,824,429	Each loan to be settled within 90 days from date of grant.	Short-term Loan agreement for Rs 525 Mn.
	d. Overdraft facility					
	i. Commercial Bank PLC	1,000,000	216,757,136	320,451,475	On demand	General terms and conditions relating to overdraft.
	ii. Sampath Bank PLC	35,000,000	-	-	On demand	Overdraft agreement of Rs 35Mn Secondary Mortgage over cement, plant and machinery at port premises, Colombo for 360 Mn.

Name of the Company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2017 Rs.	Balance outstanding as at 31.03.2016 Rs.	Repayment	Security pledged
Tokyo Super Cement Company Lanka (Pvt) Ltd	a. Import demand loan					
	i. City Bank	USD 2.45 Mn	-	145,085,894	Repayable within 90 days from the date of grant	(a) Unconditional corporate guarantee from Tokyo Cement Company (Lanka) PLC.
	b. Import demand loan					
	i. Commercial Bank of Ceylon PLC	800,000,000	408,687,000	45,847,000	Repayable within 90 days from the date of grant	(a) Corporate guarantee of Tokyo Cement Company (Lanka) PLC. (b) Lien over documents of title to the goods under import.
Tokyo Eastern Cement Company (Pvt) Ltd	a. Term loans					
	i. Commercial Bank of Ceylon PLC	2,000,000,000	2,000,000,000	-	Repayable in 35 equal monthly instalments of Rs.55,600,000/- a final instalment of Rs.54,000,000/- (A grace period of one years at the beginning).	(a) Loan agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC for Rs.2,750 Mn.
Tokyo Cement Power (Lanka) (Pvt) Ltd	a. Term loan					
	i. National Development Bank PLC	1,500,000,000	658,203,490	912,991,930	In 57 monthly equal instalments @ Rs 25,863,000 & one instalement of Rs 25,809,000.	(a) Corporate guarantee from Tokyo Cement Company Lanka PLC and an agreement to mortgage over plant, machinery and equipment of the Bathalayaya Biomass power project of the borrowers.
Tokyo Super Aggregate (Pvt) Ltd	a. Short-term loan Commercial Bank of Ceylon PLC	250,000,000	189,583,334	150,000,000	Interest to be paid monthly at the rate of 8.15% p.a. Term loan repayable over a period of 04 years with two years grace period.	(a) Corporate guarantee for Rs.250 Mn of Tokyo Cement Company (Lanka) PLC.

30 RELATED PARTY TRANSACTIONS

30.1 The Directors of the Company are also Directors of the following Companies:

	Tokyo Super Cement Co Lanka (Pvt) Ltd	St. Anthony's Consolidated (Pvt) Ltd	St. Anthony's Hardware (Pvt) Ltd	South Asian Investments (Pvt) Ltd	Rhino Roofing Products Ltd	Rhino Products Ltd	Providence Network & Solutions (Pvt) Ltd	Tokyo Eastern Cement Company (Pvt) Ltd	Tokyo Cement Power (Lanka) (Pvt) Ltd	Tokyo Super Aggregate (Pvt) Ltd	Orion City Limited
Mr. S R Gnanam	X	X	X	X	X	X	-	X	X	X	X
Mr. A S G Gnanam	X	X	X	X	X	X	X	X	X	-	X
Mr. E J Gnanam	X	X	X	X	X	X	-	X	X	-	X
Mr. R Seevaratnam	X	-	-	-	-	-	-	X	X	-	-
Mr. H Tsukigawa	-	-	-	-	-	-	-	-	-	-	-
Dr. Harsha Cabral	X	-	-	-	-	-	-	X	X	X	-
Dr. I Coomaraswamy	X	-	-	-	-	-	-	X	X	-	-
Mr. Ravi Dias	X	-	-	-	-	-	-	X	X	-	-
Mr. Shiro Takihara	X	-	-	-	-	-	-	X	X	-	-
Mr. W C Fernando	X	-	-	-	-	-	-	X	X	X	-
Mr. Asite Talwatte	X	-	-	-	-	-	-	X	X	-	-

"X" denotes the companies in which each of the persons mentioned was a Director.

30.1.1 Mr. I Coomaraswamy ceased to be a director of the Company effective from 3rd July 2016.

Mr. Shiro Takihara nominee director of Nippon Coke Engineering Company Ltd ceased to be a director of the Company with effect from 24th January 2017.

Mr. Asite Talwatte was appointed as non executive independent director with effect from 8th August 2017.

30 RELATED PARTY TRANSACTIONS (Contd.)

30.2 The Company and the Group has had following transactions entered during the year in the ordinary course of business with related entities at commercial rates.

		Nature of the relationship	Group 2017 (Rs.)	Group 2016 (Rs.)	Company 2017 (Rs.)	Company 2016 (Rs.)
	Subsidiary companies					
(a)	Tokyo Super Cement Company Lanka (Pvt) Ltd	Subsidiary company				
	i. Fund transfers (from) /to		1,557,970,669	1,117,387,019	419,822,670	894,583,319
	ii. Purchase of bio-mass power		249,474,076	184,128,752	249,474,076	184,128,752
	iii. Bio-mass material		-	99,738,529	-	99,738,529
	iv. Packing plant hiring expenses		24,181,741	23,862,370	24,181,741	23,862,370
	v. Sale of clinker		47,638,380	-	47,638,380	-
	vi. Dividend paid		2,102,475,045	1,052,447,222	2,102,475,045	1,052,447,222
	vii. Expenses incurred on behalf of the Company		311,491,487	327,713,641	400,448,891	327,713,641
	viii. Loan interest		110,000,000	-	110,000,000	-
	ix. Loan granted from /(to)		-	1,000,000,000	-	1,000,000,000
	x. Lease rental		105,562	105,562	105,562	105,562
	xi Purchase of Cement		141,278,416	-	141,278,416	-
	xii. Investment in stated capital		1,599,998,144	-	1,599,998,144	
(b)	Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary company				
	i. Investment in stated capital		850,000,000	250,000,000	850,000,000	250,000,000
	ii. Fund transfers from/(to)		199,527,000	172,082,510	64,527,000	168,082,510
	iii. Expenses incurred on behalf of the Company		9,982,079	10,673,212	10,051,529	8,363,712
(c)	Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary company				
	i. Fund transfers from/(to)		1,203,148,000	711,435,000	200,000,000	661,435,000
	ii. Expenses incurred on behalf of the Company		-	12,248,315	-	11,694,792
	iii Capital expenses incurred on behalf of the Company		410,001,443	212,025,079	320,974,589	-
	iv Investment in stated capital		1,650,000,000	1,000,000,000	800,000,000	-
	v Purchase of Ready mix concreate		152,226,868	-	152,226,868	-
(d)	Tokyo Super Aggregate (Pvt) Ltd	Subsidiary company				
	i. Investment in stated capital		-	51,000,000	-	51,000,000
	ii. Expenses incurred on behalf of the Company		5,467,609	62,530	5,467,609	-
	iii. Sales of Sand & metal		96,772,442	-	96,772,442	-
	Other Related Companies					
(a)	St. Anthony's Consolidated (Pvt) Ltd i. Sales commission	Common directors (30.1)	598,915,914	580,726,584	290,864,767	236,758,208

30 RELATED PARTY TRANSACTIONS (Contd.)

		Nature of the relationship	Group 2017 (Rs.)	Group 2016 (Rs.)	Company 2017 (Rs.)	Company 2016 (Rs.)
(b)	St. Anthony's Hardware (Pvt) Ltd					
	i. Purchase of chemicals	Common directors (30.1)	54,484,363	42,648,515	54,484,363	42,648,515
	ii. Sale of ready mix concrete		-	754,000	-	754,000
(c)	South Asian Investment (Pvt) Ltd i. Sales commission	Common directors (30.1)	100,110,886	78,351,445	100,110,886	78,351,445
(d)	Rhino Roofing Products Ltd	Common directors (30.1)				
	i. Sale of cement		1,547,499,573	1,522,961,696	1,038,762,664	200,890,409
	ii. Sale of concreate		3,005,694	5,034,525	3,005,694	5,034,525
	iii. Trade receivables		62,621,152	117,730,984	62,621,152	27,207,365
(e)	Rhino Product Ltd	Common directors (30.1)				
	i. Sale of cement		1,183,369,958	1,133,369,413	1,027,610,338	82,444,806
	ii. Trade receivables		46,222,938	50,145,660	46,222,938	30,619,157
	ii. Sale of concreate		163,868	-	163,868	-
(f)	St. Anthony's Coatings (Pvt) Ltd	Common directors (30.1)				
	i. Sale of cement		426,902	701,219	426,902	701,219
(g)	St.Anthony's Industries Group (Pvt) Ltd	Common directors (30.1)				
	i. Sale of cement		3,342,212	-	3,342,212	-
(h)	Orion City Limited	Common directors (30.1)				
	i. Rent income		11,951,529	12,079,200	11,931,529	12,079,200

30.3 Collaterals or corporate guarantees given to related parties

The Company has not provided assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes except as referred in note no 29.

30.4 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail at arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2016 - Nil, 2015 - Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

30.4.1 Amounts due to / from related parties

The amounts due to / from related parties are disclosed in the notes no. 18.1, 19, 25.1 and 26.

30.5 Transactions with key management personnel of the Company or its parent

30.5.1 Key Management Personnel (KMPs) are defined as those persons such as Directors, Chief Executive Officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly.

a) Compensation of key management personnel	2016/2017 Rs	2015/2016 Rs
Directors' Emoluments and other key personnel's remuneration	77,150,900	67,094,900
Non-cash benefits	-	-
	77,150,900	67,094,900

30.5.2 The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel which can be classified as follows;

	2016/2017 Rs	2015/2016 Rs
a) Short-term employee benefits	77,150,900	67,094,900
b) Post-employment benefits	-	-
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
	77,150,900	67,094,900

30.5.3 Share transactions with key management personnel

Name of related entity	Nature of transactions	Class of shares	Number of shares	Date acquisition /Disposal	Consideration paid per share
Nippon Coke & Engineering Company Limited - Japan	Disposal of company's shares	Voting	238,096	April 2016	Rs 39 to Rs 41.70
		Voting	880,325	June 2016	Rs 40 to Rs 44
		Voting	719,780	July 2016	Rs 41 to Rs 43.80
		Voting	4,455,000	August 2016	Rs 52.30 to Rs 57
		Voting	562,799	September 2016	Rs 55 to Rs 58.50
		Voting	1,200,000	October 2016	Rs 58 to Rs 63
		Voting	1,199,533	November 2016	Rs 60 to Rs 63
		Voting	628,467	December 2016	Rs 60 to Rs 61.90
		Voting	664,717	January 2017	Rs 59 to Rs 60
		Voting	1,106,283	February 2017	Rs 59 to Rs 61.30
		Voting	600,000	March 2017	Rs 61

30.6 Non-recurrent related party transactions

There were no other non-recurrent related party transactions other than the following in which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st March, 2016 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Name of the related party	Relationship	Nature of transaction	Value of the related party transactions entered into during the financial year	Value of related party transactions as a % of equity and as a % of total assets	Terms and conditions of the related party transactions	The rationale for entering into the transactions
Tokyo Super Cement Company Lanka (Pvt) Ltd	Fully owned subsidiary	Share issue	1,599,998,144	15% and 7%	On Demand	Capitalization of reserves
Tokyo Cement Power (Lanka) (Pvt) Ltd	Fully owned subsidiary	Share issue	850,000,000	11% and 5%	On Demand	To fulfill the capital committments over the subsidiary

30.7 Recurrent related party transactions

There were no other recurrent related party transactions in which aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March, 2016 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

31. SUBSIDIARY COMPANIES

Company	Effective Holding
Tokyo Super Cement Company Lanka (Pvt) Ltd	100%
Tokyo Cement Power (Lanka) (Pvt) Ltd	100%
Tokyo Eastern Cement Company (Pvt) Ltd	100%
Tokyo Super Aggregate (Pvt) Ltd	51%

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

32.1 Introduction

Risk is inherent to the Group's business activities ,but is managed through a process of ongoing identification measurement and monitoring subject to risk limit and other controls. The Board of directors places special consideration on the management of such risk, the Group is mainly exposed to :

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices mainly comprise two types of risk: interest rate risk, currency risk. Financial instruments affected by market risk include bank loans, investments and trade payables.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

		Group	Company
	Increase/ (Decrease) in interest rate	Effect on profit before tax (Rs)	Effect on profit before tax (Rs)
2017	1%	(20,989,300)	(20,989,300)
	-1%	20,989,300	20,989,300
2016	1%	(13,443,830)	(13,443,830)
	-1%	13,443,830	13,443,830

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Groups has exposure to foreign exchange rate changes is minimise by positive negotiations with bank applying financial risk management techniques.

The following table demonstrates the sensitivity to a reasonably possible change in the LKR/USD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

Group			**31.03.2017**		**31.03.2016**	
	Exchange Rate	Increase/ (Decrease) in Exchange Rate	Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
	USD	1%	(120,604,046)	(120,604,046)	(148,902,236)	(148,902,236)
		-1%	120,604,046	120,604,046	148,902,236	148,902,236

Company			**31.03.2017**		**31.03.2016**	
	Exchange Rate	Increase/ (Decrease) in Exchange Rate	Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
	USD	1%	(77,013,135)	(77,013,135)	(79,237,184)	(79,237,184)
		-1%	77,013,135	77,013,135	79,237,184	79,237,184

(d) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to seek assurance from the counterparties to ensure that they can fulfil their obligations.

(e) Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.
The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	**Total**
Interest bearing borrowings	1,610,805,640	2,129,007,392	1,827,442,591	630,360,000	300,170,000	-	6,497,785,623
Short-term borrowings	2,211,643,013	-	-	-	-	-	2,211,643,013
Trade and other payables	2,001,029,138	-	-	-	-	-	2,001,029,138
Bank overdrafts	544,816,980	-	-	-	-	-	544,816,980
	6,368,294,771	2,129,007,392	1,827,442,591	630,360,000	300,170,000	-	11,255,274,754

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing borrowings	737,517,200	1,326,989,200	1,264,562,400	770,760,000	550,170,000	-	4,649,998,800
Amount due to subsidiaries	204,321,340	-	-	-	-	-	204,321,340
Short-term borrowings	1,802,956,012	-	-	-	-	-	1,802,956,012
Trade and other payables	1,266,429,041	-	-	-	-	-	1,266,429,041
Bank overdrafts	216,757,136	-	-	-	-	-	216,757,136
	4,227,980,729	1,326,989,200	1,264,562,400	770,760,000	550,170,000	-	8,140,462,329

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

33.1 Fair value of the financial instrument carried at amortized cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and liabilities.

	Carrying Amount Rs.	Fair Value Rs.
Financial assets		
Trade receivable	3,025,990,482	3,025,990,482
Financial investments	6,237,826	6,237,826
Cash and cash equivalents	2,523,940,748	2,523,940,748
Total financial assets	5,556,169,056	5,556,169,056
Financial liabilities		
Interest bearing borrowings	8,709,428,636	8,709,428,636
Trade and other payables	2,001,029,138	2,001,029,138
Bank overdrafts	544,816,980	544,816,980
Total financial liabilities	11,255,274,754	11,255,274,754

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value For the financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and call deposits without a specific maturity period.

34. CAPITAL MANAGEMENT

The board of directors reviews the capital structure of the companies of the Group on a regular basis. The intention of the board of directors is to maintain an optimum capital structure while minimizing the cost of financing and safeguarding key stakeholders' interests.

35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen, since the reporting date which require adjustments or disclosures in the financial statements exept below,

a) Capitalisation of reserves

Reserves amounting to Rs. 1,345,855,500/- were capitalised from the retained earnings and alloted amongst the shareholders as approved by the shareholders on 31st May 2017 at the Extraordinary General Meeting.

b) Dividend declaration

The directors have recommended the payment of a first and final dividend of Rs.1.87 per share amounting to Rs.499,851,000/- on issued stated capital of Ordinary Voting Shares and Rs.1.87 per share amounting to Rs. 249,925,500/- on issued stated capital of Non-Voting Ordinary Shares for the year ended 31st March, 2017,which require the approval of the shareholders at the Annual General Meeting to be held on 27th July, 2017. In accordance with Sri Lanka Accounting Standards (LKAS) 10 events after the reporting period, this proposed first and final dividends have not been recognized as a liability in the financial statements under review.

As required by Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies itself the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and will be obtaining the certificate from the auditors prior to payment of the dividend of Rs.1.87 per ordinary voting shares and Rs.1.87 per ordinary non-voting shares for the financial year under review.

36. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year.

37. EFFECT OF AMALGAMATION

Pursuant to the approval of directors on 18th September, 2016 the Company was amalgamated with Tokyo Cement Colombo Terminal (Pvt) Ltd with effect from 19th September, 2016.

Comparative figures were restated as if the companies had been combined at the previous reporting date as per the guidelines issued under statement of recommended practice (SORP)-merger accounting common control business combination issued by the Institute of Chartered Accountants of Sri Lanka.

Effect of Amalgamation is as follows:

(a) The combined statement of comprehensive income includes the result of each of the combining entities or business from the date earliest presented.

(b) Expenditure incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense.

(c) The effect of all transactions between the combining entities or businesses, whether according to before or after the common control combinations is eliminated.

37 Effect of amalgamation (Contd.)

37.1 Effect of amalgamation for the year ended 2015/2016 - Statement of profit or loss and other comprehensive income

	Year ended 31.03.2016 TCCL * Rs.	Year ended 31.03.2016 TCCT ** Rs.	Effect of amalgamation Rs.	Combined entity Restated Rs.
Continuing operations				
Turnover	13,334,522,959	4,275,959,841	(65,302,906)	17,545,179,894
Cost of sales	(10,681,920,891)	(3,940,298,758)	222,572,135	(14,399,647,514)
Gross Profit	2,652,602,068	335,661,083	157,269,229	3,145,532,380
Other income	1,291,276,721	167,679,851	(157,269,229)	1,301,687,343
	3,943,878,789	503,340,934	-	4,447,219,723
Distribution expenses	(1,239,074,399)	(258,383,337)	-	(1,497,457,736)
Administrative expenses	(784,397,959)	(37,019,440)	-	(821,417,399)
Profit from operations	1,920,406,431	207,938,157	-	2,128,344,588
Finance Income	15,225,744	-	-	15,225,744
Finance expenses	(280,560,782)	(55,130,139)	-	(335,690,921)
Profit before taxation	1,655,071,393	152,808,018	-	1,807,879,411
Income tax expense	(270,145,191)	(62,871,721)	-	(333,016,912)
Profit for the year	1,384,926,202	89,936,297	-	1,474,862,499
Other Comprehensive Income				
Actuarial gains/(loss) on defined benefit plan	10,756,351	(1,124,407)	-	9,631,944
Tax relating to components of other comprehensive income	3,011,778	(314,834)	-	2,696,944
Total other comprehensive income net of tax	13,768,129	(1,439,241)	-	12,328,888
Total comprehensive income for the year	1,398,694,331	88,497,056	-	1,487,191,387

* TCCL- Tokyo Cement Company (Lanka) PLC

** TCCT- Tokyo Cement Colombo Terminal (Pvt) Ltd

Figures in brackets indicate deductions.

37 Effect of amalgamation (Contd.)

37.2 Effect of amalgamation for the year ended 2015/2016 - statement of financial position

	As at 31.03.2016 TCCL * Rs.	As at 31.03.2016 TCCT ** Rs.	Effect of amalgamation Rs.	Combined entity (Restated) Rs.
ASSETS				
Non-current assets				
Property, plant and equipment	7,231,489,633	504,023,545	-	7,735,513,178
Capital work-in-progress	269,970,984	-	-	269,970,984
Intangible assets	25,034,540	105,477	-	25,140,017
Investment in subsidiaries	4,714,517,829	-	(468,416,813)	4,246,101,016
Operating lease prepayment	19,998,953	43,412,696	-	63,411,649
	12,261,011,939	547,541,718	(468,416,813)	12,340,136,844
Current assets				
Inventories	736,791,862	172,653,831	-	909,445,693
Trade and other receivables	1,359,083,345	566,264,965	(231,365,285)	1,693,983,025
Operating lease prepayment	280,032	4,341,270		4,621,302
Amount due from subsidiaries	1,624,199,030	-	(113,370,659)	1,510,828,371
Tax receivables	25,674,807	(6,313,905)	-	19,360,902
Cash and cash equivalents	283,454,107	134,395,833	-	417,849,940
	4,029,483,183	871,341,994	(344,735,944)	4,556,089,233
Total assets	16,290,495,122	1,418,883,712	(813,152,757)	16,896,226,077
EQUITY AND LIABILITIES				
Capital and reserve				
Stated capital	2,893,756,250	391,705,880	(391,705,880)	2,893,756,250
Retained earnings	5,143,126,636	(77,904,719)	(76,710,933)	4,988,510,984
	8,036,882,886	313,801,161	(468,416,813)	7,882,267,234
Non-current liabilities				
Deferred tax liability	1,476,404,721	40,255,063	-	1,516,659,784
Retirement benefit obligation	96,787,857	7,600,943	-	104,388,800
Interest bearing borrowings	2,974,998,800	74,970,000	-	3,049,968,800
	4,548,191,378	122,826,006	-	4,671,017,384
Current liabilities				
Trade and other payables	1,118,829,753	87,787,491	(231,365,285)	975,251,959
Amount due to subsidiaries	907,460,378	277,690,942	(113,370,659)	1,071,780,661
Interest bearing borrowings	424,993,200	37,530,000	-	462,523,200
Short-term borrowings	933,686,051	579,248,112	-	1,512,934,163
Bank overdraft	320,451,476	-	-	320,451,476
	3,705,420,858	982,256,545	(344,735,944)	4,342,941,459
Total equity and liabilities	16,290,495,122	1,418,883,712	(813,152,757)	16,896,226,077

* TCCL- Tokyo Cement Company (Lanka) PLC

** TCCT- Tokyo Cement Colombo Terminal (Pvt) Ltd

Figures in brackets indicate deductions.

37.3 Effect of amalgamation for the year ended 2016/2017 - Statement of comprehensive income

	As at 31.03.2017 TCCL * Rs.	As at 18.09.2016 TCCT ** Rs.	Effect of amalgamation Rs.	Combined entity (Restated) Rs.
Continuing operations				
Turnover	21,017,484,590	3,411,320,653	(9,091,939)	24,419,713,304
Cost of sales	(15,779,769,427)	(3,075,369,600)	(565,205,275)	(19,420,344,302)
Gross profit	5,237,715,163	335,951,053	(574,297,214)	4,999,369,002
Other income	2,295,488,772	78,543,439	(74,433,160)	2,299,599,051
	7,533,203,935	414,494,492	(648,730,374)	7,298,968,053
Distribution expenses	(1,643,321,494)	(181,070,266)	-	(1,824,391,760)
Administrative expenses	(972,699,649)	(17,883,957)	-	(990,583,606)
Profit from operations	4,917,182,792	215,540,269	(648,730,374)	4,483,992,687
Finance Income	24,682,035	-	-	24,682,035
Finance Expenses	(499,472,420)	(32,852,757)	-	(532,325,177)
Profit before taxation	4,442,392,407	182,687,512	(648,730,374)	3,976,349,545
Income tax expenses	(396,136,874)	(82,607,853)	-	(478,744,727)
Profit for the year	4,046,255,533	100,079,659	(648,730,374)	3,497,604,818
Other comprehensive income				
Actuarial gains/(loss) on defined benefit plan	1,104,613	902,425	-	2,007,038
Tax relating to components of other comprehensive income	-	252,679	-	252,679
Total other comprehensive income net of tax	1,104,613	1,155,104	-	2,259,717
Total comprehensive income for the year	4,047,360,146	101,234,763	(648,730,374)	3,499,864,535

* TCCL- Tokyo Cement Company (Lanka) PLC

** TCCT- Tokyo Cement Colombo Terminal (Pvt) Ltd

Figures in brackets indicate deductions.

Shareholder & Investor Information

DISTRIBUTION OF VOTING ORDINARY SHARES AS AT 31 st March 2017

Category			No of Holders Nos	Share Holdings Shares	% Holding %
1	-	250	893	66,429	0.03%
251	-	500	211	85,384	0.04%
501	-	1,000	295	224,172	0.10%
1,001	-	2,000	390	574,181	0.26%
2,001	-	5,000	461	1,514,702	0.68%
5,001	-	10,000	209	1,519,573	0.68%
10,001	-	20,000	174	2,495,728	1.12%
20,001	-	30,000	84	2,157,659	0.97%
30,001	-	40,000	43	1,521,726	0.68%
40,001	-	50,000	26	1,186,367	0.53%
50,001	-	100,000	67	4,797,333	2.15%
100,001	-	1,000,000	84	26,473,280	11.88%
1,000,001	-	99,999,999	17	180,133,466	80.88%
		Total	2,954	222,750,000	100.00%

DISTRIBUTION OF NON VOTING SHARES AS AT 31 st March 2017

Category			No of Holders Nos	Share Holdings Shares	% Holding %
1	-	250	1056	92,606	0.08%
251	-	500	253	98,721	0.09%
501	-	1000	297	222,539	0.20%
1001	-	2000	370	522,637	0.47%
2001	-	5000	405	1,329,703	1.19%
5001	-	10000	223	1,668,113	1.50%
10001	-	20000	146	2,073,741	1.86%
20001	-	30000	67	1,669,843	1.50%
30001	-	40000	36	1,256,125	1.13%
40001	-	50000	30	1,393,385	1.25%
50001	-	100000	66	4,848,512	4.35%
100001	-	1000000	78	24,801,159	22.27%
1000001	-	99999999	21	71,397,916	64.11%
			3,048	111,375,000	100.00%

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

Mr S R Gnanam, the Managing Director and Chief Executive Officer is also Director and Shareholder of the following companies

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16
St Anthony's Consolidated (Pvt) Limited	61,255,977	61,255,977	-	-
South Asian Investment (Pvt) Limited	44,850,630	44,850,630	-	-
Capital City Holdings (Pvt) Limited	6,682,806	6,682,806	-	-
St Anthony's Hardware (Pvt) Limited	454,410	454,410	-	-
TOTAL	113,243,823	113,243,823	-	-

Directors' / CEO's Shareholding

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/16
Local Joint Venture Partner - St Anthony's Consolidated (Pvt) Limited	61,255,977	61,255,977	-	-
Gnanam A S G	12	12	-	-
Gnanam S R - Managing Director/CEO	12	12	-	-
Gnanam E J	12	12	-	-
Foreign Joint Venture Partner – Nippon Coke Engineering Co Limited, Japan	34,115,300	46,370,300	-	-
Nominee Directors of Foreign Collaborator				
Mr. Shiro Takihara (Resigned on 24th January 2017)	-	-	-	-
Mr. Hiroki Tsukigawa	-	-	-	-
Mr. W. C. Fernando - Executive Director and GGM	-	-	59,400	59,400
Independent Non Executive Directors				
Mr. Ranjeevan Seevaratnam	-	-	-	-
Dr. Harsha Cabral P C	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
	95,371,313	107,626,313	59,400	59,400
Total Shares in Issue	222,750,000	222,750,000	111,375,000	111,375,000

Shareholder & Investor Information

Market Value of Shares

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2017 Rs.	31st March 2016 Rs.	31st March 2017 Rs.	31st March 2016 Rs.
Highest price recorded for the twelve months ending	63.50	49.60	55.00	41.00
Lowest price recorded for the twelve months ending	55.00	30.20	46.00	24.60
As at end of the year	61.00	37.00	53.00	32.30

Share Trading from 01st April 2016 to 31st March 2017

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2017 Rs.	31st March 2016 Rs.	31st March 2017 Rs.	31st March 2016 Rs.
No of Transactions	1,171	1,052	1,144	919
No of Shares Traded	10,241,535	5,026,752	6,233,907	13,809,054
Value of Share Traded (Rs.)	622,316,588	176,420,253	333,027,717	424,012,463

Percentage of Public Shareholding

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2017 %	31st March 2016 %	31st March 2017 %	31st March 2016 %
The percentage of shares held by Public	33.84	28.34	99.9	99.9
No of Public Shareholders	2946	3001	3048	3386

Twenty Largest Shareholders as at

	31st March 17 No of Ordinary Shares	%	31st March 16 No of Ordinary Shares	%
Voting				
St. Anthony's Consolidated (Pvt) Ltd	61,255,977	27.50%	61,255,977	27.50%
South Asian Investment (Pvt) Ltd	44,850,630	20.13%	44,850,630	20.13%
Nippon Coke & Engineering Co. Ltd	34,115,300	15.32%	46,370,300	20.82%
Capital City Holdings (Private) Limited	6,682,806	3.00%	6,682,806	3.00%
The Ceylon Investment PLC A/C # 02	4,750,000	2.13%	Not in Top 20 list	-
The Ceylon Guardian Investment Trust PLC A/C # 02	4,652,600	2.09%	Not in Top 20 list	-
Ube Singapore Holdings Pte. Ltd	4,455,000	2.00%	Not in Top 20 list	-
Citibank Newyork S/A Norges Bank Account 2	3,698,809	1.66%	3,698,809	1.66%
Deutsche Bank Ag-National Equity Fund	3,000,000	1.35%	3,000,000	1.35%
Pictet And Cie (Europe) S.A. S/A Lloyd George Indi	2,000,000	0.90%	Not in Top 20 list	-
Sri Lanka Insurance Corporation Ltd-Life Fund	2,000,000	0.90%	Not in Top 20 list	-
J.B. Cocoshell (Pvt) Ltd	1,984,327	0.89%	Not in Top 20 list	-
Union Assurance PLC/Account No. 05 (Unit-Linked Li	1,535,000	0.69%	Not in Top 20 list	-
Deutsche Bank Ag As Trustee For Namal Acuity Value	1,500,000	0.67%	1,500,000	0.67%
Hsbc International Nominees Ltd-Morgan Stanley And	1,456,690	0.65%	Not in Top 20 list	-
Waldock Mackenzie Limited / M.T.Moosajee	1,100,000	0.49%	1,100,000	0.49%
Seb Ab-Tundra Frontier Opportunities Fund	1,096,327	0.49%	Not in Top 20 list	-
R Maheswaran	914,117	0.41%	Not in Top 20 list	-
A Radhakrishnan	914,116	0.41%	Not in Top 20 list	-
M.P. Radhakrishnan	914,116	0.41%	Not in Top 20 list	-
TOTAL	182,875,815	82.10%	168,458,522	75.62%

Shareholder & Investor Information

Twenty Largest Shareholders as at

	31st March 17 No of Ordinary Shares	%	31st March 16 No of Ordinary Shares	%
NON Voting				
Bnymsanv Re-Butterfield Trust (Bermuda) Limited	12,746,647	11.44%	Not in Top 20 list	-
J.B. Cocoshell (Pvt) Ltd	9,078,710	8.15%	10,676,765	9.59%
Citibank Newyork S/A Norges Bank Account 2	6,269,466	5.63%	6,269,466	5.63%
HSBC Intl Nom Ltd-State Street Luxembourg C/O Ssbt	5,689,472	5.11%	5,689,472	5.11%
Employees Provident Fund	4,702,937	4.22%	4,927,776	4.42%
Deutsche Bank AG As Trustee For Jb Vantage Value E	4,095,505	3.68%	4,095,505	3.68%
Pershing LLC S/A Averbach Grauson & Co.	3,570,819	3.21%	1,484,547	1.33%
Deutsche Bank AG-National Equity Fund	3,100,000	2.78%	2,591,100	2.33%
Mas Capital (Private) Limited	2,910,859	2.61%	3,360,859	3.02%
Deutsche Bank AG As Trustee For Namal Acuity Value	2,318,863	2.08%	2,218,863	1.99%
Seb Ab-Tundra Frontier Opportunities Fund	2,100,000	1.89%	Not in Top 20 list	-
Seb Ab-Fim Frontier Fund	1,818,009	1.63%	Not in Top 20 list	-
Union Assurance PLC/Account No. 05 (Unit-Linked Li	1,796,819	1.61%	Not in Top 20 list	-
S A De Silva	1,703,216	1.53%	Not in Top 20 list	-
Phoenix Ventures Private Limited	1,671,289	1.50%	Not in Top 20 list	-
Union Assurance PLC/No-01A/C	1,658,150	1.49%	1,658,150	1.49%
Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	1,620,469	1.45%	1,509,289	1.36%
DFCC Bank PLC A/C 1	1,227,096	1.10%	1,127,096	1.01%
Seb Ab-Tundra Sustainable Frontier Fund	1,200,000	1.08%	Not in Top 20 list	-
Gf Capital Global Limited	1,100,000	0.99%	Not in Top 20 list	-
TOTAL	70,378,326	63.19%	45,608,888	40.95%

Five Year Summary

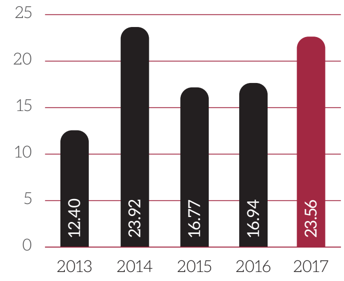
Rs. Mn. Year ended March 31	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
OPERATING RESULTS					
Turnover	35,701	30,117	29,674	28,908	27,296
Gross profit	8,941	6,926	6,407	7,217	5,289
Profit Before Taxation	4,078	2,487	2,165	2,627	1,252
Taxation	(677)	(556)	(476)	(453)	(360)
Profit After Taxation	3,401	1,931	1,689	2,156	892
Minority Interest	3	-	(48)	(30)	(9)
Profit Attributable to Ordinary Shareholder	3,398	1,931	1,627	2,126	883
BALANCE SHEET					
Assets					
Non Current Assets					
Property, Plant & Equipment	13,147	12,892	12,426	9,917	9,901
Capital Work - in - Progress	7,603	4,352	372	2,502	701
Intangible Assets	68	83	102	37	20
Operating Lease Prepayment	59	63	68	73	82
Total Non Current Assets	20,877	17,390	12,967	12,529	10,704
Current Assets					
Inventories	2,002	1,542	1,619	1,870	1,793
Trade & Other Receivable	3,036	2,746	4,358	3,515	1,950
Cash & Cash Equivalent	2,524	572	787	370	369
Total Current Assets	7,562	4,860	6,765	5,755	4,112
Total Assets	28,439	22,250	19,731	18,284	14,816
Equity & Liabilities					
Capital & Reserves					
Stated Capital	2,894	2,894	2,894	2,894	2,367
Reserves	-	-	-	-	150
Retained Earnings	11,478	8,528	7,088	6,120	4,678
	14,372	11,422	9,983	9,014	7,195
Minority Interest	52	49	-	12	(17)
Total Capital & Reserves	14,424	11,471	9,983	9,026	7,178

Five Year Summary

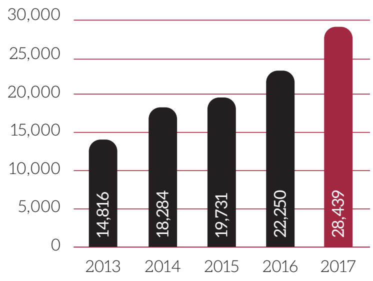
Rs. Mn. Year ended March 31	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Non Current Liabilities					
Interest Bearing Borrowing	4,887	2,858	3,061	1,867	1,044
Deferred Tax	2,355	2,207	1,732	1,385	1,095
Retirement Benefit Obligations	131	112	108	81	57
Lease Creditors	-	-	-	-	-
Total Non Current Liabilities	7,373	5,177	4,901	3,333	2,196
Current Liabilities					
Trade & Other Liabilities	2,275	1,850	2,247	2,007	1,763
Short Term Borrowings	3,822	3,328	2,304	3,479	3,196
Lease Creditors	-	-	-	-	-
Deferred Revenue - Current Maturity Portion	-	-	-	-	-
Bank Overdraft	545	424	297	439	483
Total Current Liabilities	6,642	5,602	4,848	5,925	5,442
Total Equity and Liabilities	28,439	22,250	19,731	18,284	14,816
INVESTOR INFORMATION					
Earnings Per Share - Voting Ordinary Share (Rs.)	10.17	5.78	4.91	6.51	2.68
Earnings Per Share - Non Voting Ordinary Share (Rs.)	10.17	5.78	4.91	6.51	2.68
Dividend Per Share - Voting Ordinary Share (Rs.)	1.87	1.35	1.19	1.50	1.00
Dividend Per Share - Non Voting Ordinary Share (Rs.)	1.87	1.35	1.19	1.50	1.00
Retun on Equity (%)	23.56	16.94	16.77	23.92	12.40
Interest Cover (Time)	8.65	6.34	5.63	5.70	2.79
Market Price Per Share (Rs.) - Voting	61.00	37.00	54.90	36.20	23.50
Market Price Per Share (Rs.) - Non Voting	53.00	32.30	37.40	29.00	17.50
Price Earnings Ratio (Times)	6.00	6.40	10.85	5.57	8.77
Assets Turnover Ratio (Times)	1.26	1.35	1.50	1.58	1.84
Net Asset Per Share (Rs.)	43.01	34.18	29.88	27.01	23.63

Five Year Summary Graphical Review

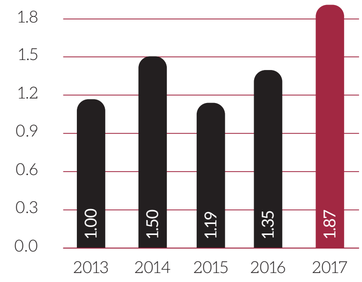
Return on Equity (%)



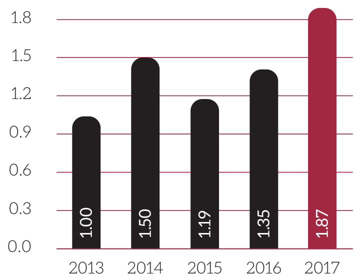
Total Assets (Rs. Mn.)



Dividend Per Share - Voting Ordinary Share (Rs.)

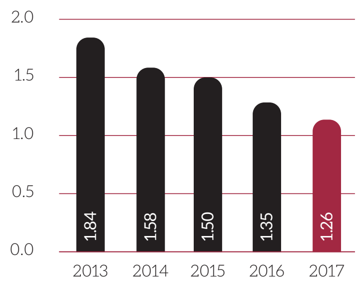


Dividend Per Share - Non Voting Ordinary Share (Rs.)

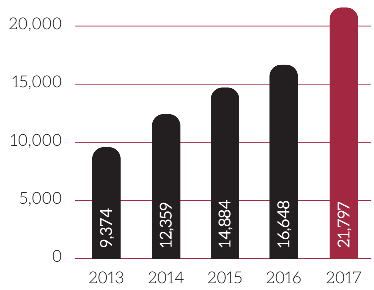


* After Sub Division

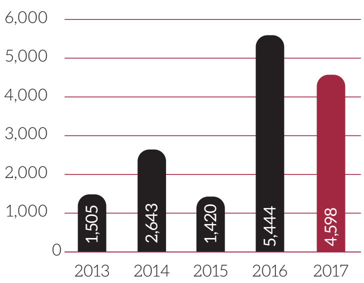
Assets Turnover (Times)



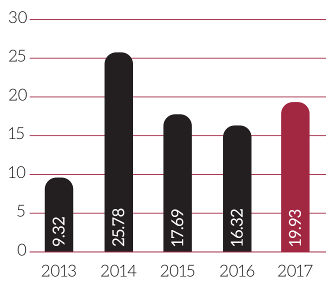
Capital Employed (Rs. Mn.)



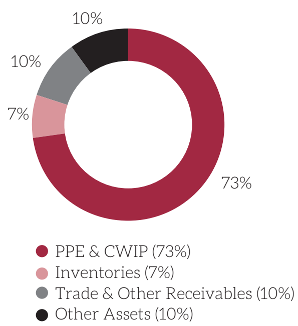
Capital Investment (Rs. Mn.)



Return on Capital Employed (%)

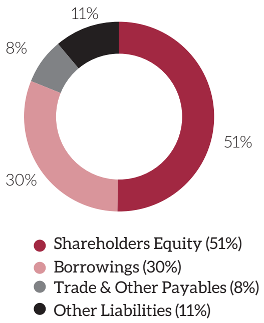


Composition of Asset



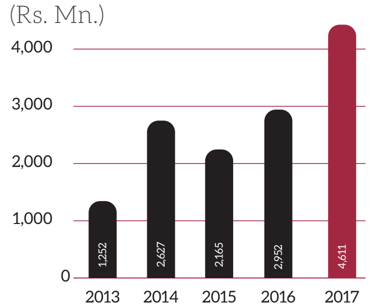
Five Year Summary Graphical Review

Composition of Liabilities



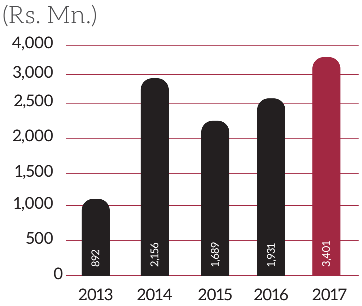
Earnings Before Interest & Tax

(Rs. Mn.)

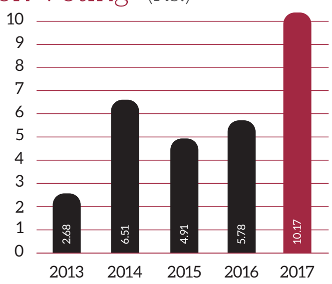


Earnings After Tax & Interest

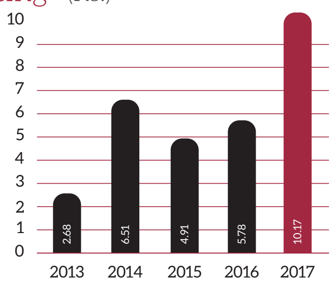
(Rs. Mn.)



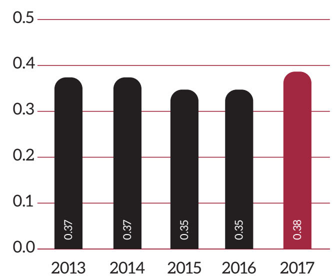
Earnings Per Share - Non Voting (Rs.)



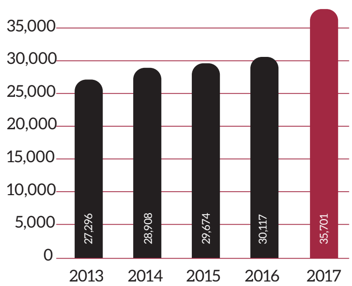
Earnings Per Share - Voting (Rs.)



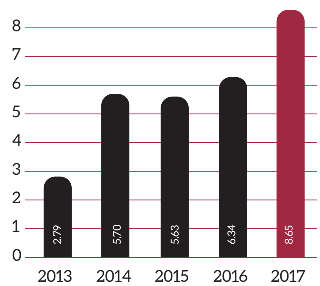
Gearing Ratio (Times)



Group Revenue (Rs. Mn.)

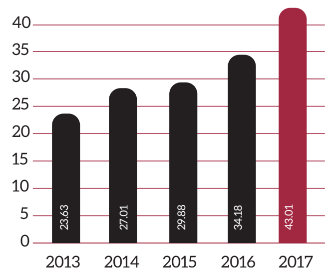


Interest Cover (Times)



Net Assets Per Share

(Rs.)



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held on Thursday 27th July 2017 at 4.00 p.m at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7. The business to be brought before the Meeting to transact will be :

Agenda

Normal Business

1. To receive and adopt the Report of the Directors, the statement of Audited Accounts for the year ended 31 st March 2017 and the Report of the Auditors thereon.

2. To declare a First and Final dividend of Rs 1.87 per share (voting and non voting) in respect of the Financial Year ending 31 st March 2017 as recommended by the directors.

3. To re-elect Mr. A S G Gnanam who retires by rotation in terms of Article 115 of the Articles of Association.

4. To re-elect Mr. Asite Drupath Bandara Talwatte who retires by rotation in terms of Article 120 of the Articles of Association.

5. To authorize the Directors to fix the remuneration payable to the Auditors BDO Partners, (Chartered Accountants) or determining the manner in which such remuneration is to be given.

   (An Auditor is deemed to be re-appointed at the Annual General Meeting of the Company under Article of Association)

6. To authorize the Directors to determine contributions to charities

7. **Special Business**

   To re-elect as a director Mr Ranjeevan Seevaratnam and being over the age of 70 years and who retires in terms of Articles of Association and pursuant to Section 211 of the Companies Act No 7 of 2007 for which special notice of the following ordinary resolution has been given by a member for the purpose

   THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr Ranjeevan Seevaratnam who is over 70 years and that he be re-elected a Director of the Company

8. To transact any other business of which due notice has been given.

By Order of the Board TOKYO CEMENT COMPANY (LANKA) PLC

Seccom (Private) Limited
Company Secretaries
30th June 2017

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him.

2. A proxy need not be a member of the Company. A form of proxy accompanies this notice .

3. The completed Form of Proxy should be deposited at the Registered Office of the Company, 469 - 1/1, Galle Road, Colombo 3 not later than 48 hours before the time appointed for the commencement of the Meeting.

4. Shareholders / proxies attending the Annual General Meeting, please produce your National Identity Card to the security personnel stationed at the entrance

TEXT OF RESOLUTIONS TO BE PASSED AT THE ANNUAL GENERAL MEETING

ORDINARY BUSINESS

Resolution 1 **Adoption of Accounts**

THAT the Directors' Report and Accounts for the year ended 31st March 2017 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 **Dividends**

RESOLVED THAT a First and Final dividend of Rs 1.87 per share (voting and Non Voting) be declared for the year 2016/17.

Resolution 3 **Re-election of Directors**

THAT Mr. A S G Gnanam who retires by rotation in terms of Article 115 of the Articles of Association be re-elected as a Director

Resolution 4 **Re-election of Directors**

THAT Mr. Asite Drupath Bandara Talwatte who retires by rotation in terms of Article 120 of the Articles of Association be re-elected as a Director

Resolution 5 **Re-appointment of Auditors**

Directors are authorized to fix the remuneration payable to the Auditors BDO Partners, (Chartered Accountants) or determining the manner in which such remuneration is to be given.

Resolution 6 **Donations**

That the directors are hereby authorised to make donations for good cause and as a corporate responsibility to the society.

Special Business

Resolution 7 **Re-election of Directors**

Age Limit not to Apply

THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Ranjeevan Seevaratnam who is over 70 years and that he be re-elected as a Director of the Company.

Resolution 8 To transact any other business of which due notice has been given.

FORM OF PROXY
VOTING ORDINARY SHARES

For Thirty Fifth Annual General Meeting of

TOKYO CEMENT COMPANY (LANKA) PLC

I/We .... (ID No : ....)

of ....

being a member /members * of the Company hereby appoint..

.... of... or failing him

Dr. Harsha Cabral P C	of Colombo	or failing him
Mr. Simon Rajaseelan Gnanam	of Colombo	or failing him
Mr. Arul Selvaraj Gunaseelan Gnanam	of Colombo	or failing him
Mr. Elijah Jeyaseelan Gnanam	of Colombo	or failing him
Mr. Hiroki Tsukigawa	of Japan	or failing him
Mr. Ranjeevan Seevaratnam	of Colombo	or failing him
Mr. Ravi Dias	of Colombo	or failing him
Mr. W C Fernando	of Colombo	or failing him
Mr. A Talwatte	of Colombo	or failing him

as my /our Proxy to represent me/us and * .... / to vote for me/us on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on Thursday 27th July 2017 at 4.00 p.m at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the resolutions set out in the Notice convening the meeting by an "X" in the appropriate space given below

		for	Against
1	To receive and adopt the Report of the Directors, the statement of Audited Accounts for the year ended 31 st March 2017 and the Report of the Auditors thereon.		
2	RESOLVED THAT a First and Final dividend of Rs. 1.87 per share (voting and Non Voting) be paid for the year 2016/17 as recommended by the Directors		
3	To re-elect Mr A S G Gnanam as a Director of the Company.		
4	To re-elect Mr Asite D B Talwate as a Director of the Company.		
6	To authorize the Directors to fix the remuneration payable to the Auditors		
7	To authorize the Directors to determine contributions to charities		
8	To re-elect as a director Mr Ranjeevan Seevaratnam and being over the age of 70 years for which special notice has been received from a member for the purpose		

Signature of Shareholder/s : ....

Dated : ..../........../2017

Notes:

1. Please delete the inappropriate words.

2. Instructions as to completion are enclosed.

3. Members are requested to inform the changes if any , in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.

4. Members are invited to direct all correspondences relating to matters on shares, dividends, change of addresses etc to the Company's Secretaries quoting their register folio number.

5. If you maintain an account with Central Depository Systems (Private) Limited, we advice you to inform them directly through your broker with regard to your change of address and dividend mandate.

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this form of proxy must be deposited at the Registered Office, 469 1/1 Galle Road, Colombo 3 not later than 48 hours before the time appointed for holding the meeting.

2. In perfecting the form of proxy please ensure that all details are legible.

3. Please indicate with an 'X' in the relevant space given against each resolution how your proxy is to vote on the resolution. If no indication is given the proxy in his discretion will vote as he thinks fit.

4. In the case of a Company/Corporation, the Form of Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

5. In the case of a proxy signed by an attorney, the power of attorney must be deposited at the Registered Office for Registration.

6. In the case of non-resident Shareholders, the stamping, if necessary, will be attended to, on return of the completed form of proxy to the Registered Office of the Company in Sri Lanka.

FORM OF PROXY

NON VOTING ORDINARY SHARES

For Thirty Fifth Annual General Meeting of

TOKYO CEMENT COMPANY (LANKA) PLC

I/We .... (ID No : ....)

of ....

being a member /members * of the Company (without voting rights) hereby appoint..

.... of.. ....

Dr. Harsha Cabral P C	of Colombo	or failing him
Mr. Simon Rajaseelan Gnanam	of Colombo	or failing him
Mr. Arul Selvaraj Gunaseelan Gnanam	of Colombo	or failing him
Mr. Elijah Jeyaseelan Gnanam	of Colombo	or failing him
Mr. Hiroki Tsukigawa	of Japan	or failing him
Mr. Ranjeevan Seevaratnam	of Colombo	or failing him
Mr. Ravi Dias	of Colombo	or failing him
Mr. W C Fernando	of Colombo	or failing him
Mr. A Talwatte	of Colombo	or failing him

as my /our Proxy to represent me/us and * .... on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on Thursday 27th July 2017 at 4.00 p.m at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7 and at any adjournment thereof

Signature of Shareholder/s : ....

Dated : ..../........../2017

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this form of proxy must be deposited at the Registered Office, 469 1/1 Galle Road, Colombo 3 not later than 48 hours before the time appointed for holding the meeting.

2. In perfecting the form of proxy please ensure that all details are legible.

3. In the case of a Company/Corporation, the Form of Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

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Notes :

1. Please delete the inappropriate words.

2. Members are requested to inform the changes if any, in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.

3. Members are invited to direct all correspondences relating to matters on shares, dividends, change of addresses etc to the Company's Secretaries quoting their register folio number.

4. If you maintain an account with Central Depository Systems (Private) Limited, we advice you to inform them directly through your broker with regard to your change of address and dividend mandate.

Notes

Notes

CORPORATE INFORMATION

NAME OF THE COMPANY	:	Tokyo Cement Company (Lanka) PLC
COMPANY REGISTRATION NO	:	PQ 115
LEGAL FORM	:	A public Quoted Company with Limited Liability, Incorporated in Sri Lanka in 1982 and Listed on 1st January 1984

BOARD OF DIRECTORS :

Dr. Harsha Cabral P.C	Chairman and Non Executive Independent Director
Mr. S R Gnanam	Managing Director
Mr. W C Fernando	Executive Director and Group General Manager
Mr. A S G Gnanam	Non Execut ive Director
Mr. E J Gnanam	Non Executive Director
Mr. R Seevaratnam	Non Executive Independent Director
Mr. Ravi Dias	Non Executive Independent Director
Mr. Asite Talwatte	Non Executive Independent Director (Appointed on 8th Aug 2016)
Mr. Hiroki Tsukigawa	Non Executive Director & Nominee Director of Nippon Coke & Eng
Dr. Indrajit Coomaraswamy	Non Executive Independent Director (Resigned on 3rd July 2016)
Mr. Shiro Takihara	Non Executive Director & Nominee Director of Nippon Coke & Eng. (Resigned on 24th Jan 2017)

COMPANY SECRETARY :
Secom (Private) Limited.
(Company Secretaries)
1E - 2/1, De Fonseka Place, Colombo 5
Tele : 2590176, Fax 2 581618
Email : kmaahamed@hotmail.com

HEAD OFFICE :
469 - 1/1 Galle Road, Colombo 3
Tele : 2500466, Fax 2500897
Web Site : www.tokyocement.lk

SUBSIDIARY COMPANIES :
Tokyo Super Cement Company Lanka (Private) Limited
Tokyo Cement Power (Lanka) (Private) Limited
Tokyo Eastern Cement Company (Private) Limited
Tokyo Super Aggregate (Private) Limited

AUDITORS :
BDO Partners
(Chartered Accountants)
Chittampalam A Gardiner Mawatha, Colombo 2

LEGAL ADVISORS :
Neelakandan & Neelakandan
(Attorney at Law and Notaries Public)
M & N Building - Level 5, 2, Deal Place, Colombo 3

BANKERS :
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
Citi Bank
National Development Bank PLC

Designed : CIERDE (Pvt) Ltd
Produced : Garvi Design Studio
Printed : Printel (Pvt) Ltd
Photographs : Dharsuth de Costa