MASTER PLAN FOR THE FUTURE

TOKYO CEMENT COMPANY (LANKA) PLC

Annual Report 2017/18

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Corporate Information **Inner Back Cover**

VISION

To be the leading partner in nation-building; setting standards that exceed expectations.

MISSION

Reinforcing market leadership by empowering our people, driving innovation, pursuing sustainable development, assuring consistent quality, and committing to impeccable service; thereby building shareholder value and cementing consumer trust.

Scan this QR code to view this Annual Report online or go to
http://www.tokyocement.com/annual_report-23--AR.html

MASTER PLAN FOR THE FUTURE

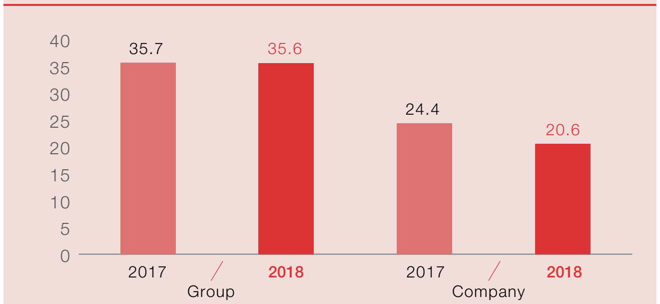
At Tokyo Cement, we have served the people for over three decades as a pioneer in our industry, laying the foundation for the growth of a nation. Today, our focus is on the future, as we plan our strategies with a view to capitalising on recent investments to expand our operations to ensure your company's future growth and success.

We are strengthened by the unmatched depth of industry experience we possess, as we continue to lead in our business sector; investing for tomorrow in a master plan that will accelerate your company into the future.

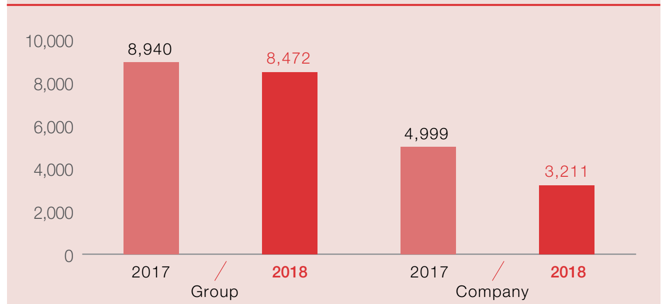
PERFORMANCE HIGHLIGHTS

Rs. Mn.	Group 2018	Group 2017	Company 2018	Company 2017
PERFORMANCE				
Turnover	35,633	35,701	20,649	24,420
Cost of Sales	(27,161)	(26,761)	(17,438)	(19,421)
Gross Profit	8,472	8,940	3,211	4,999
Profit Before Tax	2,572	4,078	5,129	3,976
Profit After Tax	2,329	3,401	5,129	3,498
Total Comprehensive Income	2,293	3,404	5,107	3,500
INFORMATION TO SHAREHOLDERS (Rs.)				
Earnings Per Share - Voting	6.01	10.17	13.16	10.47
Earnings Per Share - Non Voting	6.01	10.17	13.16	10.47
Dividend Per Share - Voting	-	-	1.25	1.87
Dividend Per Share - Non Voting	-	-	1.25	1.87
Net Asset Value Per Share	38.48	43.01	36.88	32.72
Market Value Per Share - Voting	54.00	61.00	54.00	61.00
Market Value Per Share - Non Voting	46.00	53.00	46.00	53.00
KEY FINANCIAL INDICATORS				
Return on Capital Employed (ROCE) (%)	15.34	22.09	28.01	21.08
Interest Cover (Times)	3.65	8.65	8.48	8.47
Price Earnings Ratio - Voting	8.99	6.00	4.10	5.83
Price Earnings Ratio - Non Voting	7.65	5.21	3.50	5.06
Current Ratio	0.70:1	1.14:1	0.88:1	0.99:1
Quick Asset Ratio	0.47:1	0.84:1	0.68:1	0.79:1
Dividend Payout Ratio (%)	-	-	9.50	17.86

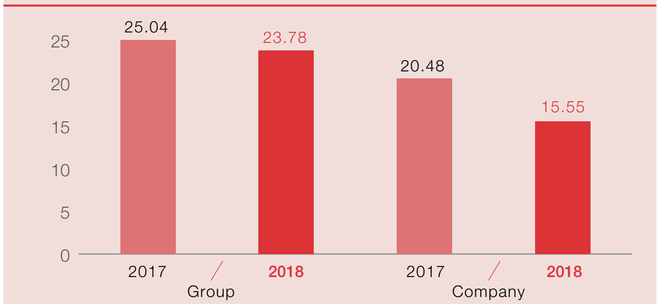
Turnover (Rs. Bn)



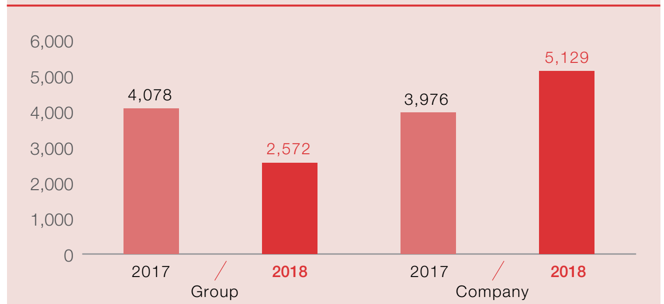
Gross Profit (Rs. Mn)



Gross Profit Margin (%)



Pre Tax Profit (Rs. Mn)



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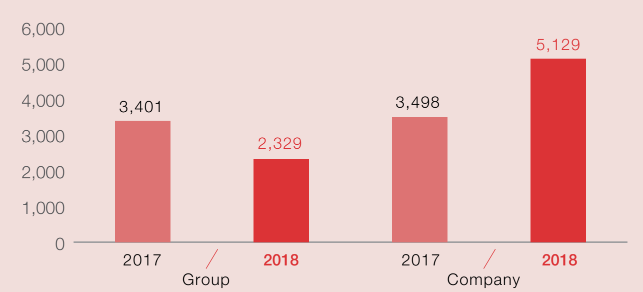
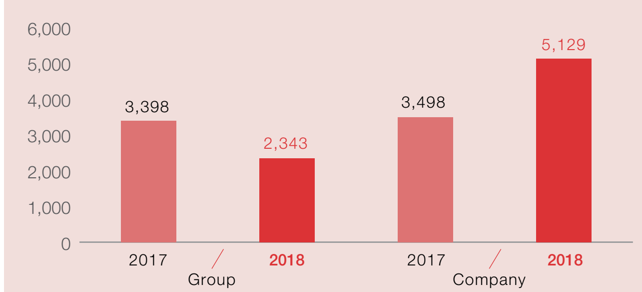
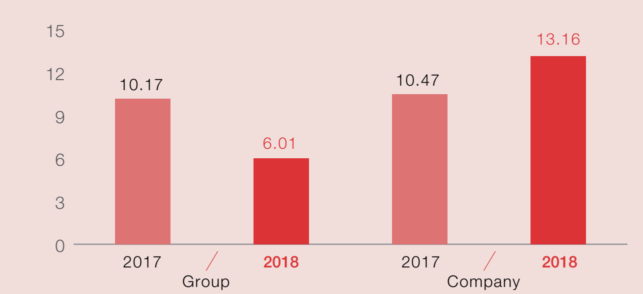
Post Tax Profit (Rs. Mn)



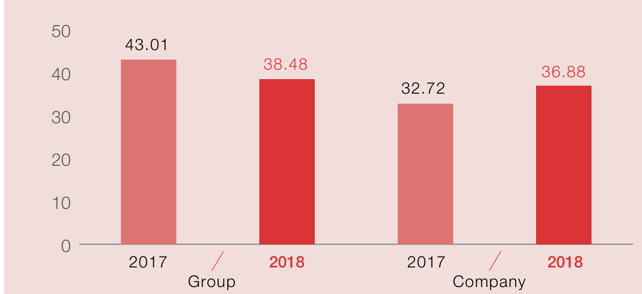
Profit Attributable to Equity Holders (Rs. Mn)



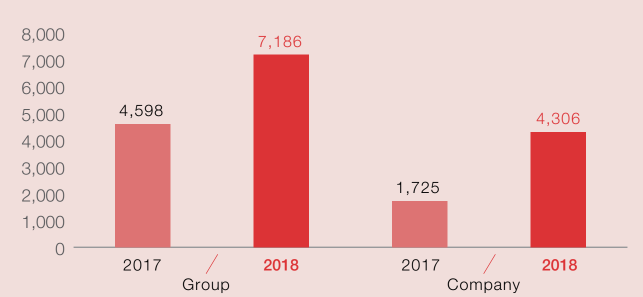
Earnings Per Share (Rs.)



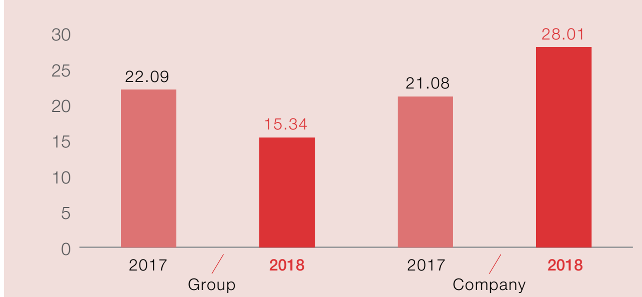
NAV Per Share (Rs.)



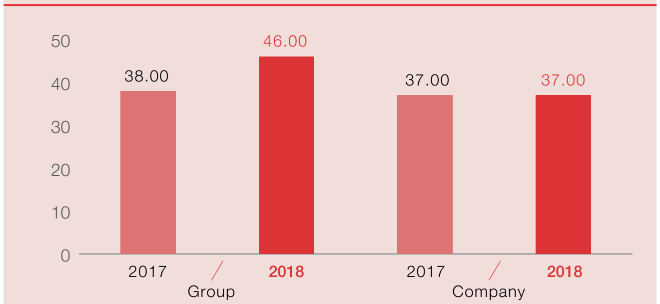
Capital Expenditure (Rs. Mn)



ROCE (%)



Gearing Ratio (%)



Rs. 35.6 Bn | Turnover

Rs. 8.5 Bn | Gross Profit

OUR PRODUCTS

TOKYO CEMENT GROUP as a company, is intrinsically linked to the growth of Sri Lanka's construction industry, laying down solid foundations for development. From our inception we have continuously sought ways to bring more value to our customers, helping them do more, with less. Today we have grown from being the nation's largest, locally-owned cement manufacturer to the market leader in both ready-mixed concrete, and cement based dry-mortar products.

In addition to making strategic investments on state-of-the-art production technologies, and cutting-edge research and development facilities, we have adopted a culture of progressive improvement through the re-engineering, and continuous improvement of our products. The portfolio of products and the services that we offer stand proof of this ethos, and over the years you would have witnessed the introduction of several industry firsts, that have slowly become industry norms. Not only have these products completely altered long-established construction practices by making significant savings in time, labour and expenditure, but have established themselves as the standard-bearers of each of their categories. We take great pride in our achievements that have made all our brands and offerings, trusted household names in every corner of the country.

NIPPON CEMENT

NIPPON CEMENT 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 SLS 107:2008 Strength Class 42.5N for Ordinary Portland Cement.

The Cement is suitable for structural and pre-cast concrete requiring high compressive strength. It can be used as a general purpose cement as well.

NIPPON CEMENT is compatible with most of the admixtures complying with BSEN and ASTM standards.

42.5N
STRENGTH CLASS

SLS 107:2008
ORDINARY PORTLAND CEMENT

TOKYO SUPER OPC

TOKYO SUPER brand Ordinary Portland Cement is a general purpose cement which can be used in the production of all types of concrete used in structural and non-structural applications. TOKYO SUPER OPC meets the stringent quality requirement specified by Sri Lanka Standard SLS 107:2008 Strength Class 42.5N for Ordinary Portland Cement.

Typical applications of TOKYO SUPER OPC include concrete slabs, drive ways, mortars for brick and block work.

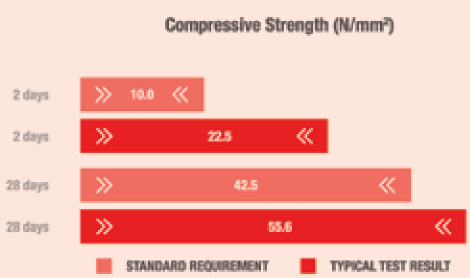
TOKYO SUPER OPC is compatible with most of the admixtures complying with BSEN and ASTM standards.

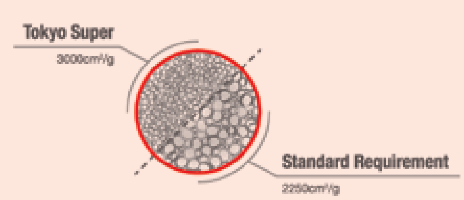
HIGH STRENGTH | WATER & SEWAGE TANKS | HEAVY TRAFFIC | DOMESTIC | WALLS

FOR READY MIX CONCRETE | BASEMENTS | ROOF SLABS | FOR PRE-CAST CONCRETE | INDUSTRIAL

42.5N
STRENGTH CLASS

SLS 107:2008
ORDINARY PORTLAND CEMENT





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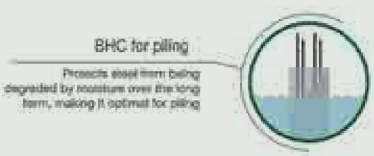
TOKYO SUPER +

TOKYO SUPER + BHC

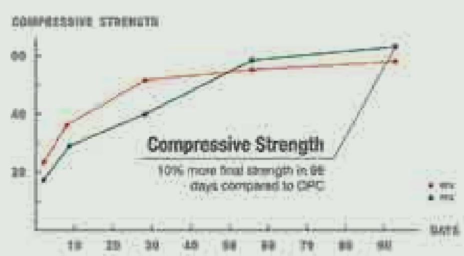
TOKYO SUPER + is a Blended Hydraulic Cement that proudly boasts the highest 100 day strength, PLUS corrosion protection that shields reinforcement from decay, PLUS suitable for building in marshy, marine and flooding conditions, PLUS the greenest cement in the market with the lowest carbon footprint.

TOKYO SUPER + BHC is produced to conform to SLS 1247:2015 Strength Class 42.5 N standard specification. This cement is highly resistant to chemical attacks and suitable for concreting and mortar in marine sulphate containing soil environments. The cement is a low heat cement and can be used for mass scale concreting.



42.5N
STRENGTH CLASS

SLS 1247: 2015
BLENDED HYDRAULIC CEMENT



TOKYO SUPERMIX

READY-MIX CONCRETE

CONCRETING CONFIDENCE

TOKYO SUPERMIX the largest supplier of Ready-mix concrete in Sri Lanka is proud to be the trusted choice of leading construction firms and building consultants, not only for local projects but also for multinational collaborations that are redefining the country's landscape. TOKYO SUPERMIX is committed to use NIPPON CEMENT PRO, the proven strength leader in cement specially designed for high-rises and super structures, to assure consistent quality. This has enabled to successfully formulate ultra-high strength grades of Ready-mix concrete available in Sri Lanka, such as Grade 80 and Grade 100.

All TOKYO SUPERMIX plants are ISO 9001 certified. A testament to our quality commitment is that we operate the Nation's only ISO 17025 certified cement & concrete R&D laboratory, firmly cementing our No. 1 position in the market. Years of expertise and state-of-the-art R&D facilities give TOKYO SUPERMIX the ability to produce the widest range of concrete mix design solutions that can be customized to match the exact requirements of a project.

GRADES UPTO C100
ULTRA-HIGH STRENGTH CONCRETE

THE NATION'S ONLY ISO 17025
CEMENT & CONCRETE LABORATARY

THE NATION's LARGEST CONCRETE SUPPLY NETWORK

11 BATCHING PLANTS WITH A 354M³/hr PRODUCTION CAPACITY, SERVICED BY THE LARGEST FLEET OF OVER 100 READY-MIX CONCRETE TRUCKS & PUMP CARS

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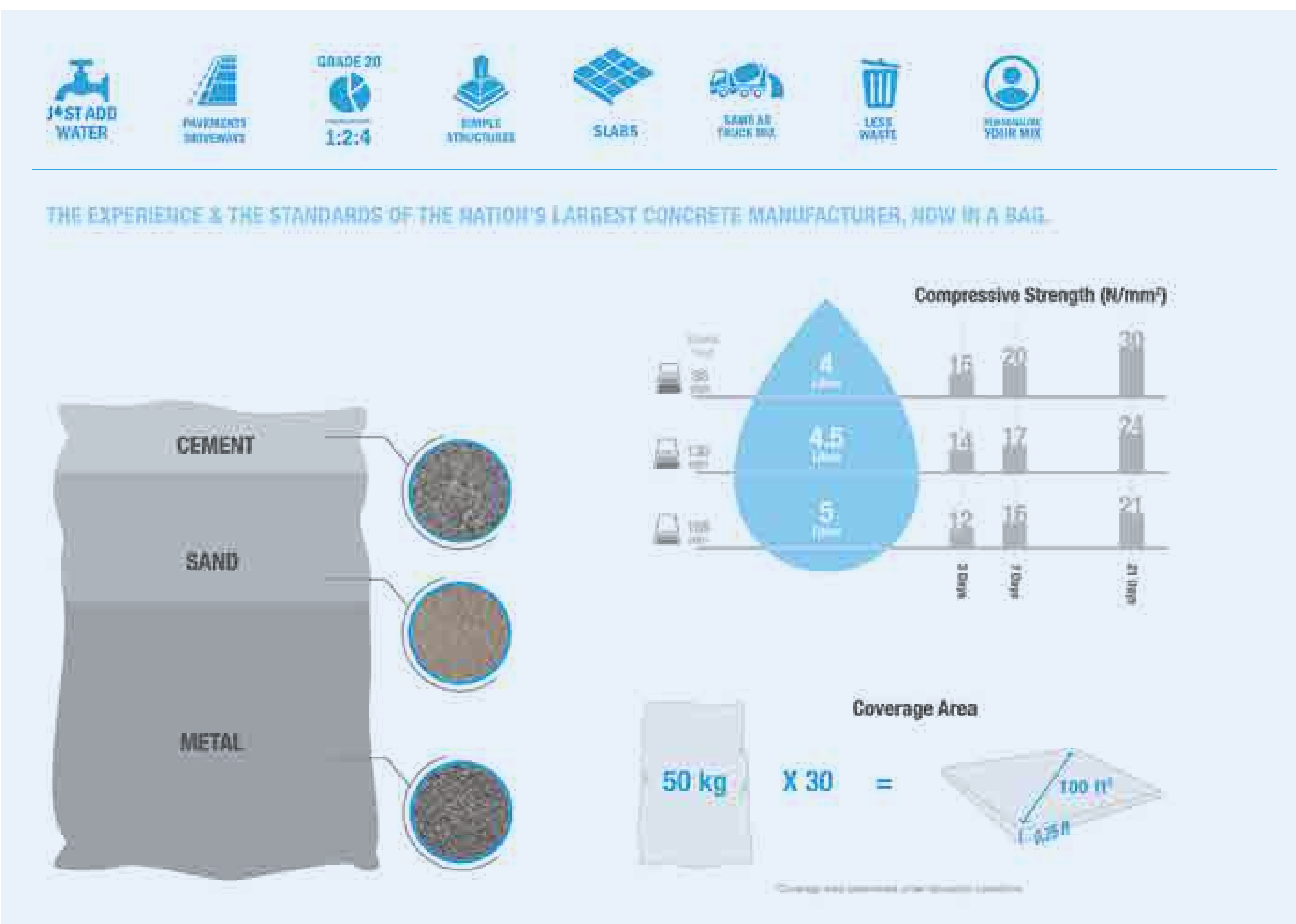
TOKYO SUPERMIX

CONCRETE MIX



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 hardens 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 paste 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 tilers	Reliable 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
Frequent 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 combined adhesive layer in a vertical or inclined surface.

Adhesion Strength

Maximum strength per unit surface are which can be measured by shear or tensile testing.

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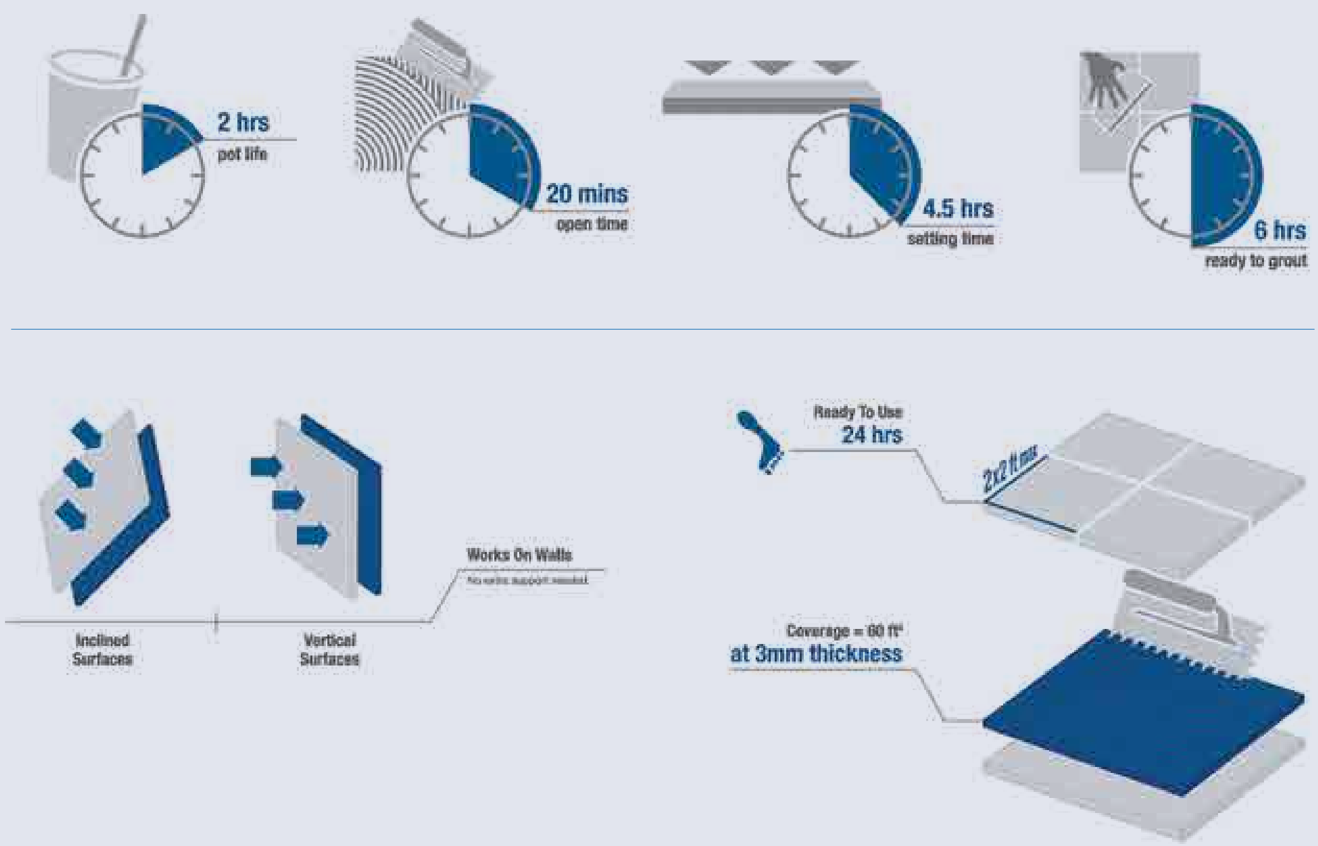
TOKYO SUPERBOND
TILE ADHESIVE STANDARD SET

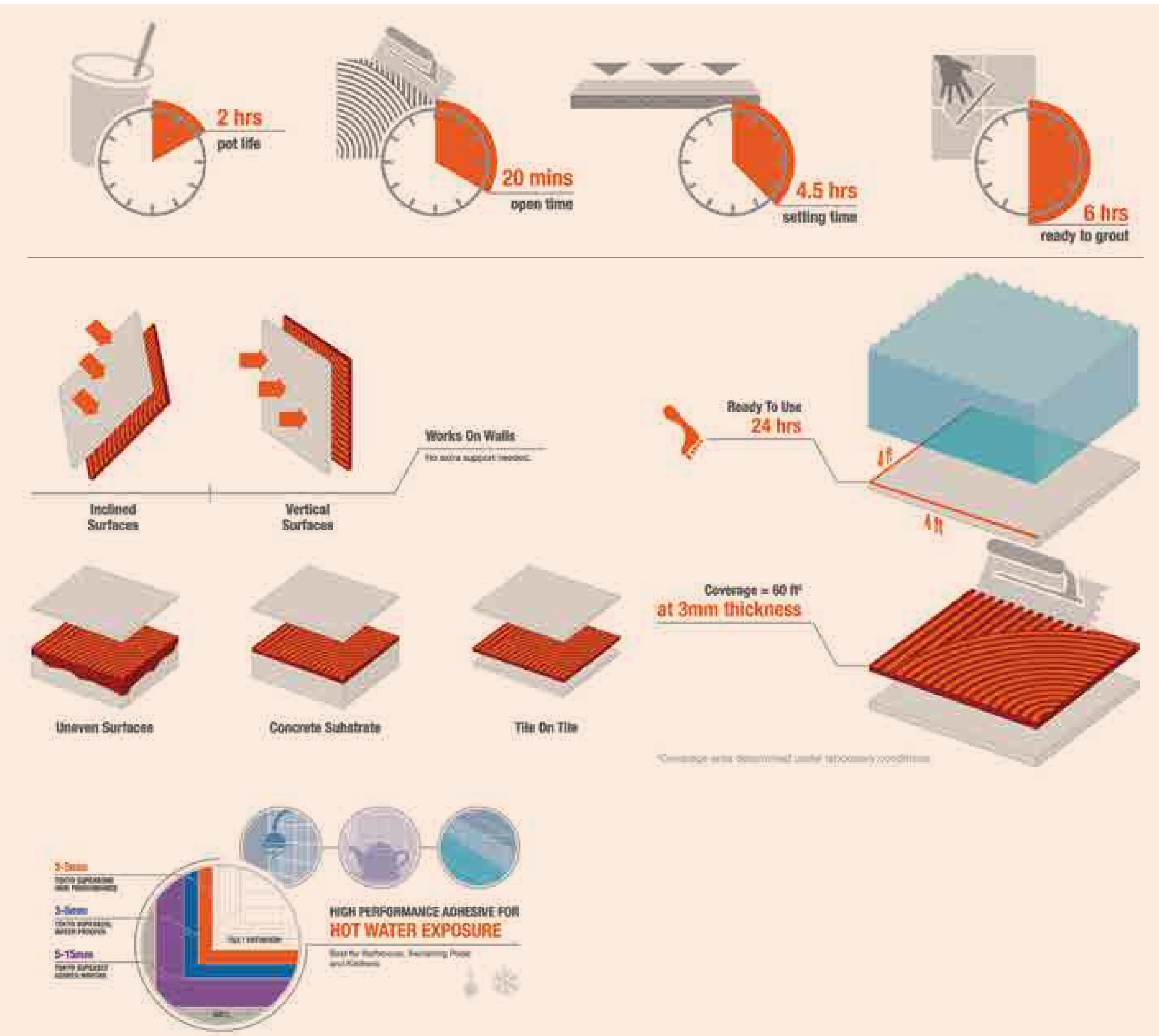
TOKYO SUPERBOND TILE ADHESIVE (STANDARD SET) is a thinset cement-based tile adhesive, which can be used for fixing ceramic, porcelain terracotta, granite tiles etc. on mortar screed or concrete base on walls and floors. Highly workable mix with high water retention capability make fixing tiles on floors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



TOKYO SUPERBOND

TILE ADHESIVE HIGH PERFORMANCE

TOKYO SUPERBOND HIGH PERFORMANCE TILE ADHESIVE is specially formulated to result high bonding strength. In addition to use of this adhesive for fixing all types of tile, it is highly recommended for fixing large format (3'x3' or 4'x4') porcelain or fully vitrified tiles on floors and walls. This adhesive is formulated to provide the highest bonding strength. In addition to the fixing of all types of tiling materials, it is highly recommended for fixing large format tiles (3'x3' or 4'x4') on floors and walls. This adhesive is suitable for fixing tiles on top of existing tiled or cemented floors without breaking and levelling. Suitable for tiling kitchens and bathrooms where hot water is frequently used.



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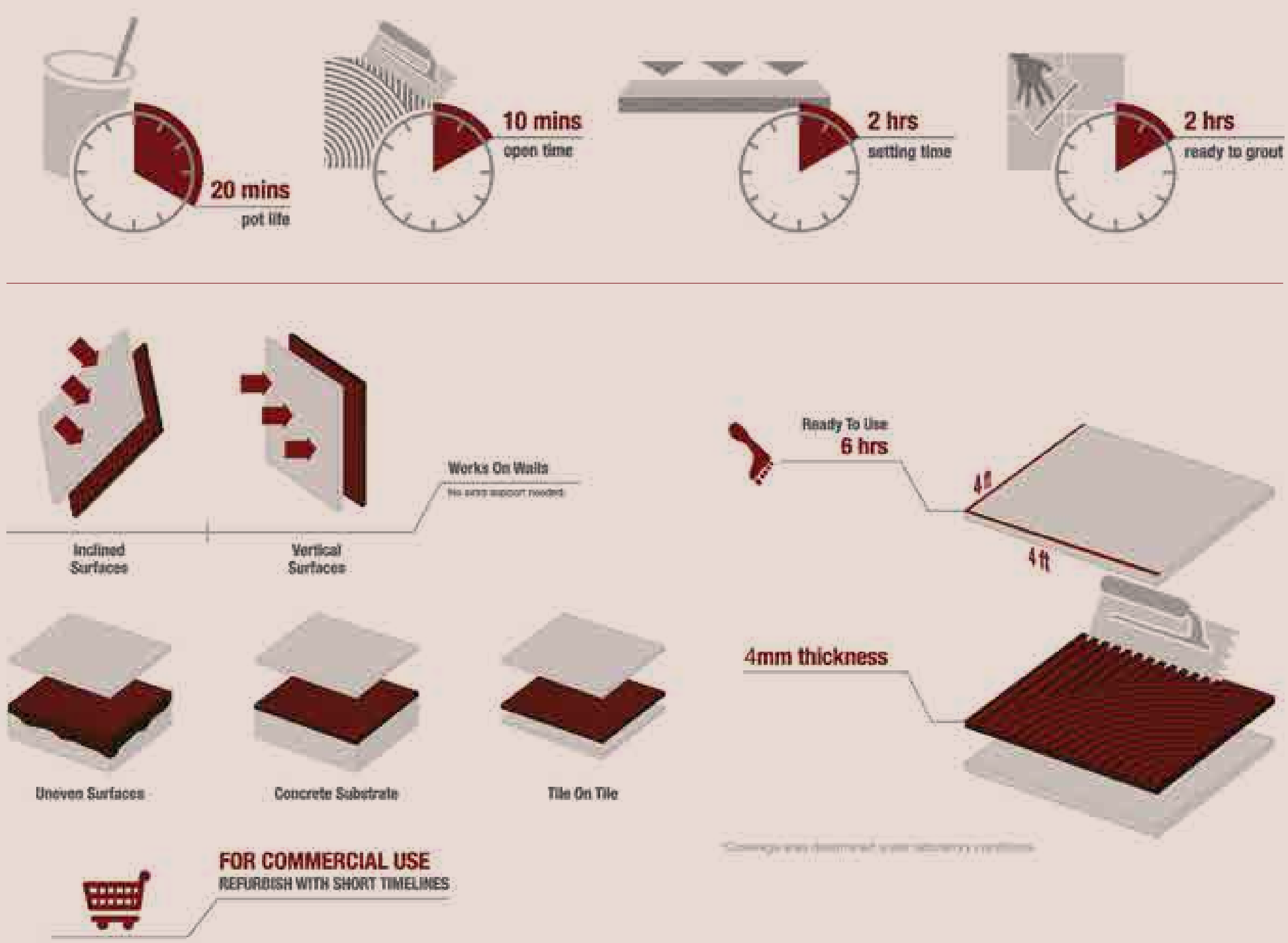
TOKYO SUPERBOND
TILE ADHESIVE **PREMIUM**

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.



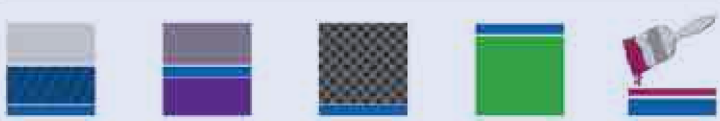
TOKYO SUPERSEAL
WATER PROOFER

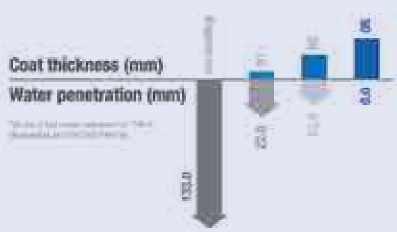
TOKYO SUPERSEAL WATER PROOFER is a one-component cement base material suitable for both interior and exterior surfaces, wherever waterproofing may be required. Traditionally, waterproofing requires the mixture of two components. The main limitation of this is the extremely short pot life that forces 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.

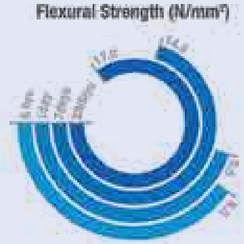
J♦ST ADD WATER

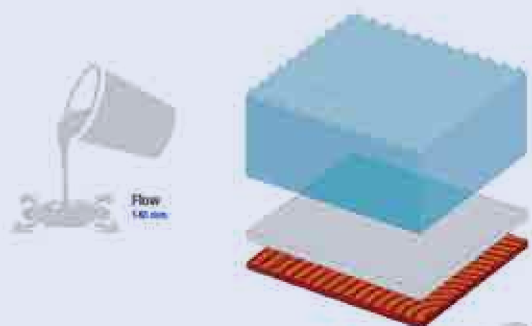
With TOKYO SUPERSEAL WATER PROOFER you can just add water and apply within 15 minutes. This allows for ample time to do the job right, the first time.

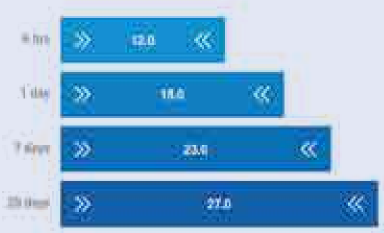
Application





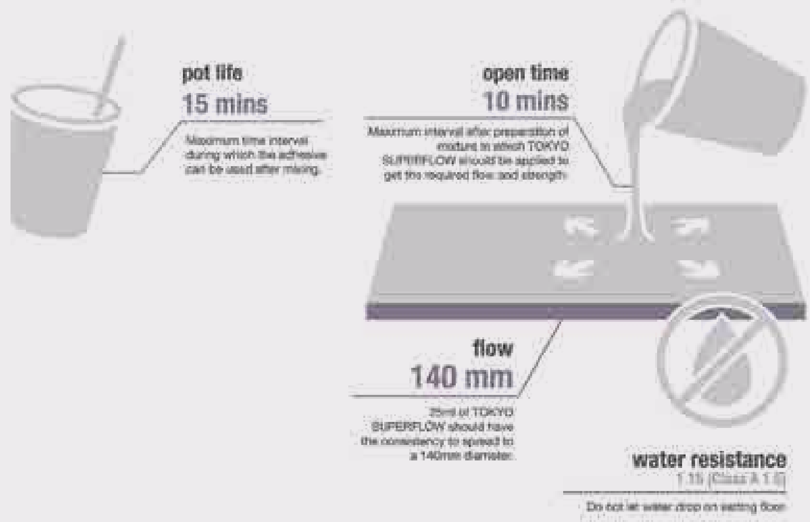




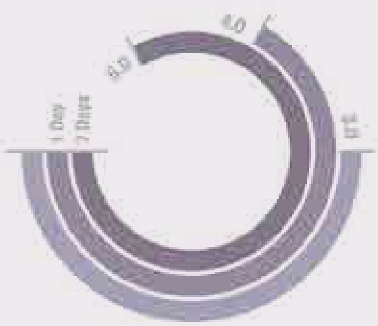


TOKYO SUPERFLOW
FLOORING COMPOUND

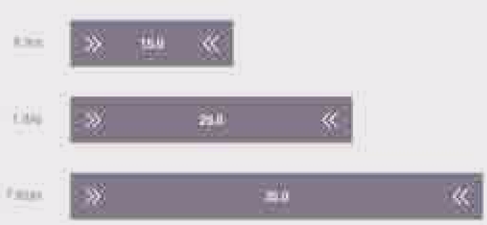
TOKYO SUPERFLOW FLOORING COMPOUND is a self-leveling cementitious flooring compound which can be applied manually or by pump to achieve rapid, flat levelled substrate prior to the application of the final floor finish. Typical uses are in warehouses, factories, manufacturing facilities, hospitals, commercial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



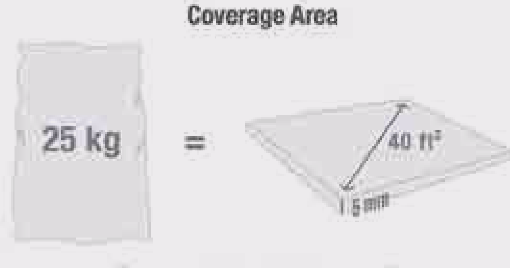
Flexural Strength (N/mm²)



Compressive Strength (N/mm²)



Coverage Area



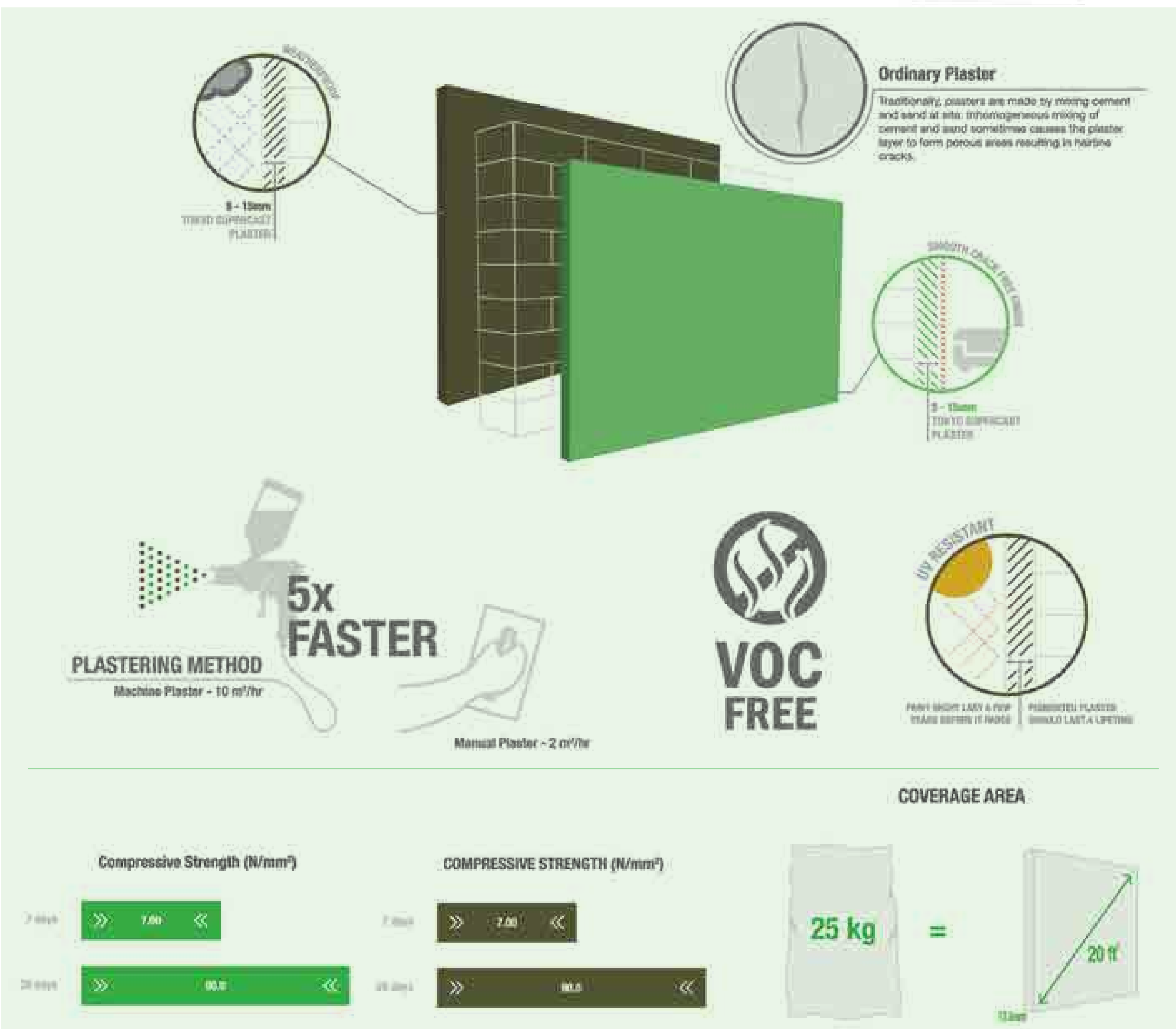
TOKYO SUPERCAST

REGULAR

WEATHERSHIELD

Add Water

Just add water, mix and apply TOKYO SUPERCAST. Alternative plasters require sourcing and mixing several ingredients and the results aren't always the same.



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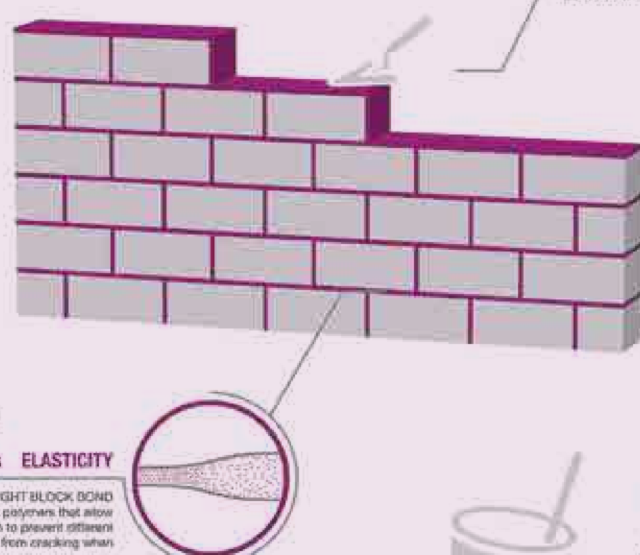
TOKYO SUPERSET

BLOCK BOND

In the conventional cement/ sand masonry mortar, the mortar layer dries out before it reaches peak strength, resulting in cracks. This lowers the adhesion strength between bricks or blocks.

TOKYO SUPERLIGHT BLOCK BOND is a self-curing type mortar and does not need pre-wetting of block surface or curing after application.

TOKYO SUPERSET BLOCK BOND is the most suitable masonry mortar for laying AAC, CLC and cement/sand blocks. It is premixed. Just add water, and it's ready to use.



set time
4 hrs

Time during which the adhesive will start to harden.

NO CRACKS **ELASTICITY**

TOKYO SUPERLIGHT BLOCK BOND is designed with polymers that allow for expansion to prevent different materials from cracking when expansion causes pressure.

JUST ADD WATER
pot life
2 hrs

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

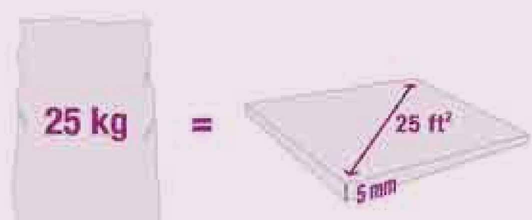
TENSILE ADHESION STRENGTH (N/mm²)

28 days	0.7

COMPRESSIVE STRENGTH (N/mm²)

7 days	12.0
28 days	28.0

COVERAGE AREA



TOKYO SUPERLIGHT

LIGHTWEIGHT BLOCKS

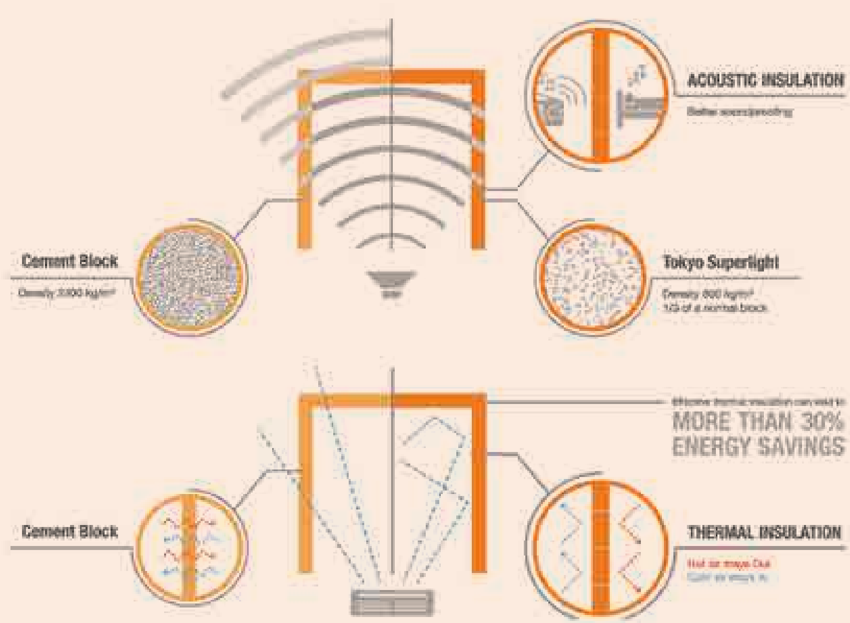
HIGH COMPRESSIVE STRENGTH

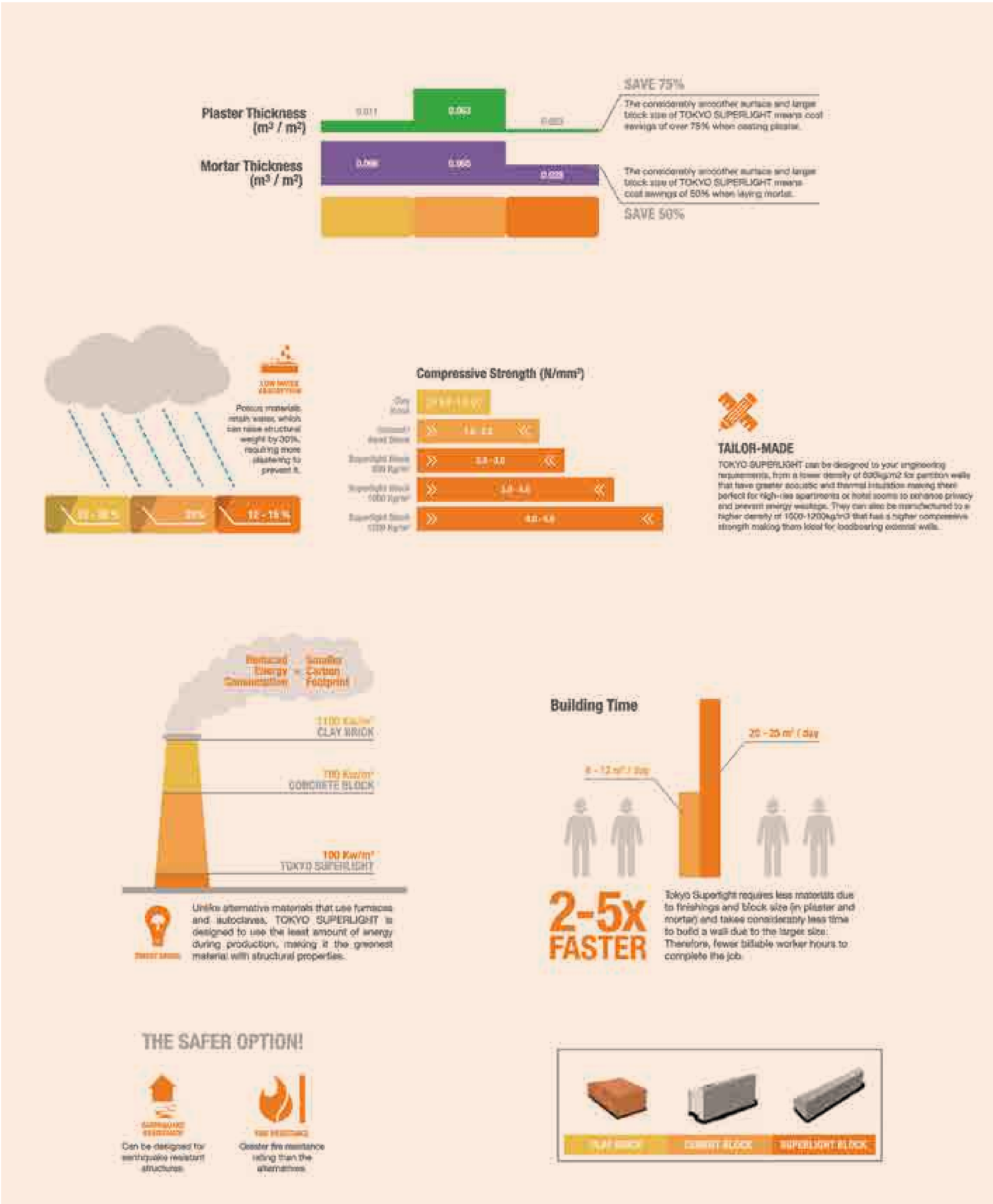
1/3 THE WEIGHT 2x THE STRENGTH OF A TRADITIONAL CEMENT BLOCK

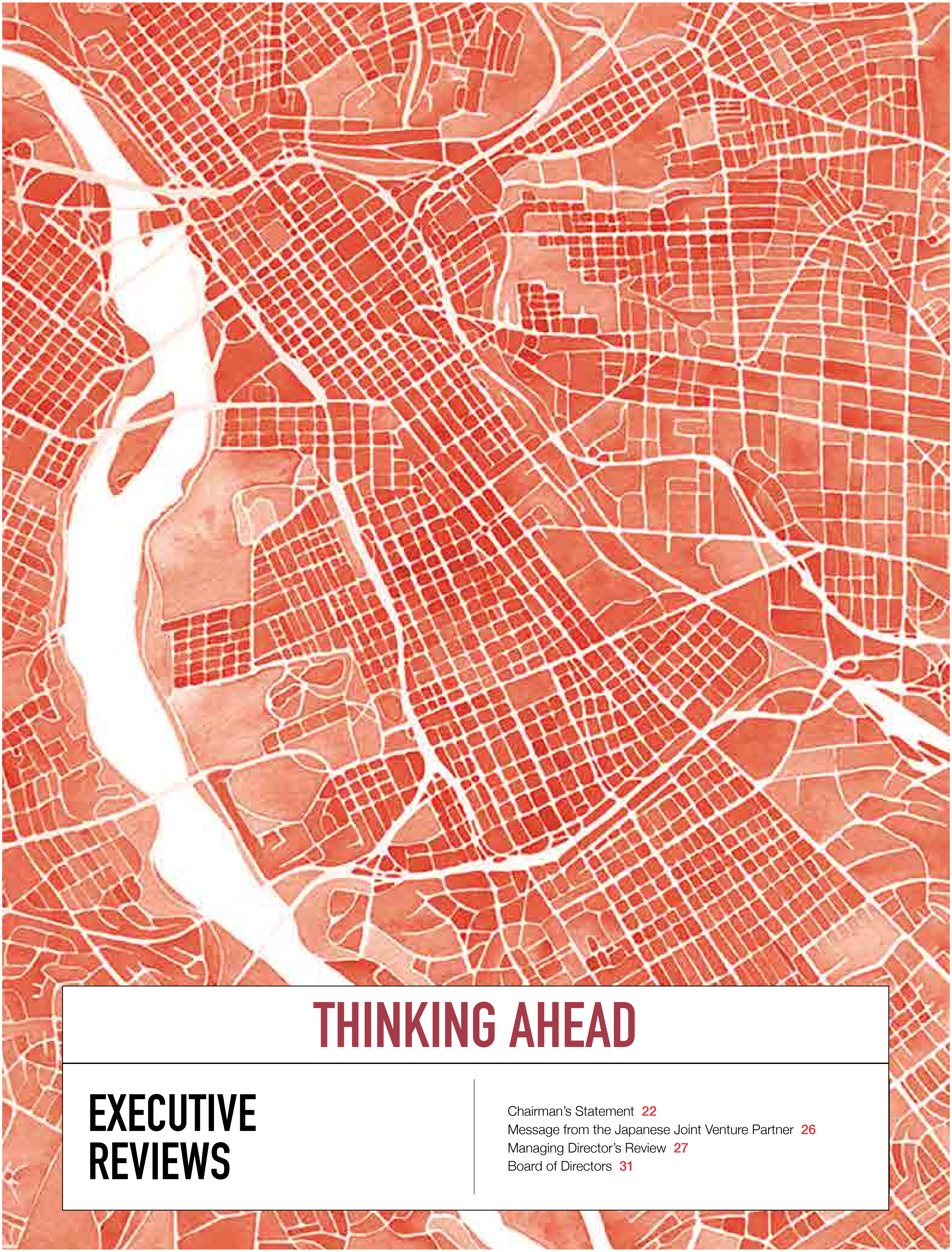
TOKYO SUPERLIGHT blocks use a technology known as Cellular Lightweight Concrete (CLC). Instead of coarse aggregates found in traditional cement blocks, the CLC blocks are made up of millions of tiny air bubbles that result in a lighter weight concrete block. It is produced by mixing ordinary Portland cement, sand and a foaming compound. TOKYO SUPERLIGHT blocks provide superior thermal and acoustic insulation, and are considerably more fire resistant than present alternatives. TOKYO SUPERLIGHT blocks are the sustainable alternative to current building materials as its superior insulator properties allow for reduced energy usage in climate control and is manufactured through a process with the least amount of carbon emittants possible (void of wood burns or admixtures traditionally used in the manufacture of blocks).

Density

TOKYO SUPERLIGHT allows you to customize the density of your building material to your architectural needs, from a higher density and compressive strength for structural load bearing purposes to a material to increase sound and thermal insulation between rooms.




Plaster Thickness (m³ / m²)
SAVE 75%
The considerably smoother surface and larger block size of TOKYO SUPERLIGHT means cost savings of over 75% when casting plaster.
Mortar Thickness (m³ / m²)
The considerably smoother surface and larger block size of TOKYO SUPERLIGHT means cost savings of 50% when laying mortar.
SAVE 50%
Porous materials retain water, which can raise structural weight by 30%, requiring more plastering to prevent it.
12 - 15 %
Compressive Strength (N/mm²)
TAILOR-MADE
TOKYO SUPERLIGHT can be designed to your engineering requirements, from a lower density of 600kg/m2 for partition walls that have greater acoustic and thermal insulation making them perfect for high-rise apartments or hotel rooms to enhance privacy and prevent energy wastage. They can also be manufactured to a higher density of 1000-1200kg/m3 that has a higher compressive strength making them ideal for loadbearing external walls.
Reduced Energy Consumption = Smaller Carbon Footprint
CLAY BRICK
CONCRETE BLOCK
100 Kw/m³
TOKYO SUPERLIGHT
Unlike alternative materials that use furnaces and autoclaves, TOKYO SUPERLIGHT is designed to use the least amount of energy during production, making it the greenest material with structural properties.
Building Time
20 - 25 m² / day
2-5x FASTER
Tokyo Superlight requires less materials due to finishings and block size (in plaster and mortar) and takes considerably less time to build a wall due to the larger size. Therefore, fewer billable worker hours to complete the job.
THE SAFER OPTION!
Can be designed for earthquake resistant structures.
Greater fire resistance rating than the alternatives.



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"OUR SHAREHOLDERS KNOW THAT NIPPON COKE HAS STOOD BY TOKYO CEMENT FOR OVER THREE DECADES, SINCE THE ORIGINAL PARTNERSHIP WAS FORGED BY THE FOUNDING FATHER OF TOKYO CEMENT DESHAMANYA A Y S GNANAM."

"THIS CHANGE IN BUSINESS PARTNERS IS DUE TO NIPPON COKE EXITING FROM THE CEMENT INDUSTRY AND UBE SINGAPORE ACQUIRING 10% SHAREHOLDING OF TOKYO CEMENT PREVIOUSLY HELD BY NIPPON COKE."

It is my pleasure to present the annual report and audited accounts of Tokyo Cement Company (Lanka) PLC for the financial year 2017-18 to our shareholders.

I also take this opportunity to introduce to our esteemed shareholders, Mr. Susumo Ando, the Managing Director of UBE Singapore PTE Ltd who joined the Tokyo Cement board in July 2017 as the nominee of UBE Singapore. He replaces Mr. Hiroki Tsukigawa from the Nippon Coke and Engineering Company Ltd. Our shareholders know that Nippon Coke has stood by Tokyo Cement for over three decades, since the original partnership was forged by the founding father of Tokyo Cement Deshamanya A Y S Gnanam. This change in business partners is due to Nippon Coke exiting from the cement industry and UBE Singapore acquiring 10% shareholding of Tokyo Cement previously held by Nippon Coke. On this occasion, the Board and I

"DUE TO SIGNIFICANTLY LOWER THAN ANTICIPATED REVENUES, WE CLOSED THE YEAR WITH PROFIT AFTER TAX FALLING BY 31.5%, TO RS. 2.3 BN, AGAINST THE PREVIOUS YEAR. AGAINST THIS BACKDROP, OUR RETURN ON ASSETS AND RETURN ON EQUITY ALSO FELL FROM 12.0% AND 23.6% IN THE PREVIOUS FINANCIAL YEAR, TO 6.6% AND 15.0% IN THE CURRENT YEAR."

extend our warmest gratitude and best wishes to Mr. Tsukigawa who contributed actively to strengthen the Company. On behalf of the Board, I also extend a warm welcome to Mr. Ando, who joins us at the cusp of a new era for Tokyo Cement. As indicated by the theme of this year's annual report, Tokyo Cement is now nearing the realisation of our Master Plan for the future.

In terms of financial performance, I have to break the disappointing news that the year has been below expectation. Due to significantly lower than anticipated revenues, we closed the year with profit after tax falling by 31.5%, to Rs. 2.3 Bn, against the previous year. Against this backdrop, our return on assets and return on equity also fell from 12.0% and 23.6% in the previous financial year, to 6.6% and 15.0% in the current year. The total value created by the Company's operations reached Rs. 1.3 Bn, compared to Rs. 2.6 Bn in the previous year. We distributed 95.1% of this wealth among our employees, suppliers and business partners amounting to Rs. 33.9 Bn in total and paid Rs. 396 Mn in taxes. We also distributed in excess of Rs. 9 Mn on many social and environmental projects, upholding our responsibility towards society.

In spite of the lower profitability, Tokyo Cement has been focused on our plans for the future and I can confidently assure our shareholders that your Company is now positioned to make rapid gains when the construction industry revives, which the Board and I strongly believe will occur in the new financial year.

IMPACT OF MACRO DEVELOPMENTS

The disappointing financial performance for the year is primarily due to the dramatically lower construction sector demand, which resulted in our topline falling well below target for the year. The construction sector, which supports the overall growth of the economy through thousands of jobs, new constructions and post-war rebuilding, slowed down to a 3.1% rate of growth in 2017, from 8.3% in 2016. This drastic slowdown in construction activities caused demand for cement production and imports to nosedive to 4.6% and 7.1%, respectively, in 2017, compared to the growth rates of 17.8% and 29.5% in 2016. Collectively, the demand for cement crashed to 6.3% growth in 2017, compared to 25.3% growth in 2016. At a broader level, the building material imports volume index, which increased by 22.9% in 2016, only grew by 6.8% in 2017, indicating the overall fall in the construction sector.

Based on the national infrastructure agenda, we anticipated strong and sustained demand growth in the 2017-18 financial year, and stronger revenue growth. However, the reality was the opposite. The negative impact on the income statement, due to lower revenue, was compounded by the sharp cost increase from continued rupee depreciation, as we are totally dependent on imported clinker. While we were able to negotiate a retail price increase during the year, this did not keep pace with the rate of rupee depreciation and therefore, did not significantly shore-up our financials, although it certainly helped contain losses.

Given the unexpected challenges faced by the company in the current financial year, I believe we have done reasonably well. Our strategic marketing initiatives have managed to defend our market share in the face of rising competition from imported cements and we have expanded the share of value added products in our revenue portfolio.

I kindly request our shareholders to refer the Managing Director's review for a more detailed analysis of the year in terms of operational aspects and the Financial Review for more details on the financial status of the Company as at end March 2018.

COMPLIANCE AND GOVERNANCE

Tokyo Cement is fully compliant with all applicable regulations and did not face any fines or penalties during the year due to non-compliance or delays in compliance with any regulations. We have continued to strengthen our governance and risk management framework through regular board and board sub committee meetings and reviews and audits of operations and financial status of the Company during the year.

A NEW SUBSIDIARY

As part of our growth strategy, we incorporated a new, fully owned subsidiary, Tokyo Supermix (Private) Ltd, to manufacture and retail ready mixed concrete. All assets and liabilities of the ready mix operation that were under Tokyo Cement Company (Lanka) PLC have now been transferred to Tokyo Supermix (Pvt) Ltd. We believe this spin-off will facilitate more effective monitoring of the concrete operation and will also facilitate dedicated marketing of products.

The ready mix operation was also expanded during the year with the addition of another plant. Therefore, Tokyo Supermix now controls 11 ready mix plants in strategic locations in the country, giving it a very wide coverage of the island to better service the growing customer base.

SHAREHOLDERS' WEALTH

Although our profitability has dropped in the current financial year, we have continued to uphold our undertaking to our shareholders through equitable distribution of profits. In this regard, we enhanced our shareholders' wealth through a capitalisation of reserves and also through dividend payments. During the year, we distributed Rs. 1.35 Bn from our reserves among our shareholders by issuing 1 ordinary

"ALTHOUGH OUR PROFITABILITY HAS DROPPED IN THE CURRENT FINANCIAL YEAR, WE HAVE CONTINUED TO UPHOLD OUR UNDERTAKING TO OUR SHAREHOLDERS THROUGH EQUITABLE DISTRIBUTION OF PROFITS. IN THIS REGARD, WE ENHANCED OUR SHAREHOLDERS' WEALTH THROUGH A CAPITALISATION OF RESERVES AND ALSO THROUGH DIVIDEND PAYMENTS."

share for every 5 issued shares. The board felt it was appropriate that issued stated capital should reflect the capital employed by the Company for its business, and to reward shareholders out of accumulated profits. The new shares were listed in June 2017. As a result our total share capital has increased from Rs. 2.9 Bn to Rs. 4.2 Bn.

In addition, we made a first and final dividend of Rs. 1.87 per share for the 2016-17 financial year, in August 2017, amounting to a payout of Rs. 750 Mn. and an interim dividend of Rs. 1.25 per share for the 2017-2018 financial year, in March 2018, for a total dividend payout of Rs. 501 Mn.

INVESTING IN OUR MASTER PLAN

To date, we have invested in excess of Rs. 11 Bn on capital expenditure for a number of projects under our Master Plan. These investments now span a period of five years and many different projects to enhance manufacturing capacity and strengthen backward integration linkages.

During the current financial year, the first major capacity expansion project of Tokyo Cement came online with the commercial operations of the Tokyo Eastern Cement Company (Pvt) Ltd, our third manufacturing facility in Trincomalee. This has added 1 million tonnes of new capacity to national cement output.

Our vertical integration plans have progressed well with a new sand manufacturing facility already designated, to support our expanded cement manufacturing capacity. We have also acquired a new, bigger vessel to transport larger volumes of clinker, to feed our expanded factory capacity.

We believe the way forward is in value added products. This is a strategic priority within the current environment of generic products flooding the market and price controls on bulk cement. Therefore, in the current financial year we continued to invest in marketing our value added portfolio and we also opened a new manufacturing facility in Elpitiya for these modern products. In addition, our new factory in Trincomalee will house a modern laboratory which will facilitate design and testing of new cement based products. The laboratory will be operational in 2018, offering its services to the entire industry.

To support our growth drive we have continued to expand and train our team. During the year, we have continuously increased our human resources expenditure in training. In this regard, I would like to acknowledge the support extended by UBE Singapore, our new equity partner, for accommodating Tokyo Cement teams for training and exposure in their manufacturing facility in Japan. Tokyo Cement has already benefited from these investments in human resource development, as this exposure has allowed the successful implementation of new, modern machinery, workflow systems and management systems that have increased our efficiency and productivity levels.

SUSTAINABLE BUSINESS GROWTH

While expanding our business we have remained true to our philosophy of minimising any negative impact. Our new cement grinding factory in Trincomalee has been designed to be more energy efficient and to minimise negative environmental impacts. It is powered entirely by a new 8 MW biomass plant. In addition to being the only heavy industry in Sri Lanka to be almost completely self-sufficient in energy generation and supply for its manufacturing operations, we also export 7.5MW to the national grid. I believe this is indeed something to be proud of. In addition, our production process, from the point of transferring clinker from the ship, to manufacturing sand, to packing and transporting cement, has been designed to minimise negative environmental impacts as much as possible. This will be the way forward for Tokyo Cement under our Master Plan.

In addition we have continued to support many environmental conservation initiatives. These programmes have progressed well during the year,contributing towards rehabilitating Sri Lanka's depleted coral beds and mangrove cover in the Eastern coast. We have also extended assistance to many social welfare projects during the year and the Deshamanya A Y S Gnanam Academy has continued to support the industry and youth of Sri Lanka through its free construction industry training programmes. A detailed Sustainability Report has been included with this annual report to inform our stakeholders about these activities.

A BRIGHT FUTURE

I believe Tokyo Cement is now stronger than ever before and is better equipped to support the national development drive. With the construction industry on the path to recovery, I am confident of a stronger financial performance in the new financial year and improved returns for our shareholders.

We will continue to invest in our Master Plan to take the Company to new heights within the next few years. At the end of this process, Tokyo Cement will be a much larger manufacturer, backed by modern technologies and management systems, manned by personnel trained in Japanese production systems and equipped to transform the country's construction sector with new, innovative products and services.

I would like to conclude by thanking the Board and the management for their dedication and valuable guidance during the year. Our employees are the driving force of the Company and I thank them for their contributions. I also acknowledge the loyalty and support of our network of dealers and business partners as they are crucial to our success in the market. I look forward to building stronger, mutually beneficial relationships in the new financial year. Last but not least, I thank our customers for their patronage and look forward to serving them better in the new financial year.

Sincerely

Dr. Harsha Cabral P C
Chairman

26th July 2018

"UBE HAS CONTRIBUTED TO THIS UPWARD TRAJECTORY BY FACILITATING KNOWLEDGE TRANSFER AND LEARNING OPPORTUNITIES TO TOKYO CEMENT PERSONNEL THROUGH VISITS TO THE UBE FACTORY IN JAPAN AND ALSO THROUGH KNOWLEDGE SHARING."

On behalf of UBE Singapore Holdings PTE Ltd, I would like to express our pleasure in becoming an equity partner of the Tokyo Cement Group, which enjoys an unblemished track record in the Sri Lankan corporate landscape as a pioneer in the private sector heavy industry, and has a long and successful history of foreign collaboration. I am confident the partnership between UBE and Tokyo Cement will create many exciting new opportunities for growth and stakeholder wealth creation as we continue to forge forward with Tokyo Cement's Master Plan.

During the year under review, Tokyo Cement has made steady progress in the Company's growth strategy, with significant capacity growth in manufacturing both traditional cement and value added products. UBE meanwhile, has contributed to this upward trajectory by facilitating knowledge transfer and learning opportunities to Tokyo Cement personnel through visits to the UBE factory in Japan and also through knowledge sharing. UBE will continue to support the technological advancement of Tokyo Cement in line with our shared growth objectives of the future.

In this regard, Tokyo Cement is now better equipped than ever before to cater to Sri Lanka's national development agenda. As Sri Lanka makes progress with its extensive post war infrastructure programme, the country will require increased volumes of cement and cement-based products. More importantly, the country will require sustainable construction solutions that are both socially and environmentally better suited to a world of shrinking natural resources. Through the Tokyo Cement Master Plan, we are equipped to provide international quality cement and value-added products that will help build the Sri Lanka of the next century. We will be positioned to support the upward trajectory of the country's construction industry through the provision of a range of products that are more environmentally friendly and responsive to changing lifestyles. Tokyo Cement has also continued to make sure that business growth is accompanied by many environmental conservation and social welfare initiatives, to directly contribute to communities and undeserved populations that need assistance.

I am confident the Tokyo Cement and UBE partnership will go from strength to strength in the future and I look forward to greater cooperation between our two companies. I also take this opportunity to assure shareholders of our joint commitment towards enhancing shareholders' returns in the new financial year. I also express my gratitude to the customers and business partners of the Company and look forward to a mutually beneficial future.

Sincerely

Y. Yamamoto

Yuzuru Yamamoto
President & Representative Director
UBE Industries, Ltd.

26th July 2018

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"WE REMAINED FOCUSED ON OUR MASTER PLAN FOR GROWTH, WHICH HAS BY NOW, PUT IN PLACE A SOLID FOUNDATION FOR OUR FUTURE."

"FROM A GROWTH RATE OF 8.3% IN THE PREVIOUS FINANCIAL YEAR, THE CONSTRUCTION SECTOR DECELERATED TO 3.1% IN THE CURRENT YEAR. SEVERAL ENVIRONMENTAL FACTORS PLAYED A ROLE IN THIS."

Contrary to high industry expectations, the construction industry slowed down drastically during the financial year 2017-18. Consequently, so did the growth momentum of Tokyo Cement and other construction sector suppliers. Against a backdrop of declining demand and rising costs, Tokyo Cement suffered a disappointing 31.5% drop in profitability, against the previous financial year. However, as already noted by the Chairman, we remained focused on our Master Plan for growth, which has by now, put in place a solid foundation for our future.

BUSINESS ENVIRONMENT

From a growth rate of 8.3% in the previous year, the construction sector decelerated to 3.1% in the current year. Several environmental factors played a role in this, from three consecutive failed harvests and the consequent inflation deflating rural retail expenditure, in addition to rapid currency depreciation that contributed to overall inflation. However, the primary reason was due to the uncharacteristically long postponement of local government election, inevitably resulting in

"WE HAVE BY NOW, INVESTED IN EXCESS OF USD 50MN TO INCREASE OUR CEMENT PRODUCTION CAPACITY BY 1 MILLION MT (METRIC TONNES), COMMISSIONED A NEW 8MW BIOMASS POWER PLANT TO SUPPLY OUR ADDITIONAL PRODUCTION ENERGY REQUIREMENT, ADDED AN AUTOMATED DRY MORTAR PRODUCTION LINE, AND UPGRADED OUR JETTY TO ALLOW FOR LARGER VESSELS AND A FINISHED PRODUCT OUTFLOW."

non-payment of existing local government contracts and delays in initiation of previously tendered government contracts. The holdups and uncertainty surrounding local government elections resulted in non-extension and postponement of a myriad infrastructure contracts at local government level. In Sri Lanka, the government and its agencies remain the single largest buyer of construction services, with annual budgets extending across the island, for numerous small scale rehabilitation and building projects, in addition to national level mega development projects. Therefore, the capital budgets of local government bodies going into limbo, over a period of approximately 15 months, had a ripple effect across the construction sector, as unpaid contractors extended credit or defaulted on payments from retailers, who in turn attempted to extend credit with material manufacturer. This, of course reduced industry liquidity, to an overall fall in demand for construction materials due to held stock or constrained cashflow necessary for reordering, culminating in the entire industry slowing down.

With government contracts out of the equation, the construction sector was almost entirely dependent on private sector commercial development projects and household demand. These sectors also did not expand at any significant rate. Negative investor perceptions discouraged capital investments within industries and the rising cost of living made urban households postpone capital investments, while the rural households were weakened by losses in agriculture. Sri Lanka's agricultural communities suffered setbacks throughout the year, losing harvests to either floods or droughts. The country's North and East for instance, which is the largest consumer of construction services due to high rebuilding and renovations needs, was decimated by the fall in agriculture.

A second obstacle was the continued depreciation of the rupee. To put this into perspective, the Rupee to the US Dollar was Rs. 152 as of 1st April 2017, and had increased to Rs. 156 by end March 2018. The foreign exchange losses alone, eroded profits significantly due to an increase in the cost of clinker and imported cement in rupee terms, also in addition to the cost of shipping due to the rise in global oil prices.

Even though the costs increased, the cement industry did not have the freedom to adjust retail prices. Although the Consumer Affairs Authority did eventually authorise a Rs. 30 price increase, per 50 Kg bag of cement, this increase was realised only in February 2018. By then the rupee had slid further against the dollar. Therefore, the price increase helped to cover our margin losses only to a very limited extent and has not addressed the current existing gap between cost increases and retail pricing.

In this scenario, the government directive making cement imports duty free from all countries certainly did not help domestic cement manufacturers. Previously the threat of imports was contained to India and Pakistan. As Sri Lanka does not have anti-dumping regulations, this carte blanche treatment of cement has now opened the flood gates for dumping from countries with excess production.

SUMMARY OF FINANCIAL STATUS

As our shareholders are aware, we have by now, invested in excess of USD 50 Mn to increase our cement production capacity by 1 million MT (Metric Tonnes), commissioned a new 8MW Biomass power plant to supply our additional production energy requirement, added an automated dry mortar production line, and upgraded our jetty to allow for larger vessels and a finished product outflow. We entered the 2017-18 financial with our production capacity boosted to 2.8 million tonnes (a capacity increase of 56%). However, for the first time in a decade, national demand for cement did not see any growth, whilst Tokyo Cement's sales contracted by 2% year-on-year. This left our expanded capacities largely under utilised, from the maximum practical utilisation of approximately 85% in the previous year, to 64% in the current year with the 1Mn MT capacity expansion. Of course, this expanded capacity entails a slight increase in fixed costs for operations which is not distributed across the total potential production output if utilisation drops.

As demand conditions did not improve during the year and the traditional bag cement still accounts for a major portion of our income, however as the retail segment contracted we focused our sales on larger commercial projects, that consume a higher mix of bulk cement to that of bag. Bulk is typically sold at a discount to that of bag cement, and has higher distribution costs. This slight increase of bulk cement to bag also attributed to our top line dipping by 0.2% against the previous year to Rs. 35.6 Bn, from Rs. 35.7 Bn in 2016-17.

On a positive note, I am pleased to report that we have gained significant market share, and maintained promising growth rates for our value added, non-traditional products. These categories are not yet ubiquitous enough to fully compensate for traditional bag cement, and represent only a very small portion of the top line, albeit being larger contributors to the bottom line. However, sales have grown significantly during the year. Meanwhile, our ready-mixed concrete emerged as a star performer, validating our decision to expand this sector in the last two financial years.

Driven by exchange losses, our total costs increased by 3% against the previous year, to Rs. 32.4 Bn, from Rs. 31.4 Bn. As a result, our operating profits fell by 23.0%, to Rs. 3.5 Bn, from Rs. 4.5 Bn. The profit before tax declined from Rs. 4.1 Bn. last year, to Rs. 2.6 Bn. We closed the year with our net profit falling from Rs. 3.4 Bn. in 2016-17, to Rs. 2.3 Bn.

We also invested in consolidating our market footprint further. Against the declining demand scenario, we immediately took action to protect markets share. On the defensive front, we strengthened our distribution channels to counter market infiltration by low cost competitors as much as possible and to make Tokyo Cement products more accessible to consumers across the country. On the offensive front, we cranked-up promotions, marketing and strategic stakeholder engagements, to increase the Tokyo brand visibility and to build industry relationships. We also aggressively pushed our non-traditional, value added products to develop new markets. I believe, we have been successful in this regard based on demand growth for Tokyo Cement products, despite the heightened competition from all quarters.

PROGRESS OF THE MASTER PLAN

As our shareholders know, our Master Plan was initiated to support Sri Lanka's post conflict rehabilitation, to rebuild the nation, stronger than before. Over the last few years we have continued to build-up our Master Plan, based on our vision of building a modern Sri Lanka by introducing new construction products and techniques, enhancing domestic cement manufacturing capacity to save foreign exchange, and gradually lift the industry onto a more environmentally and socially sustainable platform.

I am pleased to report that as at end 2017-18 a major portion of our Master Plan has been realised. I will briefly describe the progress of our major investments for the year.

• Cement Manufacturing

The new cement facility, the Tokyo Eastern Cement Company commenced commercial operations in mid July 2017. On a plant to plant comparison, Tokyo Eastern has proven to be considerably more cost efficient per MT than the other three mills, the benefits of which we will see after it has been fully operational for a calendar year. This has increased the domestic cement production capacity by 1 million MTs (an expansion of 56%) per annum and created 150 new jobs. The state-of the-art central control facility within the premises will reduce turnover time and cut operational costs.

The unloading bay at the Trincomalee jetty connecting the factory, has also been completed, significantly enhancing production flow efficiency, by connecting the inflow of raw materials into the production line. Furthermore, it will allow us to dock larger vessels, saving us costs in the future due to a reduced freight and frequency of voyages. The next phase of this jetty expansion will allow us to pump out finished cement, potentially allowing us to distribute to our cement terminal in Colombo Port faster.

During the year, we sold our 23,000 MT clinker vessel and purchased a larger 35,000 MT vessel to meet our increased raw material requirement. We will continue to replace smaller vessels with larger vessels in the future.

The only remaining construction at our new factory in Trincomalee, is a high-tech laboratory and testing facility, which will be completed in November 2018.

We also expanded our ready mixed capacity. A new plant was acquired in Ratmalana to meet the growing demand for this specialised product. As already mentioned by the Chairman, Tokyo Supermix (Pvt) Ltd, was incorporated to take over this new business category and is now in control of all ready mixed concrete plants.

We also further automated and expanded our production capacity of the Cellular Lightweight Block manufacturing plant to meet the rising demand of new lightweight high-rise structures.

• Sand Manufacturing

River sand mining is extremely environmentally damaging and is increasingly difficult. Therefore, we started our own sand manufacturing plant in the previous financial year in Dompe. In the current year, we kicked off plans to set up a second facility in Mihintale. This will double our current outputs by December 2018.

• Sustainable Business Growth

A second biomass plant of 8 MWs of renewable energy, is now operational to provide all of our energy requirement for our expanded production capacity of 1Mn MT cement grinding facility.

The unloading bay to transfer clinker directly from our ship, to the Trincomalee factory, has completely cut out air emissions in the clinker conveyance process, making our Trincomalee factory extremely environmentally friendly.

When it comes to sand manufacturing, we have addressed all significant environmental impacts with the exception of sound pollution. In the current year, this negative aspect of our Dompe sand plant was scientifically addressed, by engaging the Industrial Technology Institute to design an even more effective sound insulation around the perimeter of the factory in order to surpass the standards set by the CEA.

• Environmental and Social Contributions

In addition to investing in cleaner production technologies, we have continued to support social and environmental projects outside the business process. Please refer the CSR Report for details about these activities during the year.

• Technical Support Agreement with UBE Cement

In pursuit of achieving the highest quality standards in both cement and value-added products, we have entered into a technical-support agreement with UBE Cement Japan who will dispatch their technical staff on a regular basis to our cement and concrete plants to enhance production and quality systems. This agreement provides for training our engineering staff annually in Japan at their facilities.

MANAGING DIRECTOR'S REVIEW

"I AM CONFIDENT OF AN INDUSTRY REVIVAL IN THE NEW FINANCIAL YEAR AND A CONTINUED, IF INTERMITTENT, GROWTH OVER THE MEDIUM TO LONG TERM. ON OUR PART, TOKYO CEMENT WILL CONTINUE TO INVEST IN EXPANSION PLANS TO MEET THIS IMPENDING DEMAND GROWTH. IN FACT, WE HAVE ALREADY COMMENCED OUR SECOND PORT EXPANSION PROJECT BY ACQUIRING LAND ON LEASE WITHIN THE COLOMBO PORT PREMISES FOR RS. 925 MN. OUT OF THIS FIGURE, WE HAVE ALREADY INVESTED RS. 378 MN IN THE 2017-18 FINANCIAL YEAR."

THE MASTER PLAN FOR THE FUTURE

While the current financial year has been anti-climatic, I am confident of an industry revival in the new financial year and a continued, if intermittent, growth over the medium to long term. On our part, Tokyo Cement will continue to invest in expansion plans to meet this impending demand growth. In fact, we have already commenced our second port expansion project by acquiring land on lease within the Colombo Port premises for Rs. 925 Mn. Out of this figure, we have already invested Rs. 378 Mn in the 2017-18 financial year.

In these premises we intend setting up a state-of-the-art bulk cement terminal at a cost of 1.3 Bn. The first stage will add 15,000 MTs of new storage, followed by another 10,000 MTs. This will allow us to store outputs from Trincomalee in Colombo, freeing up factory space and enabling more efficient distribution. It will also have significant positive impact on our cashflows by slashing our current cement import requirement in half, thereby generating large savings on foreign exchange.

While Tokyo Cement is committed towards national development, I would like to take this opportunity to call on the policy makers to adopt a more inclusive approach towards national policy formulation in future. This is particularly important as Sri Lanka does not have anti-dumping regulations and unbridled inflows of construction materials, such as cement, will damage not only local manufacturers but also hundreds of people dependent on domestic manufacturers for their livelihoods. Therefore, industry feedback on policies can help mitigate negative fallouts and also enhance the benefits.

APPRECIATIONS

I also take this opportunity to extend my appreciation to Mr. Hiroki Tsukigawa, from Nippon Coke and Engineering Company Ltd, who retired from the Board this year for his friendship and contribution over the years. My sincere gratitude goes out to the Nippon Coke and Engineering Company for their steadfast support of Tokyo Cement for the last 32 years, through the good times and bad. We could not have asked for a better business partner. I also welcome Mr. Susumo Ando, the Managing Director of UBE Singapore PTE Ltd, to our Board and I look forward to a long, strong, partnership with UBE as Tokyo Cement enters a new era of growth.

The current financial year has indeed been a challenging one, and I would like to thank the Chairman and the Board of Directors for their support. I thank our shareholders for their confidence in me and I am confident of generating better returns for them in the new financial year. As always, I fully appreciate the hard work by the Tokyo cement team and I thank them for their loyalty to the Company. A special thank you to our dealers and distributors that have come through a particularly challenging year and I applaud their resilience to weather this economic storm. I thank our customers for trusting that we will always provide them with the highest quality of building materials, and I can confidentially assure them of bigger and better things to look forward to, in the future from Tokyo Cement.

Sincerely

Mr. S R Gnanam
Managing Director

26th July 2018

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"OUR LEADERSHIP TEAM WITH THEIR WEALTH OF KNOWLEDGE AND YEARS OF HANDS-ON EXPERTISE, STEERS THE GROUP FORWARD ON OUR MASTER PLAN FOR GROWTH."

DR. HARSHA CABRAL P C

Chairman

Dr. Cabral is a President's Counsel in Sri Lanka with thirty years experience in the field of Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration. He has been a President's Counsel for twelve years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka. He holds a doctorate in Corporate Law from the University of Canberra, Australia. Dr. Cabral is a member of the Law Commission of Sri Lanka, a Council Member of the University of Colombo, University Grants Commission (UGC) Nominee on the Post Graduate Institute of Medicine (PGIM) & a member of the UGC Committee on Higher Education. As a member of the Advisory Commission on Company Law in Sri Lanka he has contributed heavily to the corporate sector and the legal fraternity and has been one of the architects of the Companies Act No. 7 of 2007, the current Act. He is the Course Director for the Diploma in Commercial Arbitration at the Institute for the Development of Commercial Law & Practice (ICLP) in Sri Lanka. He was sent by the Government of Sri Lanka to the Maldives to educate the official & unofficial bars on Commercial Arbitration. As a member of the Council of Legal Education in Sri Lanka, as a member the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a member of the Senate Aquinas University College, as a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to the legal academia. He serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC one of the largest Finance Companies in Sri Lanka. He serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power (Lanka) (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited & World Export Centre Limited and serves on several Audit Committees, Nomination Committees, Remuneration Committees and Integrated Risk Management Committees, chairing most of them. Dr. Cabral is a visiting lecturer at several Universities and is a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration here and abroad. In addition to his active practice in courts and lecturing, he has been counsel for either the Claimant or the Respondent in many a Arbitration and has served as Sole-Arbitrator, Co-Arbitrator, Chairman in a large number of Arbitrations domestic and international here and abroad.

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, St. Anthony's Hardware (Pvt) Limited and Capital City Holdings (Pvt) Limited. He also serves as the Managing Director of St. Anthony's Consolidated (Pvt) Limited, St. Anthony's Hydro Power (Pvt) Limited, Sofia Hospitality (Pvt) 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 Engineering in 1973. He has been on the Board since 1999. He is the Managing Director of St Anthony's Industries Group (Pvt) Ltd and St Anthony's Property Developers (Pvt) Ltd, Chairman Rhino Roofing Products Ltd and Director of many private companies. He is also a Director of Water Tec - India (Pte) Ltd.

He has experience in leading manufacturing organizations which are considered pioneers in the local industry and has personally been involved in conceptualizing, developing and bringing to the market many firsts for the industry.

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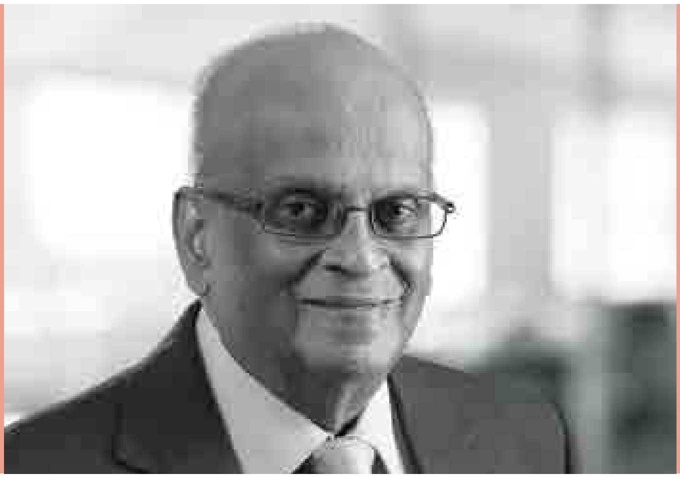

MR. E J GNANAM
Director

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 previous financial year was appointed to the Board of Lankem PLC, Darley Butler Ltd and the Distilleries Co,. of Sri Lanka PLC.

BOARD OF DIRECTORS

MR. A D B TALWATTE
Director

Mr. A D B Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants of the U.K. He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the ICASL and the University of Wageningen, Holland and has a MBA from the University of Sri Jayawardenapura, Sri Lanka. Mr. Talwatte has also participated in a Kellogg Executive Programme 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, including 10 years as Country Managing Partner. He has worked with Ernst & Young in Cleveland, Ohio and also served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and the ASEAN Leadership Committee.

Mr. Talwatte was President of the CA Sri Lanka for a two year period in 2002/2003 and the CIMA in 1995/96. He also 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 the ICASL.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012 and 2017 and the Listing Rules of 2008. He currently chairs the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka.

Mr. Talwatte serves as an Independent Non-Executive Director on boards of several listed companies.

MR. RAVI DIAS
Director

Mr. Dias was appointed as a Director in 2014. Mr. Dias 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. Dias 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 was a committee member of the Ceylon Chamber of Commerce and was a Council Member of the Employers Federation of Ceylon.

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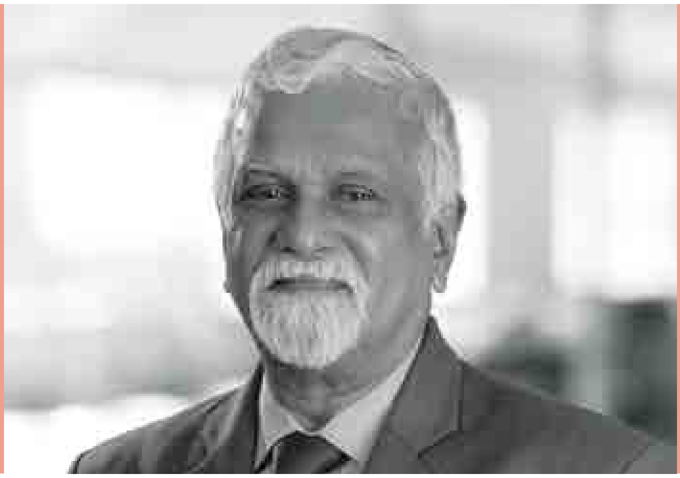
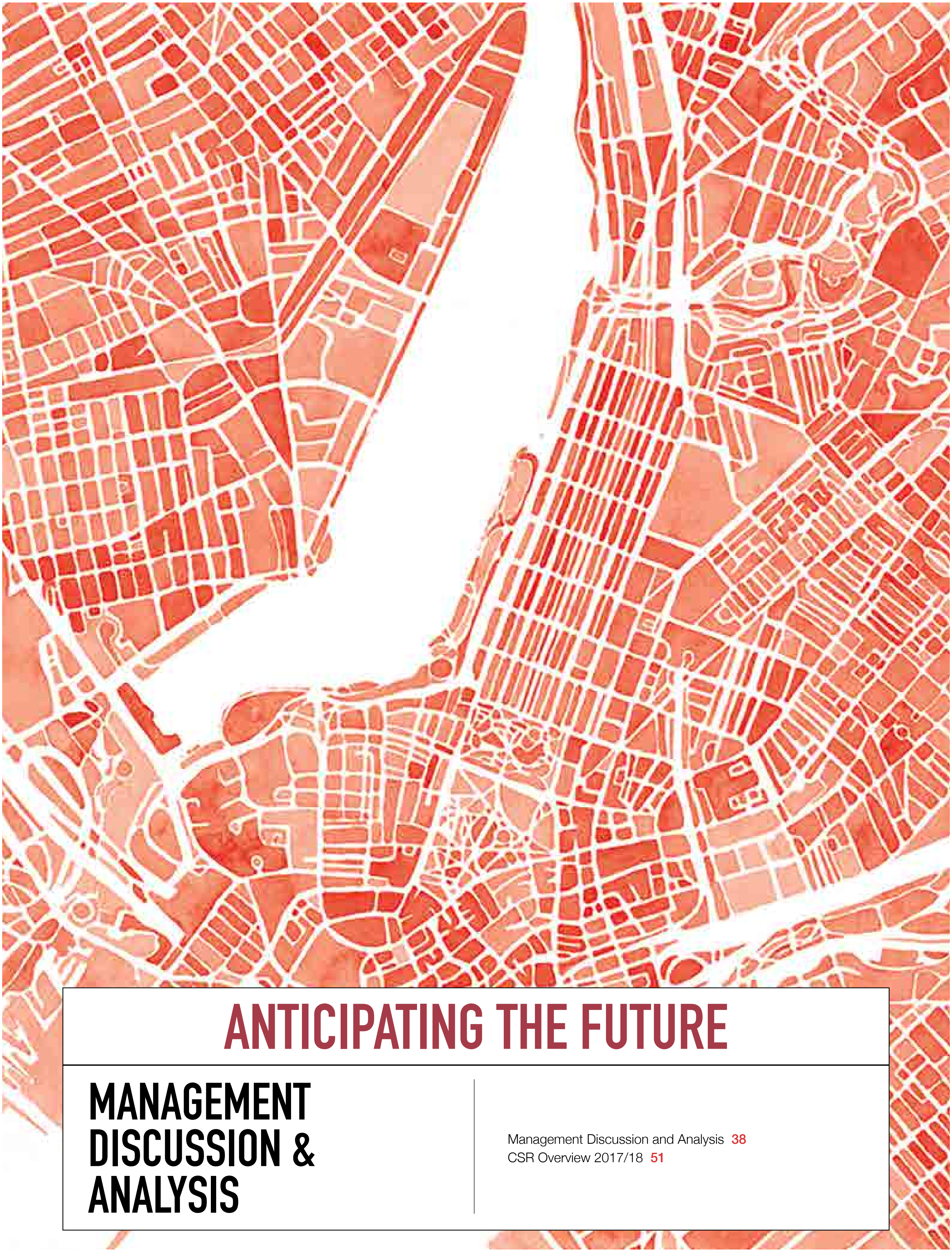


MR. W C FERNANDO
Executive Director

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, Tokyo Supermix (Private) Limited and Joint Managing Director of the Tokyo Super Aggregate (Pvt) Limited. He counts over twenty five years of experience across various industries. He has a B.A (Hons) Econ, B. Phil (Hons) Econ. and is a FCMA, FCA and an Attorney-At-Law.

MR. SUSUMO ANDO
Director

Mr. Susumo Ando, serves as the Managing Director of UBE Singapore PTE Limited, Company incorporated in Singapore. He is a Graduate in Bachelor of Commerce from Ritsumelkan University. He joined the UBE Group of Companies in the year 1997 and has served in the cement, construction material and ready mix departments.



ANTICIPATING THE FUTURE

MANAGEMENT DISCUSSION & ANALYSIS

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"WE LIVE BY OUR MISSION STATEMENT WHERE WE STRIVE TO 'SET THE STANDARDS THAT EXCEED EXPECTATIONS' IN EVERY ASPECT OF OUR BUSINESS."

"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."

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	TECHNOLOGY	HUMAN CAPITAL	SOCIAL CAPITAL	ENVIRONMENTAL RESPONSIBILITY
• Sound business ethics • Regulatory compliance • Internal controls and risk monitoring • Investing in quality standards • Sustainable business strategy	• Gradually shifting to an electronic, paperless system • Renewable energy • Develop new products • Cutting-edge testing and laboratory facilities • Automated manufacturing processes	• Technical knowledge transfer • Train distributors • Train employees • Provide career development opportunities • Vocational training programmes	• Build brand equity • CSR • Regular stakeholder engagement • Investment in national education programmes	• Minimize environmental impacts • Waste treatment • Recycle and reuse waste • Conservation projects • Renewable energy

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

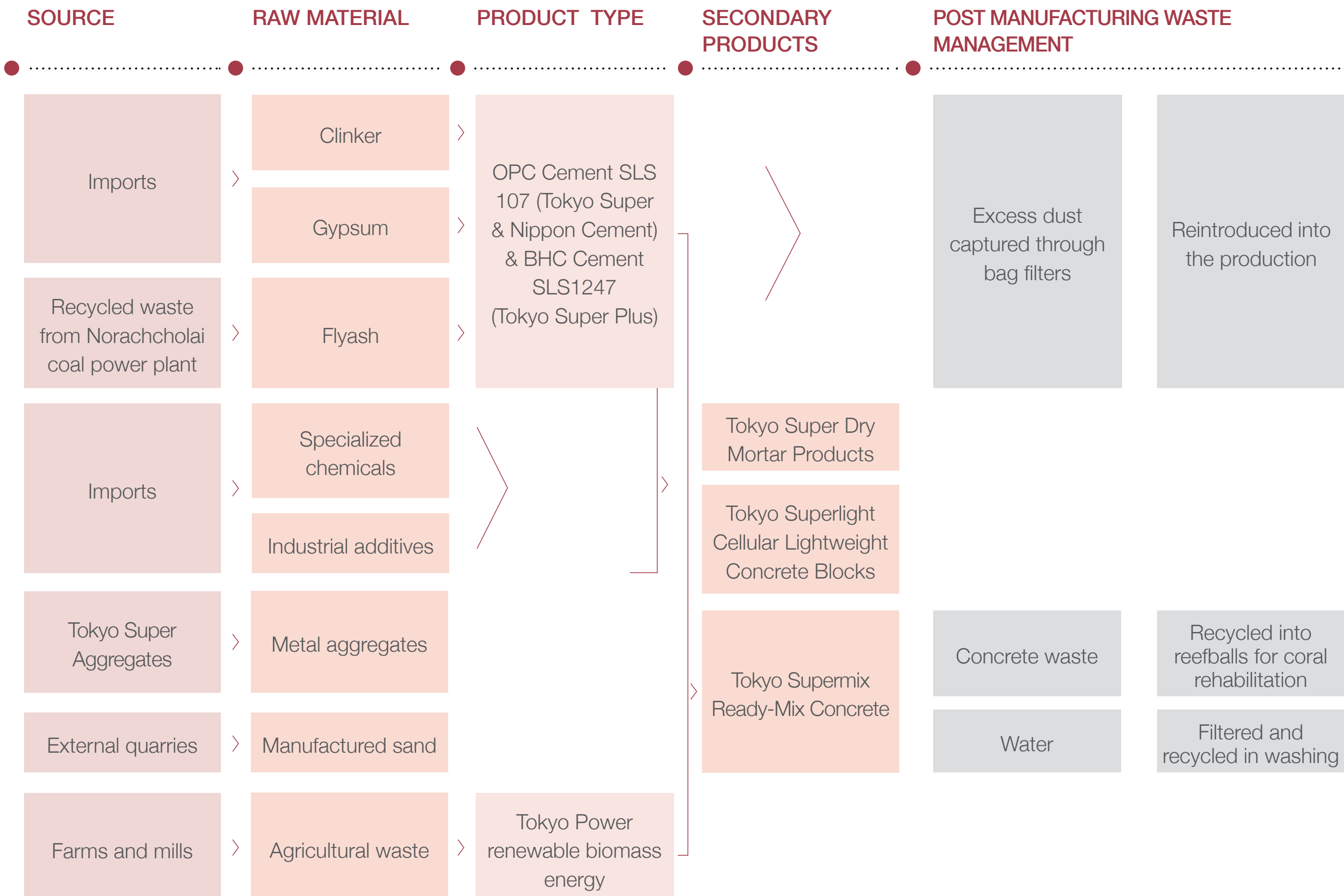
- Rehabilitation of coral reefs
- Regeneration of mangrove cover
- Renewable energy from biomass and dendro
- Waste treatment
- Promoting green building concepts

TOKYO CEMENT SUPPLY CHAIN

As part of the Tokyo Cement sustainable business model, we attempt to contain our carbon footprint through the application of 3R principles in our operations and at the consumer-end, by developing products that are more environmentally friendly and resource efficient. Our range of innovation products are designed to consume lower resources and reduce wastage in construction activities.

- All environmental licenses applicable to Group operations were renewed for the 2017-18 financial year.
- We are in the process of transforming into a paperless operation by shifting all administrative functions on to an electronic platform.
- We are increasingly automating our manufacturing processes to enhance resource consumption efficiency and reduce waste.
- With the addition of the 8MW capacity biomass power plant at Tokyo Eastern Cement Factory in Trincomalee in the current financial year, the Tokyo Cement Group became the single largest contributor of renewable biomass energy in Sri Lanka with a total installed capacity of 23MW of electricity.
- Under the Company's Community Trade sustainable fuel-wood tree planting program, over 4.4 Mn Gliricidia trees have been planted.
- We have continued to recycle concrete waste, water and sand at our factory.

"WITH THE ADDITION OF THE 8MW CAPACITY BIOMASS POWER PLANT AT TOKYO EASTERN CEMENT FACTORY IN TRINCOMALEE IN THE CURRENT FINANCIAL YEAR, THE TOKYO CEMENT GROUP BECAME THE SINGLE LARGEST CONTRIBUTOR OF RENEWABLE BIOMASS ENERGY IN SRI LANKA WITH A TOTAL INSTALLED CAPACITY OF 23MW OF ELECTRICITY."



ENGAGING WITH OUR STAKEHOLDERS

In the negative market scenario of depressed demand conditions and heightened competition experienced in the financial year under review, Tokyo Cement adopted a strategy of strengthening stakeholder relationships to consolidate brand positioning and enhance brand loyalty. The Group maintained a full calendar of stakeholder engagements and marketing activities targeting consumers, industry bodies, industry professionals and other key stakeholders to differentiate Tokyo Cement products, introduce new products and innovative products, and gain mindshare in an increasingly crowded cement market being saturated by imported cement brands. A second strategic priority addressed through external stakeholder engagements was the Group's market penetration strategy, which was crucial in the year, to defend market share and sustain the topline.

Tokyo Cement Employee Policy

Tokyo Cement is an equal opportunity employer and does not discriminate in employment opportunities or employee growth opportunities based on gender, race or religion. Formal recruitment, performance evaluation and reward systems are in place to ensure recruitment and growth opportunities based on merit. Further the Company invests annually on training and development opportunities for employees. In addition, the Company also provides competitive remuneration packages and employee benefits above and beyond statutory requirements. The Company adheres stringently to regulatory occupational health and safety standards in business operations. There have been no material issues pertaining to employees and industrial relations of the Company and the Group during the year.

Tokyo Cement Customer Policy

The Tokyo Cement customer policy is to provide consistently high quality, reliable products and services to all our diverse customer segments, wherever they may be located in the country. We strive to go beyond our customers' expectations in all we do and we invest in research and development of new products and improvements to existing products and services in line with customer needs. We strive at all times to address promptly and with care any customer concerns or grievances to the full satisfaction of our customers. We believe our customers are partners of our success.

Tokyo Cement Supplier Policy

Our suppliers are an essential component of our business and have direct influence on costs, prices, product quality and overall value creation of the Company. Therefore, the Tokyo Cement Supplier Policy is to build long term relationships with our suppliers based on mutual trust and reliability that creates a win-win situation for all parties.

Stakeholder Relationship Management in 2017-18

SHAREHOLDER ENGAGEMENTS

- The AGM for the 2016-17 financial year was held in July 2017 at the Institute of Chartered Accountants of Sri Lanka
- In addition, an EGM was convened in May 2017 to obtain shareholder approval for a capitalisation of reserves
- Interim financial statements for the current financial year have been published and released to the Colombo Stock Exchange on time
- Copies of the Annual Report was sent to all shareholders
- Shareholders have been informed of dividend and other announcements

ENGAGEMENTS WITH DEALERS & DISTRIBUTORS

- The Tokyo Cement Annual Dealer Convention was held in March 2018 and top performers were recognised with attractive rewards
- Meetings and communications were emphasised to strengthen relationships
- Incentives and rewards were continued to motivate performance and build brand loyalty
- Conducted educational seminars to raise awareness about the correct use of new Tokyo Cement products

ENGAGEMENTS WITH INDUSTRY BODIES AND INDUSTRY PROFESSIONALS

- Tokyo Supermix hosted an exclusive knowledge sharing seminar for industry leaders with Japanese experts from UBE Singapore PTE Ltd.
- Conducted educational seminars for masons, technical officers, engineers and contractors to raise awareness about the correct use of new Tokyo Cement products
- Engaged with trade chambers and other industry bodies through sponsorships of construction industry related events, participation in trade fairs, exhibitions and participation in business delegations.
  - May 2017: Build SL exhibition by the Chamber of Construction Industries
  - June 2017: Construction Expo by the Ceylon Institute of Builders
  - August 2017: Construct 2017 by the National Construction Association of Sri Lanka
  - January 2018: Jaffna International Trade Fair by the Chamber of Commerce and Industries of Yarlpanam
  - February 2018: Architects Exhibition by the Sri Lanka Institute of Architects
- The Company continued to retain membership in strategic industry bodies
  - The Ceylon Chamber of Commerce
  - The Chamber of Construction Industries
  - Ceylon Institute of Builders
  - Green Building Council of Sri Lanka

SUPPLIERS OF RAW MATERIALS

- Negotiations were aimed at containing pricing and delivery costs in an environment of rising costs due to rupee depreciation and increasing fuel prices.

EMPLOYEES

- An open door policy is implemented to address employee concerns and grievances
- Reporting and oversight mechanisms were maintained to engage all grades of employees with Company objectives.
- Skills of senior employees' were upgraded through training at UBE factories in Japan
- All statutory employee payments and additional welfare activities were observed
- Occupational health and safety standards were maintained

RESEARCH AND EDUCATIONAL INSTITUTIONS

- Sponsored the undergraduate Research Symposium of the Department of Civil and Environmental Engineering, University of Ruhuna
- Sponsored the undergraduate Research Symposium of the Department of Civil Engineering, University of Peradeniya

CUSTOMERS

- Customer access to our products was improved by increasing distribution and retail locations
- Increased direct customer contact through trade fairs and exhibitions

COMMUNITY

- Many community welfare and environmental projects were continued during the year. Please refer the sustainability report for details.

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Annual dealer convention

Introducing Tokyo Super+ blended hydraulic cement at trade fairs and exhibitions

Sponsorship of undergraduate research symposium - University of Ruhuna

OPERATIONS REVIEW

MARKETING AND DISTRIBUTION

Effective marketing and distribution initiatives were a strategic priority for Tokyo Cement during the year under review to address heightened threats in the domestic cement market. The continuing inflow of imported cement in a declining demand environment, made the cement market extremely competitive in the current financial year. Therefore, the Company continued to maintain brand visibility and market presence to support the Company's market strategy, utilising a wide range of marketing tools, above and below the line promotional activities ranging from mass media advertising, to continuous engagements with key industry stakeholders through specialised industry events, to island wide signage in prominent locations. The premium Nippon brand was differentiated as high quality and reliable, through targeted campaigns, together with Tokyo Super (Ordinary Portland Cement), the launch of Tokyo Super + (Blended Hydraulic Cement) and our range of value added cement based products.

In parallel with the marketing drive, the Company's distribution strategy was strengthened to defend market share and expand market presence deeper into the country. Links with the dealer network was enhanced through contracts, incentives and recognition of high performance, to build brand loyalty and to ensure availability of Tokyo Cement products in all parts of the country. Technical skills were imparted to dealers through Sales Engineers, to build end-consumer credibility and reliance on Tokyo Cement products.

Industry engagements were maintained to differentiate Tokyo Cement products from competition and to introduce new products to key decision makers of construction projects. These included interactions with academic institutions, such as sponsoring research events at the Universities of Ruhuna and Peradeniya, to support the advancement of knowledge and promote innovative thinking in the industry.

"EFFECTIVE MARKETING AND DISTRIBUTION INITIATIVES WERE A STRATEGIC PRIORITY FOR TOKYO CEMENT DURING THE YEAR UNDER REVIEW TO ADDRESS HEIGHTENED THREATS IN THE DOMESTIC CEMENT MARKET. THE CONTINUING INFLOW OF IMPORTED CEMENT IN A DECLINING DEMAND ENVIRONMENT, MADE THE CEMENT MARKET EXTREMELY COMPETITIVE IN THE CURRENT FINANCIAL YEAR."

Tokyo Supermix Knowledge Sharing Seminar

A key event was the knowledge sharing seminar hosted for industry leaders by Tokyo Supermix at the Anantara Resort, Kalutara, with resource personnel from UBE Industries, Japan.

The seminar exposed local industry decision makers and influencers to new building technology trends from Japan and the use of cement based value-added products. Three Japanese civil engineering experts, Dr. Keisuke Takahashi, Eng. Tomoaki Ito and Dr. Hirokatsu Mori from UBE Industries, Japan, conducted the sessions. Participants included senior decision makers, engineering consultants and project managers from both the public and private sector.

Trade Fairs and Exhibitions

The Company participated in all major construction industry related trade fairs and exhibitions, including the Jaffna International Trade Fair organized in association with the Chamber of Commerce and Industries of Yarlpanam, which is the largest trade fair in the Northern Province, the Annual Architects Exhibition, which is the country's largest housing related event, the Construct Exhibition organized by the National Construction Association of Sri Lanka, Build SL exhibition, organized by the Chamber of Construction Industries Sri Lanka and the

Tokyo Supermix knowledge sharing seminar

Construction Expo organized by the Ceylon Institute of Builders. These events were used as a platform to regularly raise consumer awareness regarding quality, convenience and environmentally friendly aspects of Tokyo Cement products. Overall, the marketing strategy was aligned with the mission of driving innovation and pursuing sustainable growth, in terms of promoting more environmentally sustainable products.

Please refer Stakeholder Engagements for the Company's Calendar of marketing activities during the year. These investments in market development have consolidated the Tokyo Cement brand presence in the country, positioning the Company to benefit from demand revival, which can be expected over the short term.

The Tokyo Cement social marketing strategy that aims to build brand relationships through social welfare and environmental conservation programs, was continued during the year. However, the extremely successful Tokyo Cement All Island School Quiz was put on hold during the year pending further improvements. Please refer the Sustainability Report for more information on Tokyo Cement's social engagements.

New Product Launches

Nippon Cement Pro

This new cement brand has been specially designed to meet the stringent functional and quality requirements of high-rise buildings. Launched in 2017, Nippon Cement Pro responds to the growing market demand by large scale developers for a specialized cement to build Sri Lanka's next generation of sky scrapers. The product conforms to international quality standards and is backed by the reliability and consistency of the Tokyo Cement service standards to ensure timely constructions within stipulated budgetary limits.

Tokyo Super+

Tokyo Super+ has the double distinction of being a blended hydraulic cement that withstands wet conditions, while being the 'greenest' cement in Sri Lanka to-date, with the Green Mark accreditation from the Ceylon Institute of Builders (CIOB). This latest, improved product, replaces the Tokyo Super Portland Pozzolana Cement brand, which was the Company's first green cement.

The product's chemical composition is specially formulated to suit constructions in marshy conditions and on land prone to flood conditions, reduces cracking in walls and will also protect the reinforcement steel structures of the building, ensuring a longer life span for buildings, compared to traditional cements.

More significantly, Tokyo Super+ is manufactured to have the lowest carbon footprint among all cement brands manufactured in Sri Lanka, making it better for buildings over the long term, but also less taxing on the environment.

In recognition of its environmental friendly manufacturing aspects, the CIOB awarded the Gold standard for Tokyo Super+ at the CIOB Green Mark Awards.

The CIOB Green Mark provides a meaningful differentiation of buildings in the real estate market. It is a benchmarking scheme which incorporates internationally recognized best practices in environmental design and performance by facilitating reduced water and energy consumption, lower environmental impacts and improving indoor environmental quality for a healthy and productive workplace.

Going forward, long term relationships with key industry stakeholders will remain a priority as Tokyo Cement continues to upgrade its product portfolio through efficiency improvements and innovative new products. The Company has already lined up brand presence at industry events for the new financial year including the Annual Sessions of the Society of Structural Engineers of Sri Lanka.

Nippon Cement Pro - Bulk Carrier

Presenting of CIOB Green Award (Gold) for Tokyo Super+ brand

INNOVATIVE DRY-MORTAR PRODUCTS

Despite the depressed market conditions of the year under review, the demand for Tokyo Cement value added products continued to demonstrate strong growth, clearly indicating the growing acceptance and trust by the general public and industry specialists, in these products. The Company's expansion strategy has been justified by not only continued market share growth, but also potential growth in the acceptance of dry mortar products in these segments, over the coming years. Supported by ongoing marketing and awareness campaigns, site demonstrations, participation in trade fairs, training workshops, and other market development activities to familiarize industry stakeholders and households regarding the cost and quality advantages of these products, we've seen a considerable shift in acceptance of these alternative building technologies. Supporting this vision, manufacturing capacity of these products has been increased significantly with the Tokyo Eastern Cement Company commencing commercial operations in the current financial year and total production output of the innovative product range has been increased by 30% year-on-year, to cater to the growing demand.

The Tokyo Cement innovation products are specialized, value-added, dry mortar products that are used in a range of construction related applications. During the year, the Company continuously improved the formulas of existing products under the innovation product range and also added two new products to the existing lineup.

Tokyo Supercast – White Plaster Master

TOKYO SUPERCAST
WHITE PLASTER MASTER

This new wall plastering formula comes with numerous advantages including higher efficiency, reduced labour requirement, elimination of entire wasteful processes and ultimately lower costs. This revolutionary product requires only one coat of application, removes the requirement of waiting for the plaster to set for a week and completely does away with the requirement of a traditional application of a skim coat for interior walls before painting. These features contribute towards significant cost savings, reduction in labour requirement, and considerable time savings for efficiency gains in construction projects.

Tokyo Superbond – Premium Tile Adhesive

TOKYO SUPERBOND
PREMIUM TILE ADHESIVE

There is an emerging trend towards larger format floor and wall tiles, particularly for hospitality and high-rise projects. Identifying this fast-increasing requirement, our R&D department developed a specialized tile adhesive for larger tiles that can reach sizes of 10ftx3ft to cater to this market gap.

"DESPITE THE DEPRESSED MARKET CONDITIONS OF THE YEAR UNDER REVIEW, DEMAND FOR TOKYO CEMENT VALUE ADDED PRODUCTS CONTINUED TO DEMONSTRATE STRONG GROWTH, CLEARLY INDICATING THE GROWING ACCEPTANCE AND TRUST IN THESE PRODUCTS."

In the new financial year, we will continue to monitor international and regional advancements in construction related products and technologies and adopt these new trends to the construction and architectural needs in Sri Lanka.

LABORATORY FACILITIES

The Tokyo Cement vision for the future is to drive sustainable construction industry growth based on innovation and value addition and holds that world class testing facilities are essential to drive product innovation and product development. In this regard the Company has continually invested in new manufacturing technologies, R&D and laboratory facilities to test new formulas and new ideas suitable for Sri Lankan climatic conditions.

The Tokyo Cement laboratories play a key role in the Company's value creation process by providing specialized technical support to develop and test formulae for new products, to improve the formulae of existing products and to develop specialized prescriptions for niche applications. The laboratories also provide support services for the Company's ready mixed concrete operation by developing customized concrete mixes for different types of building projects. In addition, the Tokyo Cement laboratories contribute to industry development by conducting seminars for industry officials regarding concrete mixtures, properties and applications for stronger and safer buildings.

Construction Research Centre

During the current financial year the Company's accredited laboratory previously situated at the Deshamanya A Y S Gnanam Training Institute in Dambulla was shifted to Colombo, and renamed the Tokyo Cement Construction Research Centre. At its new location in Colombo the facility is strategically located to service a diverse range of clients faster and more efficiently.

The laboratory has also been upgraded with the latest equipment and has renewed its ISO 17025 accreditation by the Sri Lanka Accreditation Board. The laboratory will be further upgraded with new technology inputs through technical knowledge transfer from UBE Industries, Japan, the Tokyo Cement Japanese Business partners and will be fully operational in the new financial year to provide laboratory services for the industry as an independent laboratory services provider.

Tokyo Cement Technical Centre in Trincomalee

The quality control and quality assurance laboratory in Trincomalee is in the process of being transformed into a full blown Technical Centre to cater to the Group's growth requirements and industry laboratory needs.

The new Technical Centre building, when fully completed, will house the central operations of a fully automated production system, controlling all cement manufacturing mills. The automation will ensure

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Testing in progress at the laboratory

precision of formulae and timing that surpasses manual operations, ensuring overall higher quality and consistency of outputs. It will enhance overall productivity of the total cement manufacturing operation while also facilitating efficiency gains and cost savings. The Company is in collaboration with UBE Industries, Japan in constructing the new automated facility, which will incorporate the latest Japanese technical advances in cement manufacturing.

INFORMATION & COMMUNICATION TECHNOLOGY (ICT) UPGRADES

Tokyo Cement is in the process of shifting its operating model from a traditional manual system to a modern ICT platform. By the end of the financial year under review the Company reached a significant landmark in this transition by automating most of its manufacturing operations, moving administrative functions onto digital systems and moving ahead with plans to network and integrate the entire Group.

By the end of the current financial year the number of system user licenses issued within the Company, which reflects the number of personnel shifting from manual processes to ICT use, has more than doubled against the previous year, indicating this rapid transition from the paper based business model to a paperless model.

Taking a large leap forward, during the current financial year the primary financial modules of the ERP system were fully operationalized, which has successfully transferred all financial administration functions onto digital networks. The new system enables real time capturing of production, sales and market data, which has contributed directly towards improving business and operational governance aspects, risk management and risk response capabilities, and faster management decision making. The ERP will reduce human error by automatically updating inventory, considering real time updates in raw material consumption and cost fluctuations in line with forex rates.

As a component of the Company's 'paperless office' vision, the Company also implemented an automated Human Resource management module. The system is interlinked with biometric scanners to record working hours to enable central administration of essential aspects of the growing workforce, including direct account transfer of salaries and wages.

"CURRENTLY THE PRODUCTION OF CEMENT BAGS, MANUFACTURING OF BULK CEMENT AND MANUFACTURE OF READY MIXED CONCRETE HAVE BEEN SHIFTED TO DIGITAL PLATFORMS. AS AT END OF THE CURRENT FINANCIAL YEAR, ALL FACTORY OPERATIONS HAVE BEEN ALMOST ENTIRELY AUTOMATED, SIGNIFICANTLY REDUCING MANUAL INVOLVEMENTS AND MANUAL ERROR."

Automating Manufacturing

At the production end of the business model, the automation process has continued to integrate machinery and administration functions on the manufacturing floor. Currently the production of cement bags, manufacturing of bulk cement and manufacturing of ready mixed concrete have been shifted to digital platforms. As at end of the current financial year, all factory operations have been almost entirely automated, significantly reducing manual involvements and manual error.

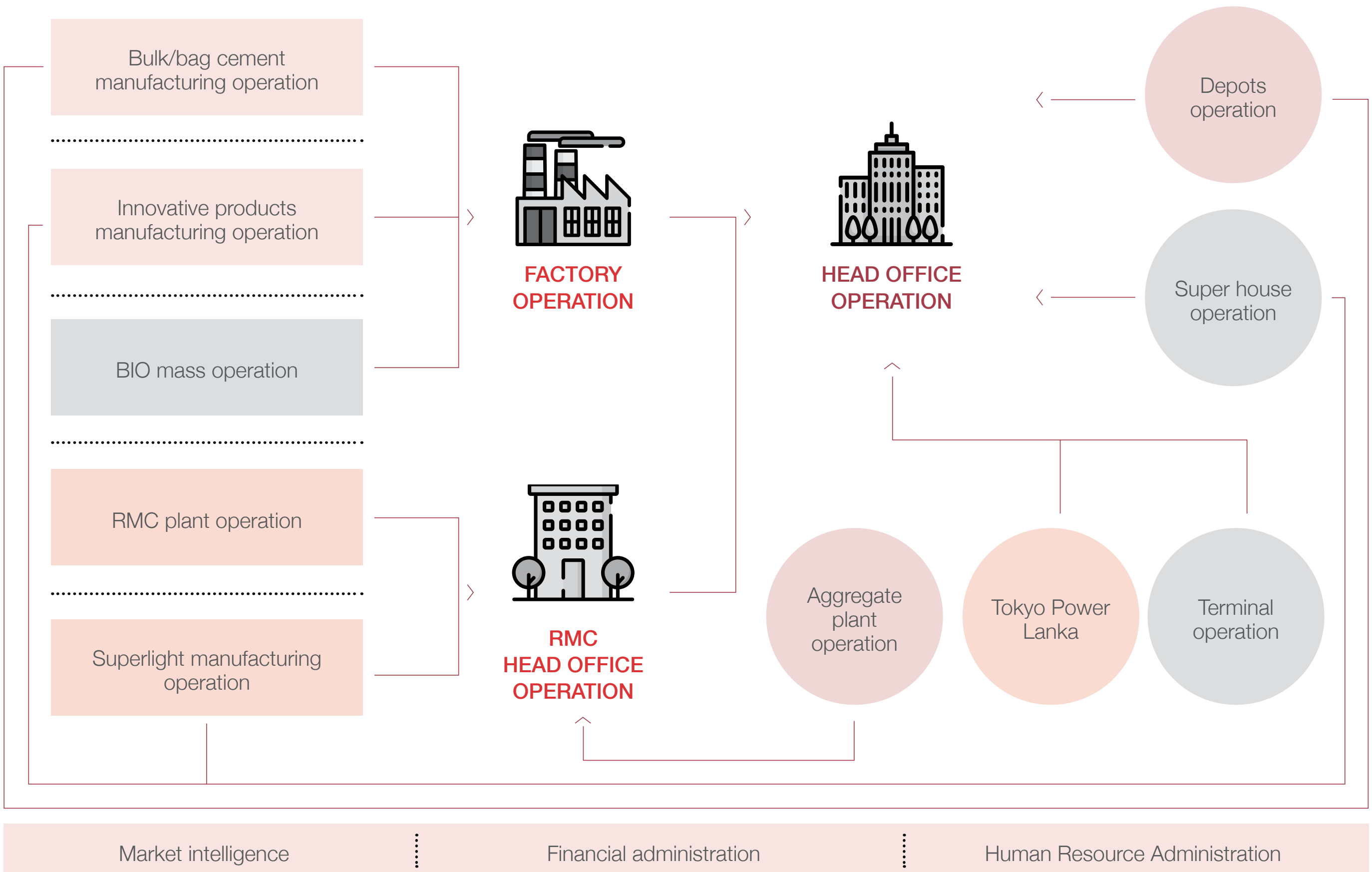
System Security

The Board and management are cognizant of the emerging risk elements inherent to digital technologies, including potential cyber threats and have taken all available precautions against such eventualities.

New policies have been formulated and approved, to enhance security of company hardware, software and liveware to safeguard against virus, hacking, sabotage, unauthorized leakage of company data and misuse of company data. Internal security systems, including personnel authorization systems, are being upgraded to prevent possible information loss and system damage.

In the new financial year, Tokyo Cement looks forward to becoming a fully paperless organization by transitioning all remaining manual and disconnected operations onto digital platforms and by integrating all core processes of the Group. The Company will also commence upgrading the ERP system onto a new, more advanced platform, further enhancing administrative and operational control.

Tokyo Cement Digitization Model



HUMAN RESOURCE DEVELOPMENT

Our employees are a key corporate asset and a competitive advantage and as such, the Company continued to invest in their training, development and welfare.

During the current financial year, the employee base expanded by 162 new recruits in line with operational expansion and capacity growth. As at end March 2018 the total workforce stood at 1,300 from 1,138 at the close of the previous financial year.

Employee Benefits and Health and Safety

Tokyo Cement complies with all health and safety regulations and has also adopted international best practices on workplace safety to create a safe work environment for all employees. In addition, employees are exposed a safety related training regularly to inculcate safety standards into the to organisation culture.

The Company provides a range of employee welfare facilities and benefits that goes above and beyond statutory requirements. Our employee welfare system includes hospitalisation insurance cover for employees with 10 years or more years and accommodation for all senior and junior staff wherever 24 hour operations are conducted.

"DURING THE CURRENT FINANCIAL YEAR, THE EMPLOYEE BASE EXPANDED BY 162 NEW RECRUITS IN LINE WITH OPERATIONAL EXPANSION AND CAPACITY GROWTH. AS AT END MARCH 2018 THE TOTAL WORKFORCE STOOD AT 1,300 FROM 1,138 AT THE CLOSE OF THE PREVIOUS FINANCIAL YEAR."

We reward and appreciate the contributions of our employees through service awards that are presented to employees for every five years of service to the Company. Other, regular benefits provided by the Company include a death donation scheme in the event of the passing of a family member, an annual Christmas celebration and gifts for children of employees.

Employee Grievance Management

Tokyo Cement has implemented an open door grievance management system to address concerns of any employee. The system ensures employee confidentiality coupled with fair treatment of all employees regardless of age, sex, religion or ethnicity. The management can be reached by any employee, which promotes a culture of transparency and facilitates communications between management and employees

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at all times. The effectiveness of the employee engagement system is demonstrated by the Company's low staff turnover and high retention rates.

Employee Training and Development

During the year under review Tokyo Cement staff were exposed to many training programmes aimed at manufacturing efficiency and market competitiveness.

As part of the overall production improvement process, the technical staff were exposed to Japanese manufacturing methodologies and systems through visits to Japan every quarter. These training sessions have contributed positively towards successfully adapting Japanese systems to Sri Lankan conditions. Factory staff were also exposed to International Ship and Port Facility Security Code (ISPS Code) training which is a comprehensive set of measures to enhance the security of ships and port facilities and were also subjected to first aid training and fire drills as part of workplace health and safety standards.

Meanwhile, the sales teams were sent on outbound training programs to rejuvenate their competitive spirit and build team cooperation.

The Company believes that enhancing the skills and talents of employees contribute towards a happy and motivated team. Therefore, Tokyo Cement will continue to invest in its human resource base in the new financial year as a key component of its growth drive.

Engineers training at UBE Industries, Japan

First aid training for employees

TOKYO CEMENT QUALITY STANDARDS

Products that adhere to international quality standards, is the primary differentiator of the Tokyo Cement brand in an increasingly crowded market place as value addition fast becomes the key strategic focus area for the Company. The Company has successfully implemented leading international manufacturing standards at its production facilities including ISO and SLS standards and environmental friendly manufacturing standards to deliver products of international quality to domestic consumers. Every year, Tokyo Cement strives to improve its existing quality systems to provide customers with reliable and trustworthy products by adapting international best practices, innovations and new technologies.

A testament to our commitment to quality includes having the only ISO 17025 accredited laboratory in the country for cement and concrete testing, mobile laboratories for testing concrete at construction sites and a continuous investment into new research facilities.

During the current financial year, the Company renewed all its quality accreditations including all relevant environmental licenses for manufacturing facilities,issued by regulatory bodies. The Company did not face any penalties or legal action for non-compliance or delays in compliance with any environmental regulations during the year.

In addition, capacity growth at Tokyo Cement manufacturing facilities have been backed by automations and new equipment that contribute towards increased precision of formulae and consistency of final products. These include the installing a thermogravimetry machine, an adiabatic calorimeter and other modern equipment to monitor and control the manufacturing environment, to ensure optimum quality of output.

ISO 9001: 2015

- Tokyo Cement factory in Trincomalee
- 11 ready-mix concrete plants
- Tokyo Super Aggregates (Pvt) Ltd is pending ISO certification

ISO 14001: 2015

- Tokyo Cement factory in Trincomalee
- Tokyo Super Aggregates (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

CENTRAL ENVIRONMENTAL AUTHORITY LICENSES

- Tokyo Cement factory in Trincomalee
- All 11 ready-mix concrete plants
- Tokyo Super Aggregates (Pvt) Ltd

GREEN MARK (SINGAPORE) IN 2017

(For environmental friendly manufacturing)

- Tokyo Super+ Blended hydraulic cement

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"MANY OF OUR SOCIAL AND ENVIRONMENTAL INITIATIVES STEM FROM THE DESIRE TO IMPROVE OURSELVES AS A SUSTAINABLE BUSINESS ENTITY AND AS AN EXEMPLARY CORPORATE CITIZEN."

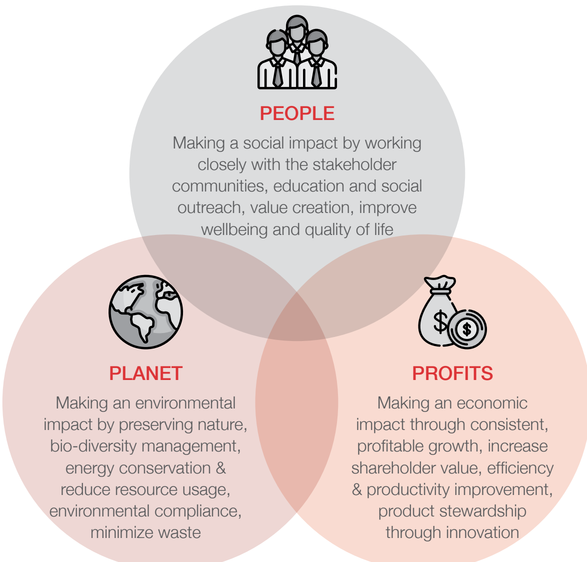
INTRODUCTION

Tokyo Cement Company aligns its activities to create greater shareholder value based on the Triple Bottom Line framework. The framework shown below, describes the areas of performance which has an impact on our Profits, People and the Planet.

TRIPLE BOTTOM LINE

People - Planet - Profits

Tokyo Cement Company aligns its activities to create greater shareholder value based on the Triple Bottom Line framework. The framework shown below, describes the areas of performance which has an impact our Profits, People and the Planet.



The previous section of the Annual Report for the financial year 2017/2018 discusses the efficient business practices we have adopted to achieve Profits or make economic impact under this framework of evaluation. This section outlines Corporate Social Responsibility programs the company carries out to make an impact on the People and Planet components as described in the model.

While these programs help us fulfil our socio-environmental responsibility, they also contribute to differentiate our core business activities. For these programs, we either work with or touch the lives of diverse stakeholder groups that make up our community of People who collectively help us create a bigger sum total impact.

A RIPPLE THAT STARTS WITHIN...

Many of our social and environmental initiatives stem from the desire to improve ourselves as a sustainable business entity and as an exemplary corporate citizen. We have initiated many industry firsts and successfully demonstrated that it is within every corporate citizen's control to achieve profitable growth and earn shareholder confidence, whilst setting environmentally sustainable goals and social consciousness a key business priority.

This ethos is reflected in our business strategy, prompting us to expand the utility of our products to improve efficiency and cost effectiveness, and reduce waste in construction. With our products and services, we help to do more with less in order to support our industry overcome its biggest challenges. Similarly, we strive to ensure our actions on social responsibility reflect efficient management of the resources in our immediate environment. This ensures that the work we get involved in is broadly aligned with our business.

Some of our keystone projects have helped the company gain an unmatchable competitive advantage to help strengthen our market position. For example, our commitment to generate our own Renewable Energy has enabled us to meet aspirational growth targets whilst converting existing costs into profit centres. And our waste water recycling program has saved millions of rupees for the company, while consciously preserving the most valuable resource on earth.

Our environmental initiatives stem from the need to conserve and be mindful of how we engage with our immediate surrounding as a responsible citizen. The programmes we have pioneered are closer to our hearts as well as our being as they represent a part of the environment linked closely to the business.

ENVIRONMENTAL IMPACT

Our work in the area of Environmental Conservation sees us channelling resources through a few selected programs focused on;

a) Preserving endangered ecosystems
b) Minimize the impact of climate change

Mangroves Reforestation

Tokyo Cement Mangrove conservation project successfully concluded yet another year, planting 8,000 new saplings of 7 types of native mangrove species, in the coasts of Trincomalee with the assistance of the Sri Lanka Navy. Since its inception in 2012, the project has so far planted over 40,000 saplings raised at our very own plant nursery within the Trincomalee factory premises. The 15,000 saplings planted five years ago in a 20-acre swath of lost mangrove habitat at Cod Bay, has now grown in to a vibrant mangrove population.

View from a location in Cod Bay in 2011 before building the Tokyo Eastern Cement Plant

View from the same location, of a flourishing Mangrove forest in 2018 with the new plant in background

Mangrove ecosystems are the focus of much observation and study, given their critical role as the foundation of land formation as well as a natural barrier against sea erosion. Millions of species thrive in this unique habitat, that is a nesting ground for young fish, invertebrates and birds, as well as home to various types of reptiles, amphibians, and mammals. Coastal communities depend on mangrove environments for commercial activities including fisheries and tourism. However, they are also one of the most seriously endangered ecosystems due to coastal development activities. Sustainable management of this complex biodiversity hotspot is of paramount importance in order to mitigate the impact of climate change on all living beings on earth.

Tokyo Cement initiated the project in and around our home base in Trincomalee in collaboration with the Sri Lanka Navy and the fishing communities. We undertook to scientifically restore the mangrove habitat in the Trincomalee Bay area, with a diverse collection of plants that have now become a vital asset of our surrounding. Today, this area is a living specimen of how humans, and more importantly a conscientious corporate citizen can make a significant impact on its environment and provides students and researchers an accessible study location of mangrove ecosystems.

Protect and Replenish Our Natural Forest Cover

Years ago, we made a promise to do everything in our power to change our country ‘from the concrete jungle to a greener world’. And in keeping up with this promise, we set forth on a journey made up of many small steps, that take us and our future generations towards a greener, healthier, and sustainable tomorrow.

Marking an important milestone in this journey, in 2017 we partnered with the Forest Department of Sri Lanka, to set up two forest nurseries; one at our Trincomalee Factory and another at the Mahiyangana power plant premises. Under this project, each nursery will produce 10,000 native forest tree plants per year, to be planted island wide as part of the Forest Department’s National Reforestation Programs.

Forest Plant Nursery at Mahiyangana

Urban Forestry Program by the Forest Department

The project aims to conserve valuable indigenous trees with medicinal properties such as, Karanda, Mee, Ingini etc. both as to replenish our natural forest cover while educating future generations of our rich biodiversity. The grown plants will also be used in Urban Forestry Programs carried out by provincial governments to create healthy living environments in cities for urban dwellers.

In addition to establishing the forestry nursery, we also undertook an environmental awareness campaign targeting the general public. This initiative was carried out in the form of a signage campaign along the scenic, green-canopied ‘Koskale’ and ‘Badagamuwa’ areas along the densely travelled Kurunegala-Dambulla main road.

The signs display slogans and messages about simple acts of conservation and everyday habits to be mindful of when engaging with nature in order to remind people about the importance of protecting nature.

Coral Reef Rehabilitation

In 2012, Tokyo Cement together with a group of likeminded partners started deploying reef balls; hollow structures made using recycled concrete waste from our Ready-mixed Concrete plants, as substrate for marine life and new corals to grow along the Eastern coastline. From 2017 the project focused on scientific research to support the conservation efforts.

As part of the initiative our project partner Wildlife Research and Conservation Trust (WRCT) set up a coral nursery in Cod Bay, China Bay, where nurseries of coral nubbins of different types are planted and nurtured under supervised conditions, until they are planted on the existing reef layer or on reef balls.

As the project evolved with deeper involvement of Tokyo Cement Group, our project partner Blue Resources Trust (BRT) started conducting long-term monitoring studies of the Kayankerni Reef in Passikudah, with support from the Sri Lanka Navy Eastern Command. This included monitoring the growth rate of corals planted on the reef balls, to identify fast-growing varieties and the resilience of other species to adapt to different environmental conditions.

In 2017, through a series of lectures and practical sessions, Navy divers were introduced to globally standardised underwater survey methods to document fish, coral, and invertebrate population. The focus therein was on reef ecology and current threats to coral reefs, while also providing a general overview on marine conservation.

A select team of the Navy divers were trained on reef ball planting and coral nursery establishment and maintenance. These Navy divers are now given opportunity to test reef ball planting on their own, in coastal navy camps in Jaffna, Trincomalee, Galle and Kalpitiya with collaborative support from Tokyo Cement program partners. We continue to supply reef balls for these conservation efforts by the Navy to broad base the project.

Navy Divers trained to deploy reef balls

Corals planted on reef ball

Underwater Coral Nursery

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"AS A COMPANY, WE ARE ACUTELY AWARE OF OUR RESOURCE FOOTPRINT AND MAKE EVERY EFFORT TO CONSERVE THE NATURAL RESOURCES OUR BEAUTIFUL COUNTRY IS BLESSED WITH. ONE SUCH KEY PROGRESSIVE STEP WE HAVE TAKEN IN THIS AREA IS THE IMPLEMENTATION OF A WASTE WATER RECYCLING PROGRAMME AT OUR READY-MIXED CONCRETE PLANTS, DEVELOPED BY ONE OF OUR OWN PLANT MANAGERS."

Coastal and Marine Clean-up

Sponsoring an initiative by Marine Environment Protection Agency (MEPA), Tokyo Cement Company took on the leading role in Trincomalee, for the National Coastal and Marine Resource Conservation Week Program in 2017.

Together with Tokyo Cement factory staff, hundreds of volunteers including school children and residents, military personnel representing the Tri-Forces and officials from government institutions participated in the weeklong program. The volunteers were able to collect over twenty truckloads of garbage and other pollutants from beaches where the campaign was rolled out. Parallel to the program Tokyo Cement also sponsored an underwater reef clean-up event with volunteer divers in the Trincomalee seas.

Tokyo Cement factory staff engaged in the beach clean-up program in Trincomalee

Waste Water Recycling Programme

As a company, we are acutely aware of our resource footprint and make every effort to conserve the natural resources our beautiful country is blessed with. One such key progressive step we have taken in this area is the implementation of a Waste Water Recycling Programme at Tokyo Supermix Ready-Mixed Concrete plants, developed by one of our own plant managers who studied the problem and came up with a practical solution. This waste water recycling programme, part of a comprehensive Production Waste Management Plan, is currently deployed at four plants in Trincomalee, Kandy, Meethotamulla & Peliyagoda, with plans to roll out across all RMC plants around the island.

On average a concrete batching plant consumes over 30,000 litres of water on a daily basis, for aggregate wetting, concrete mixing and to wash the inbuilt tanks of transportation truck mixers after unloading. This amounts to a total of 66 Million litres of water a year, based on average consumption patterns across 11 plants around 200 working days of the year. At least 20% of this fresh water consumed in the process automatically becomes waste water.

Having identified this as a key area the needs improvement in our internal resource usage, we implemented the widely used 'soakage pit method' to recycle water. With the deployment of this inhouse-developed waste water management system we were able to reuse 90% of the water, which is approximately 12 Million litres annually for concrete mixing while the remainder is used in the washing process in a close-looped cycle. This has resulted in significant reductions in the consumption of fresh water, making a great improvement in our environmental footprint while saving millions of rupees in terms of operational costs.

The waste management program also takes care of solid waste generated in the form of concrete and cement sludge, and the concrete samples used for various testing that gets recycled to produce Reef Balls that are used in our Coral Reef Rehabilitation programme.

Waste water recycling program

Storage tanks used for water recycling

"WITH THE ADDITION OF THE RECENT 8MW CAPACITY BIOMASS POWER PLANT AT TOKYO EASTERN CEMENT FACTORY IN TRINCOMALEE, TOKYO CEMENT GROUP BECAME THE SINGLE LARGEST CONTRIBUTOR OF RENEWABLE BIOMASS ENERGY IN SRI LANKA WITH A TOTAL INSTALLED CAPACITY OF 23MW OF ELECTRICITY."

Renewable Energy

Energy security is a key factor in the sustainability of an energy intensive manufacturing process. Tokyo Cement Group pioneered renewable energy generation in the local corporate sector with the setting up of Sri Lanka's first-of-its-kind 10MW biomass power plant in 2008 in Trincomalee. We were also the first to develop Sri Lanka's first and only large scale Dendro power plant with a capacity of 5MW in 2014 in Mahiyangana. The projects engage nearly 2,500 farming families creating hundreds of direct and indirect employment opportunities in the rural farming sector.

Children studying in Mahiyangana

Green Electricity for villages in Mahiyangana

Under its Community Trade sustainable fuel-wood tree planting program, the project has so far planted over 3.7 Mn Gliricidia trees in the Badulla District and surrounding areas of the Dendro power plant. Another 700,000 trees were planted in the Northern Province to feed the biomass power plants in Trincomalee, summing the total to a population of over 4.4 Mn Gliricidia trees that ensure a continuous fuel supply. This ensures the money spent otherwise on fossil fuel imports, gets channelled to the resource lacking rural economy of Sri Lanka.

H.E. President Maithripala Sirisena inaugurates the Biomass Power Plant

President unveils the Power Plant

With the addition of the recent 8MW capacity biomass power plant at Tokyo Eastern Cement Factory in Trincomalee, Tokyo Cement Group became the single largest contributor of renewable biomass energy in Sri Lanka with a total installed capacity of 23MW of electricity.

We are proud to say that 100% of the Group's energy requirement is fulfilled by our own renewable biomass energy initiative without burdening the national power grid, reducing our carbon footprint by nearly 100,000 Metric Tons of CO_2 per year.

SOCIAL IMPACT

We conducted several programs during the period 2017/2018, aimed at;

a) Stakeholder community engagement
b) Building the foundation for tomorrow's leaders

Divi Shakthi Training Program for SMEs

Two years ago, Tokyo Cement Group partnered the International Finance Corporation (IFC), a member of the World Bank Group, to launch 'Divi Shakthi' training workshops for Small and Medium Enterprises (SMEs) who are part of the Tokyo Cement Dealer network.

The participants, nominated by the Regional Sales Teams are successful small to medium scale retail traders, providing job opportunities and economic mobility in their respective local communities. This training is to boost their confidence to grow the businesses from being modest family-owned trades to the next level as thriving entrepreneurship. The objective was to build upon thirty years of relationships we have nurtured with our sales channel and strengthen the bonds of loyalty in an increasingly competitive and evolving marketplace.

The training course, utilizing proprietary training tools provided by the IFC covers SME specific pain points and is particularly meant for owners and managers of businesses engaged in dealerships and distribution trade. The subjects include new opportunity creation, customer retention and relationship management, non-price-based competition as well as finance, inventory and cashflow management.

Moneragala Divi Shakthi Training

Kurunegala Divi Shakthi Session

The program was initiated as part of the efforts to support the economic and social development in seven former conflict-affected districts in the North and East. During the first year we were able to train over 200 dealers in Mannar, Mullaitivu, Vavuniya, Ampara, and Batticaloa, as a joint investment program with the IFC.

As the program gained momentum Tokyo Cement Group took sole ownership of the program and expanded it to other parts of the island to encompass our entire dealer network. During the Financial Year 2017/2018 the program was deployed in Badulla, Moneragala, Kandy, Kurunegala, Dambulla, Gampaha, Colombo, Ratnapura, Kalutara, and Galle districts training more than 500 dealers.

Deshamanya A Y S Gnanam Construction Training Academy

One of the biggest burdens faced by the construction industry is the shortage of skilled labour. Having identified this gap way ahead of its time, Tokyo Cement Group established the Deshamanya A Y S Gnanam Construction Training Academy in Trincomalee in 2001, where masons could obtain a Skill Certificate in affiliation with the National Apprentices and Industrial Training Authority.

Taking this a step further in May 2012, we established a fully-fledged training institute in Dambulla with the objective of producing skilled and qualified masons. The Deshamanya A Y S Gnanam Construction Training Academy facilitates formal training for school leavers and for those already in the trade to upgrade their skill level with the National Vocational Qualification (NVQ) certification. The qualification avails trainees to better employment opportunities, making it one of Tokyo Cement Group's foremost citizenship initiatives aimed at uplifting the standards of the industry.

Established in memory of the Founder Chairman of Tokyo Cement Company late Deshamanya A Y S Gnanam, this ultra-modern facility is accredited by the Tertiary & Vocational Education Commission and affiliated with the National Apprentices and Industrial Training Authority. It can accommodate 50 residential trainees and comprises of a fully-fledged auditorium, modern laboratory and practical training facilities, inclusive of all tools and raw material required to conduct comprehensive training sessions. Trainings are conducted by an NVQ qualified panel of instructors who guide the students for their formal qualification.

Annually over 200 masons obtain their professional qualification at the institute and become active participants of nation building. The academy has produced nearly 1500 trained masons since its inception, many of whom bring in valuable foreign exchange through skilled employment. During the last financial year, the Academy continued its yeoman service which included conducting NVQ tests for several batches, initiating multiple residential programmes for groups of masons and for the Sri Lanka Army personnel who recurrently use the institute for masonry trainings. Key highlights included certificate awarding to the 8th and 9th batches of trainees, which comprised 126 military personnel and 108 masons, at ceremonies held in August and September respectively.

Army Trainees at AGCTA

Seminar for Engineers and Technical Officers held in Mannar

Brigadier Randula Hathnagoda at the 8th certificate awarding ceremony

Skill Building Seminars for Masons

Tokyo Cement Group gets actively involved in capacity development and skills building of Masonry Craftsmen in its efforts to uplift the Construction Industry. The Company has been engaged in this industry empowerment program for over two decades to enhance the standards of workmanship, by working closely with Masons from all parts of the country. As part of these efforts, the Company conducts capacity building seminars across the Island to share best practices and provide professional guidance in the building construction discipline.

Skill Building Seminar for Masons in Dehiattakandiya

Each year the Company conducts over 60 programs island wide, with support from the Regional Sales Teams who work closely with the sales and distribution channel in each area. The seminars encompass knowledge sharing and training in efficient construction practices, new methodologies in building construction and new dry motar product usage.

In addition to educating and empowering masons, Tokyo Cement also conducts awareness programs for Engineers, Technical Officers of the Public & Private Sector as well as Contractors to enhance their expertise in novel construction and engineering methodologies. Further, these Seminars are offered free of charge to help share best practices in the field of construction, enhancing knowledge of professionals on innovative methods in the usage of cement, concrete and cement-based value-added products.

The Music Project

The Music Project is an NGO involved in empowering and uplifting the lives of disadvantaged youth through music education. The program since 2011 works with children of farming communities in the North and South who were affected by the war by providing them access to required facilities to pursue their passion.

Students of Palinagar Maha Vidyalayam Mullaitivu

The program has trained teachers in Ampara, Kurunegala, Mullaitivu and Kilinochchi and distributed over 3,000 recorders and teaching tools todate. The students are trained to play instruments including the recorder, flute, viola, violin, cello, trumpet, clarinet, French horn and a variety of percussion instruments. They are taught by fulltime instructors and international volunteers, who whet their appetite to learn the universal language which breaks all barriers.

Tokyo Cement Company chimed in as a partner of the project during the last two years, under its thematic program which aims to 'build the foundation for tomorrow's leaders'. The partnership this year sees Tokyo Cement sponsoring 110 students of Palinagar Maha Vidyalayam in Mullaitivu and 50 students of Gunananda Kanishta Vidyalaya in Mawathagama, Kurunegala as part of the program.

The Music Project Orchestra

The Music Project Orchestra at a performance

The Music Project Orchestra travels across the country for performances which expands their horizon and teach valuable life skills such as collaboration, self-confidence and team work. Each year the children take part in two residential programs held alternatively in Kurunegala and Mullaitivu, uniting the two formerly divided communities using music as the link language. During these sessions, the children and their families from the North and South work as one community, sharing musical scores and their lives as they practice together to achieve a melodious harmony.

The Foundation of Goodness (FOG) Cricket Academy

This is the 4th consecutive year of partnership between Tokyo Cement Group and The Foundation of Goodness, a far-reaching charitable foundation working in rural Sri Lanka to unearth cricketing talent. By providing youth from every part of the country access to the game of cricket, this affiliation lays the foundation of brotherhood and respect which contributes towards building the nation, which is Tokyo Cement's primary commitment as the leader in the industry.

The partnership began in 2014, by setting up training facilities in Hikkaduwa and Seenigama; two grounds developed and managed under the patronage of Tokyo Cement Group near the home base of FoG, conducts specialized Cricket Coaching Camps for talented girls and boys from remote backgrounds to reach their aspirations through a successful sporting career.

Trainer of Sri Lanka's National Women's Cricket Team Hemantha Devapriya coaches over 600 promising cricketers from over 15 regional schools at these sessions each year.

Northern Hemantha Devapriya Coaching Camp

Southern Cricket Coaching Camp

The funding sees 40 school cricketers from the South taking part in an elite training program to shape them into national-level players. At present, it comprises of 11 young girls and boys in the U-13 group, 12 in the U-15 group and 17 in the U-17 and U-19 groups who are groomed to proceed to higher levels with continued high-class coaching and special physical fitness programs.

To date, the Southern Cricket Academy has produced multiple star-class players who have set Sri Lanka's name in gold standard on the cricket record books at national and international level.

The success of the Southern Cricket Coaching Camp at identifying budding talent saw it being extended to the North since August 2017. The program is now held in Jaffna and other key areas such as Killinochchi, Oddusuddan, Mankulam, Mullaitivu, Vavuniya and Mannar as well, in search of future cricketing sensations. Plans are underway to extend the program to the East, giving young cricketers from Batticaloa and Trincomalee a chance to hone their skills. This program personifies Tokyo Cement's belief in the ability of the game of cricket to build bridges across geographic, ethnic and social barriers, personifying the game's true spirit.

Northern Hemantha Devapriya Coaching Camp held in Jaffna

South Hemantha Devapriya Coaching Camp held at Hikkaduwa MCC Lords

"BY PROVIDING YOUTH FROM EVERY PART OF THE COUNTRY ACCESS TO THE GAME OF CRICKET, THIS AFFILIATION LAYS THE FOUNDATION OF BROTHERHOOD AND RESPECT WHICH CONTRIBUTES TOWARDS BUILDING THE NATION, WHICH IS TOKYO CEMENT'S PRIMARY COMMITMENT."

Platinum Sponsor of 22nd Forestry and Environment Symposium

Organized by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura

Tokyo Cement Group was the Platinum Sponsor of the 22nd International Forestry and Environment Symposium organized by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura. As the oldest and most renowned Forestry and Environment Symposium in South Asia, this year's event was held at the Tangerine Hotel, Kalutara on the 10th & 11th of November 2017, where researchers, academia, professionals, policy makers and the industry met to network, discuss and learn about the latest developments in forestry and environment sectors.

Tokyo Cement's partner in the coral conservation program Blue Resources Trust made a presentation during the Biodiversity & Ecological Health session while the story of our journey on the path of generating renewable energy for our manufacturing process was shared during the Environmental Engineering & Green Technology session.

School Nutrition Programme

During last year, Tokyo Cement continued on our project which supports 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 program 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 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.

Housing for 25 Internally Displaced Families

In commemoration of the birth anniversary of the late Deshamanya A Y S Gnanam

Tokyo Cement Group, committed to enrich the country and its people as a partner in nation building, rose to the call to provide housing for a group of Internally Displaced Families in Trincomalee. Having identified 'housing' as the most critical factor that will bring back a sense of stability and purpose to this once displaced and disenchanted community, the Company allocated their own land in Adampodai, Nilaveli to build homes for 25 families. The project was initiated with the objective of not just providing a roof above their heads, but to provide them with better living conditions.

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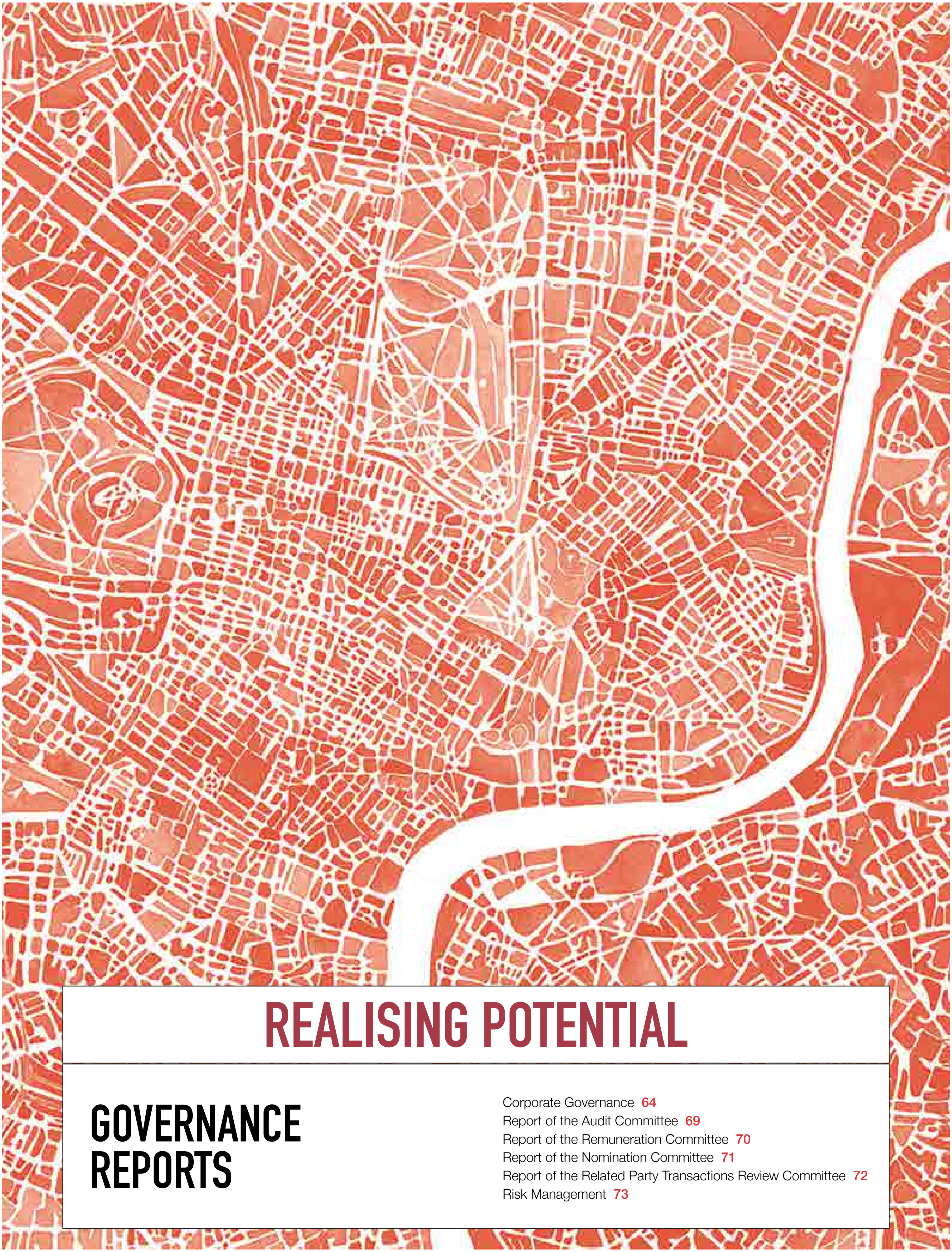
Foundation for the Housing Scheme was laid on 5th May 2017, in commemoration of the late Deshamanya A Y S Gnanam, Founder Chairman of Tokyo Cement Group. Incumbent Chairman of Tokyo Cement, President's Counsel Dr. Harsha Cabral presided over the ceremony which was part of a string of events to mark the late pioneer's birth anniversary. The housing project adjoins Tokyo Cement Tsunami Housing Scheme built in 2009 by the Tsunami Relief Trust, and 25 families affected by the tsunami received deeds to the houses from H.E. the President during the same commemoration ceremony.

Less than a year later, on 21st March 2018 the new housing scheme for IDPs was declared open by the Hon. R. Sampanthan MP, Leader of the Opposition in Parliament in the presence of Mr. N A A Pushpakumara, Government Agent (GA) and District Secretary of Trincomalee, Dr. Harsha Cabral P.C., Chairman and Mr. Christopher Fernando, Executive Director of Tokyo Cement, amidst a gathering of management and staff, beneficiaries of the project and government officials in the area. The beneficiaries were chosen among hundreds of IDP families, who were living under dire circumstances for decades, by an evaluation committee headed by the GA, Divisional Secretary and local government officials.

The project was completed in just 10 months with each house costing around Rs. 2.3 Mn. Each house is built on a 10-perch plot of land and is fully fledged with all basic amenities including paved roadways, a community centre and a children's park. Upon completion, Tokyo Cement went the extra mile to make sure the newly-built, 2-bedroomed house feels like a home from day one for its occupants, by furnishing it with a bed and a wardrobe, signifying a fresh start for a community of over 100 people who had been through many hardships.

Fully-fledged Housing Scheme for 25 Internally Displaced Families in Trincomalee

The housing scheme was declared open by the Hon. R. Sampanthan MP, Leader of the Opposition in Parliament and Dr. Harsha Cabral P.C., Chairman of Tokyo Cement Group



REALISING POTENTIAL

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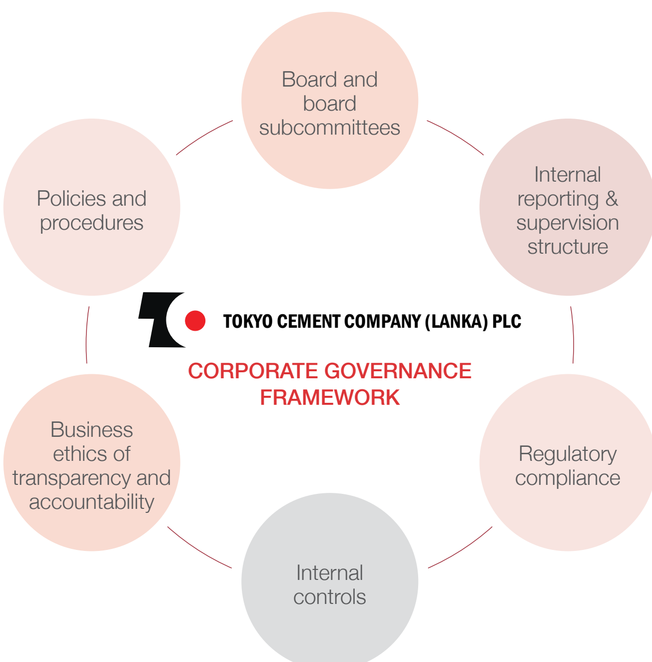
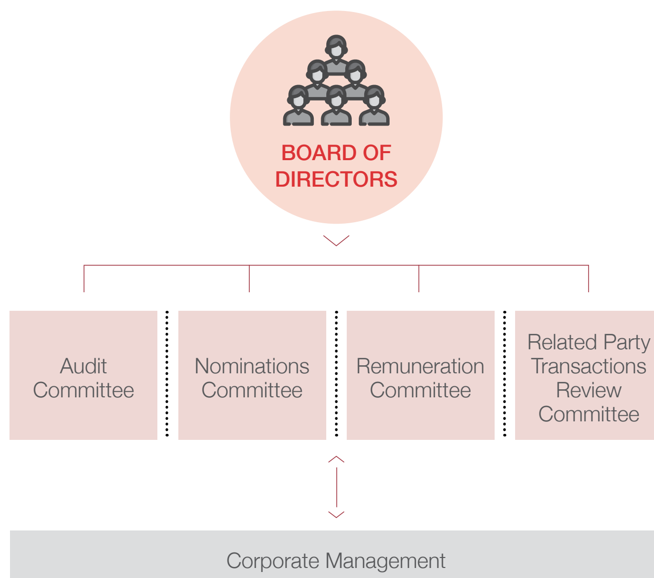
"THE COMPANY'S POLICIES ARE DRIVEN BY THE TENET OF SUSTAINABLE GROWTH, WHERE BUSINESS EXPANSION AND GROWTH STRATEGIES TAKE INTO ACCOUNT A WIDER RESPONSIBILITY."

Tokyo Cement Company (Lanka) PLC has in place a solid framework of corporate governance backed by a tradition of business ethics that places emphasis on transparency and accountability to ensure responsibility to not only shareholders of the Company but all stakeholders. The Company's policies are driven by the tenet of sustainable growth, where business expansion and growth strategies take into account a wider responsibility that extends beyond short term profitability into stakeholder wealth creation through social and environmental accountability.



CORPORATE GOVERNANCE STRUCTURE



The governance structure of Tokyo Cement is headed by the Board of Directors which is the highest decision making body of the Company. The Board has overall responsibility and accountability for management of the affairs of the Company, maintenance of prudent risk management practices and safeguarding stakeholder rights.

The Board has delegated some of its functions to Board sub committees - the Audit Committee, the Remuneration Committee, the Nominations Committee and the Related Party Transactions Committee. All Board sub committees are chaired by Independent and Non-Executive Directors with the suitable expertise and experience, to ensure autonomous, unprejudiced and balanced judgements to support Board decision making.

THE BOARD OF DIRECTORS

As the highest governing body of the Company, the Board of Tokyo Cement has upheld a philosophy of maintaining international best practices with regards to governance policies, mechanisms and procedures. On principle, the Board is guided by the highest ethical standards in its policy making as a sustainable business bent on creating long term value for country, people and stakeholders.

The Board formulates an overall business strategy in association with corporate management and determines corporate goals, which are communicated down the management hierarchy through a systematic budgetary control procedure approved by the Board of Directors.

Continuous oversight of operations is maintained by the Board of Directors through monthly reviews of corporate and operational performances of the Group against the context of the macro environment encompassing political, economic, social and technological developments. Through the review process, the Board provides direction to the corporate management team.

Appointments to the Board

In accordance with the Companies Act No 7 of 2017, the Board of Directors are appointed by the shareholders at the Annual General Meeting.

The only exception to this rule relates to the appointment of Nominee Directors of Tokyo Cement business partners, which process is regulated by the Articles of Association of the Company and the relevant Collaboration Agreement entered into, by the Company. As at end March 2018 the Board of Tokyo Cement Company (Lanka) PLC included one Nominee Director, who was appointed by UBE Singapore PTE Ltd.

Composition of the Board

As at end March 2018, the Tokyo Cement Company (Lanka) PLC Board of Directors consisted of nine (09) members, out of which four (4) Directors are Independent Non-Executives, including the Chairman and two (02) Directors were Non-Executive Directors, while one Non Executive Director was a Nominee Director.

To ensure proper balance of skills and expertise on the Board, all Independent Non-Executive Directors have been selected from professional sectors such as banking, economic, legal and accountancy with many years of experience in business and administration. They have the qualification, and experience to guide the strategy formulation, risk management and growth process of the Group.

In conformity with good governance practices, the positions and functions of the Chairman and the Managing Director have been separated. The role of the Managing Director is to manage the day-to-day running of the Company and he leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.

BOARD SUB COMMITTEES

In conformity with the Listing Rules of the Colombo Stock Exchange, Tokyo Cement has established four Board sub committees that are made up in conformity with the Listing Rules. The committees are fully functional and have continued to meet during the year under review to ensure specialized inputs to the Board.

The Audit Committee

The Audit Committee comprises three Non-Executive Independent Directors. The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee assists the Board of Directors in its general oversight with financial reporting, risk management, internal controls and provides expertise in functions relating to internal and external audit and monitoring, compliance with laws, regulations and best practices.

The Committee meets quarterly and has the power to invite the Managing Director, Directors, Chief Financial Officer and Internal Auditors to attend meetings and provide any required clarifications and explanations. The report of the Audit Committee appears on page 69.

Audit Committee Members:

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

The Remuneration Committee

Tokyo Cement has established a Remuneration Committee with three Independent Non-Executive Directors, to recommend remuneration for executive members and to make recommendations relating to human resources management.

To ensure equitable and competitive treatment, at Tokyo Cement no director is involved in determining his or her own remuneration.

With regards to remuneration of Executive Directors and Senior Managers, the Company has adopted a performance based policy, reflecting international best practice recommendations. Based on this policy, the remuneration of the Senior Management Team is linked to the Company's short and long term strategic targets.

The Committee recommendations on remuneration takes into account labour market demand and supply trends, and market remuneration rates, to ensure the Company can attract and retain top leadership and talent. In addition, the Committee consults the Chairman and Managing Director on matters relating to the remuneration of Senior Management.

The report of the Remuneration Committee appears on page 70.

Remuneration Committee Members:

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

The Nomination Committee

The Company has established a Nomination Committee to recommend the process of selecting the Chairman and Managing Director and to identify suitable candidates to be appointed to the Board as Executive and Non-Executive Directors. The Nomination Committee comprises four directors of which three are independent Non Executive Directors.

The report of the Nomination Committee appears on page 71.

Nomination Committee Members:

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

The Related Party Transactions Review Committee

In compliance with the provisions of Section 9 of the Listing Rules of the Colombo Stock Exchange, the Company established a Related Party Transactions Review Committee on January 1, 2016. The Committee has the authority to review all related party transactions entered into by the Company, to ensure compliance with Listing Rules and other legalities pertaining to any such transaction.

The report of the Related Party Transactions Review Committee is given on page 72.

Committee Members :

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

INTERNAL CONTROLS AND MONITORING

The system of internal controls is essential for proper operation of the business and to ensure protection of shareholder assets. The Board of Directors is responsible for designing, reviewing and maintaining an effective system of internal controls to ensure smooth and orderly operations, reliability of financial reporting, compliance with applicable laws and regulations, safety of assets and resources. As part of proper internal controls the Board is responsible to deter and detect errors, fraud, and theft by ensuring accuracy and completeness of accounting data and by producing reliable and timely financial and management information. Overall, the internal controls process must ensure adherence to corporate policies and plans.

The Tokyo Cement internal control system cascades down the Group structure through the Board sub committees and the corporate management. The corporate management is responsible for implementing Board directions and policies at operational levels. A structured reporting process is in place to ensure reporting and communications flows from top-down and the bottom up.

As a central, ongoing aspect of internal controls, the Board of Directors monitor operations through regular Board Meetings and through regular reviews of management information obtained at meetings including reports of the internal auditors.

An Internal Audit team has been established to monitor and measure the adequacy of the implementation of internal controls by the management. Internal Audit is empowered to review the systems and controls in accordance with a Board approved audit plan, which is reviewed and improved continually. Auditing systems include surprise audits of sales depots, the ready mixed concrete operations, and the factory.

Reports by Internal Audit are submitted to the Audit Committee for review, which then recommends suitable action in consultation with senior management. Members of the Audit Committee also review monthly/interim financial statements submitted to the Board, and ensures financial information reported are in compliance with various accounting standards promulgated by the Institute of Chartered Accountants of Sri Lanka.

Going Concern

The Board has ensured prudent cashflow management during the year and maintained stringent financial controls across all operational aspects in accordance with its statutory responsibility towards ensuring that the Company is a 'going concern'. The Board has continually reviewed capital investments, resource allocations and investment strategies in relation to macro systematic risk factors to make sure the Company is financially sustainable and has adequate financial and non financial resources to continue operations into the foreseeable future.

Transparency

The Board of Tokyo Cement believes in transparent and accountable business practices and has stringently followed all statutory reporting requirements to inform shareholders, regulatory authorities and other stakeholders of the status of the Company. The Company did not face any fines or penalties for delays in statutory reporting during the current financial year. Dissemination of quarterly accounts and the release of the Annual Report and Audited Accounts have been complied with, within the stipulated time frame.

The Board discloses full information, both financial and non financial, 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.

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 this meeting.

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Shareholder Value and Returns

The Board is committed to enhance shareholder value not only in the context of short term profitability, but also in the context of long term wealth creation through enhancement of share prices and shareholder assets, backed by regular and fair distribution of profits. This policy has been upheld during the current financial year through a strong capital investment program which has been further supported by the declaration of dividends and a capitalization of reserves which have all contributed towards short and long term shareholder wealth creation.

STATEMENT OF COMPLIANCE

As a responsible corporate citizen with a long standing reputation for good governance, The Tokyo Cement Board is fully cognizant of the vital importance of total adherence to all laws and regulations governing the business and as such makes all efforts towards regulatory compliance at all times, in all business activities.

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.

During the current financial year, Tokyo Cement has remained fully compliant with all applicable regulatory requirements. The Group adheres to regulations and codes of best practices etc. adopted by different governing bodies including the following:

- Companies Act No 7 of 2007
- Listing rules of the Colombo Stock Exchange
- Code of best practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the 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

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 have been tabulated below.

Rule No:	Rule	Compliance status
01	Board of Directors The correct number of Non-Executive Directors, in accordance with Rule 7.10.1 (a)	☑
02	The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.2 (a)	☑
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)	☑
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)	☑
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 Director 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)	☑
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)	☑
07	Remuneration Committee The correct number of Independent Non-Executive Directors in the Remuneration Committee, in accordance with Rule 7.10.5 (a)	☑
08	Specified whether a separate Remuneration Committee was formed or whether listed parent Company's Remuneration Committee used - Rule 7.10.5 (a)	☑
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)	☑

Rule No:	Rule	Compliance status
10	Disclosed the functions of the Remuneration Committee, in accordance with Rule 7.10.5 (b)	☑
11	Specified whether the Chairman of the Committee is a Non-Executive Director Rule 7.10.5 (a)	☑
12	The Annual Report contained a statement on the Remuneration policy - Rule 7.10.5 (c)	☑
13	Specified the aggregate remuneration paid to Executive and Non-Executive Directors in the Annul Report - ["Remuneration" should include cash and all non-cash benefits paid in consideration of employment with the Listed Entity (excluding statutory entitlements such as EPF and ETF)] - Rule 7.10.5 (c)	☑
14	Audit Committee The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.6 (a)	☑
15	Specified whether a separate Audit Committee formed or whether listed parent company's Audit Committee used - Rule 7.10.6 (a)	☑
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)	☑
17	Confirmed that the functions of the Committee has being in accordance with Rule 7.10.6 (b)	☑
18	Specified whether the Chairman of the Committee is a Non-Executive Director Rule 7.10.6 (b)	☑
19	Specified whether the Chairman or one member of Committee is a member of a recognised professional accounting body – Rule 7.10.6 (a)	☑
20	Specified whether the CEO and CFO attended Committee meetings, unless otherwise determined by the Audit Committee – Rule 7.10.6 (a)	☑
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)	☑
22	Specified the basis for determining External Auditors as being Independent Rule 7.10.6 (c)	☑
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	☑
24	Monitoring and approve recurrent and non-recurrent Related Party Transactions as set out in the Group policy guidelines. Rule 9.3	☑

REPORT OF THE AUDIT COMMITTEE

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In Compliance with Listing Rules, Tokyo Cement has a fully functional Audit Committee that meets regularly to discharge its stipulated mandate. Audit Committee is approved by the Board and clearly defines the Terms of Reference of the Committee and is regularly reviewed to ensure that new developments relating to the Committee's functions are addressed.

TERMS OF REFERENCE

The Audit Committee reports directly to the Board of Directors regularly, regarding its activities and review and recommendations. The Audit Committee assists the Board of Directors in general oversight of financial reporting, risk management and internal controls. The Audit Committee mandate includes:

- Supervision of 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.
  - The annual report and interim financial statements prepared for publication, prior to submission to the Board.
- Supervision of internal and external audits: The Audit Committee engages with external auditors and regularly interacts with the Internal Audit team to assess effectiveness of financial control systems and to make recommendations to the Board. 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.
- Monitor compliance : The Audit Committee is empowered to monitor and examine Company compliance with laws and regulations and also adoption of best practices.
- Recommendations regarding auditors : The Audit Committee makes recommendations regarding the appointment and reappointment of external auditors

MEMBERS OF THE AUDIT COMMITTEE

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

The Audit Committee is composed in compliance with the 'Rules on Corporate Governance under the Listing Rules of the Colombo Stock Exchange' and the '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.

As stipulated by the above directives, the Audit Committee comprises three Non Executive Independent Directors. Two members of the committee are qualified Chartered Accountants.

The Managing Director, Group General Manager / Executive Director, Chief Financial Officer, and Internal Auditors also attend Audit Committee meetings. Senior managers are invited to attend the meetings as and when required.

SUMMARY OF ACTIVITIES DURING THE YEAR

The Audit Committee met four times during the 2017-18 financial year and proceedings of the meetings were reported to the Board of Directors regularly.

- The Committee monitored compliance with statutory requirements and the systems and procedures that are in place to ensure compliance with such requirements.
- The Committee ensured that the Internal Audit function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care. The reports of the Internal Audit Department were reviewed, discussed by the Committee, and corrective measures were initiated when required.
- The Auditors were provided with access to all requested information and relevant personnel to ensure that the Auditors had the independence to discuss and express their opinions on any matter. It provided the assurance to the Committee that the Management has fully provided all information and explanations requested by the Auditors.
- 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.

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 re-appointment of Messrs BDO Partners for the financial year ending 31st March 2019.

CONCLUSION

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

R. Seevaratnam

R. Seevaratnam
Chairman - Audit Committee

26th July 2018

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is composed in conformity with the Listing Rules of the Colombo Stock Exchange and ensures that no director determines his own remuneration and that a competitive remuneration package is developed to attract and retain top management personnel.

The Company policy on remuneration for Executive Directors and senior management is a performance based pay policy. Therefore, remuneration of senior managers are linked to short and long term targets.

The Committee reports directly to the Board.

TERMS OF REFERENCE

The primary objective of the Remuneration Committee is to recommend the remuneration of Directors to attract suitable personnel to direct the Company. Its objectives are:

- Recommend the remuneration of the Board of Directors
- Make recommendations to the Board, regrading specific remuneration packages of the Senior Management Team
- Recommend any contract of employment or related contract with the Senior Management Team 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
- Make recommendations to the Board regarding the content to be included in the Annual Report on Directors' remuneration.
- The committee has the authority to seek independent external professional advice on matters within its purview
- 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.

MEMBERS OF THE REMUNERATION COMMITTEE

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

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.

SUMMARY OF ACTIVITIES DURING THE YEAR

The Remuneration Committee met three times during the year.

Remuneration levels of senior managers were reviewed and recommendations were made to maintain these at levels sufficient to attract and retain the Senior Management Team of the Company.

The decisions on the matters relating to remuneration of the Senior Management Team were arrived in consultation with the Chairman and Managing Director.

Director's emoluments in aggregate for Executive and Non Executive Directors for the year under review are disclosed in note 8 to the financial statements on page 105.

The Minutes of the Remuneration Committee were circulated and affirmed by the Board of Directors.

Dr. Harsha Cabral P C
Chairman - Remuneration Committee

26th July 2018

REPORT OF THE NOMINATION COMMITTEE

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The Nomination Committee makes sure that the combination of varied skills, knowledge and experience within the Board matches the required strategic demands of the Company by recommending suitable candidates to be appointed to the Board.

The Committee reviews requirements of the Company and makes recommendations that are unbiased and free from personal and/or business influences, thereby enabling the Company to have a strong and balanced leadership.

The Committee reports directly to the Board.

TERMS OF REFERENCE

As set out by the terms of reference of the Committee the responsibilities of the Committee are :

- To recommend to the Board the process of selecting the Chairman and Managing Director.
- Balance and diversify the effectiveness and composition of the Board.
- Identify and recommend suitable candidates as Directors to the Board.
- Make recommendations on matters referred to by the Board.

MEMBERS OF THE NOMINATION COMMITTEE

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

The Nomination Committee was made up of three Non-Executive Independent Directors and the Managing Director.

SUMMARY OF ACTIVITIES DURING THE YEAR

Nomination Committee met once during the year.

- The Committee deliberated potential new appointments for the year and recommended new appointments to the Board of Directors.
- Evaluated the eligibility of the Directors who have offered themselves for re-election/ re-appointment to the Board and made necessary recommendations to the Board.

Dr. Harsha Cabral P C
Chairman - Nomination Committee

26th July 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is authorized to review all Related Party Transactions ensuring compliance with Listing Rules and legal requirements, concerning the transaction.

The Committee reports directly to the Board.

TERMS OF REFERENCE

In compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange, the Committee's key responsibility is to review all proposed Related Party Transactions prior to entering into or completion of the transaction in line with procedures laid down by the Listing Rules.

In the event a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction) the Related Party Transaction Review Committee has established guidelines for the senior management to follow in its ongoing dealings with the Related Party.

Its responsibilities are as follows:

- Evaluate any proposed Related Party Transactions and make recommendation to the management and the Directors on the appropriate procedures that should be adopted by the Company to align with the Listing Rules and the Code of Best Practices on Related Party Transactions
- Review any post quarter confirmations on related party transactions
- Review the threshold for Related Party Transactions to decide whether it requires shareholders' approval or immediate market disclosures
- Reviews and assess ongoing relationships with any related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remain appropriate

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

In accordance with the requirements of the Listing Rules, the committee comprised of three Non-Executive Independent Directors.

SUMMARY OF ACTIVITIES DURING THE YEAR

The committee met four times during the year under review.

The Committee reviewed all proposed Related Party Transactions and ongoing Related Party Transactions during the year. The Committee deliberations were presented to the Board by tabling minutes of the meeting of the Committee, at Board Meetings.

R. Seevaratnam
Chairman - Related Party Transactions Review Committee

26th July 2018

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"THE ADMINISTRATIVE AND OPERATIONAL ACTIVITIES OF THE COMPANY ARE EXECUTED WITHIN AN INTERNAL CONTROL SYSTEM BY MANAGING RISKS ASSOCIATED WITH THE ENTERPRISE."

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 DEFENCE

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

1ST LINE OF DEFENCE

- 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 DEFENCE

- 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.

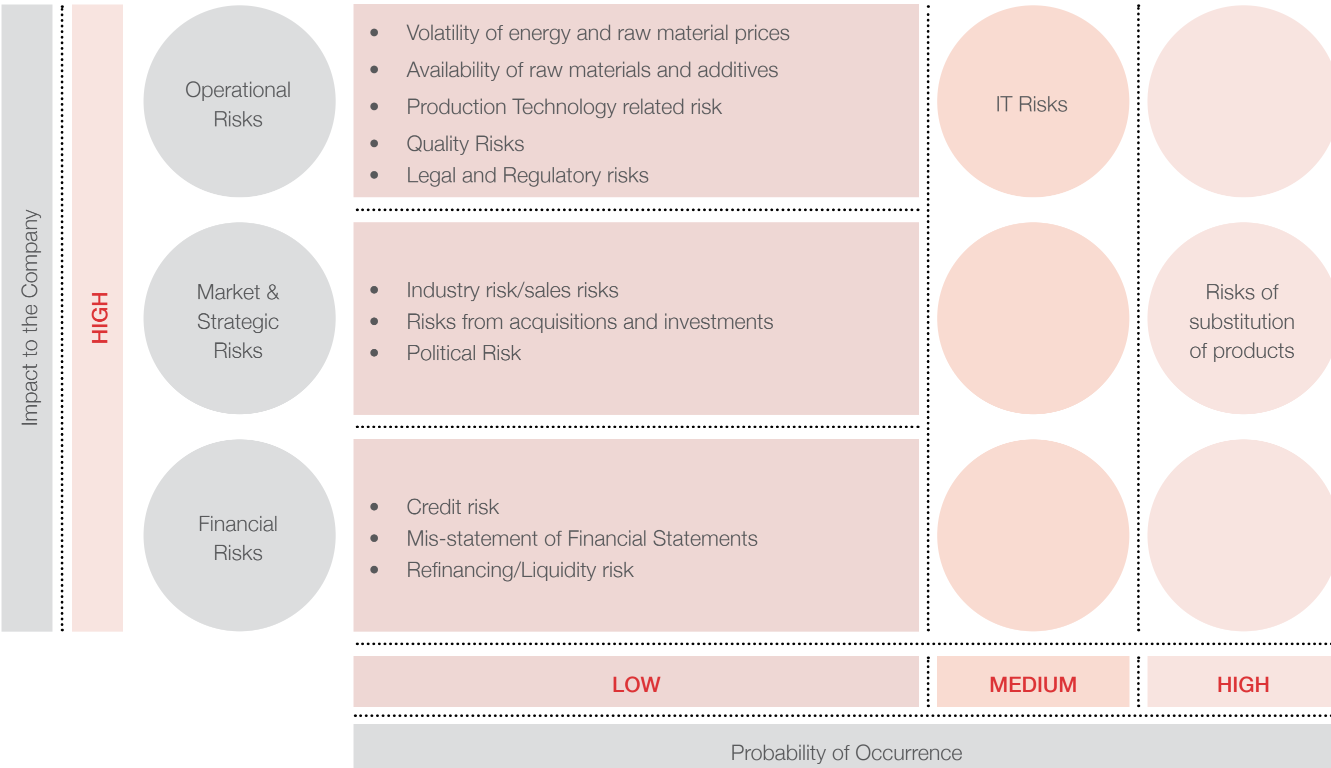
3RD LINE OF DEFENCE

- 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	● Medium	Arrangement of adequate banking facilities 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.

● Low ● Medium ● High

Risk	Potential Effect	Impact	Probability	Mitigating Actions
Market & Strategic Risks				
Risks/Sales Market Risks	Low level of residential, commercial and public constructions due to stagnating economies or funding issues. Fluctuating weather patterns such as monsoon and droughts drop in seasonal demand.	High High	Medium High	Product diversification Increased customer focus Focus marketing on large scale commercial sector projects with independent financing Development of special products i.e. Innovation Products Planning based on analytics
Risks from acquisitions and investments	Adverse impact due to changes in 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 Low employee turnover and employees with long tenure with the company
Risks from substitution of products	Availability of low quality imported products	Medium	High	Uncompromising quality standards Strong dealer network Educating of customer/decision influencers such as masons consultants and contractors.
Political 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
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	Medium	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 Risk	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 in implementation and continuously measure and upgrade and protect data, applications, systems and networks.

● Low ● Medium ● High

EVOLVING VALUE

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Quarter ended 30th June 2017	15th August 2017
Quarter ended 30th September 2017	15th November 2017
Quarter ended 31st December 2017	14th February 2018
Quarter ended 31st March 2018	31st May 2018

Interim dividend declared	16th March 2018
Interim dividend paid	27th March 2018
Annual Report - 2017/18	06th August 2018
Thirty Sixth Annual General Meeting	30th August 2018

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ABOUT THE COMPANY

Tokyo Cement Company (Lanka) PLC, Sri Lanka's first privately owned cement manufacturer, traces its inception to 1982 and is also one of the oldest private sector foreign collaborations in Sri Lanka. The Company was established as a partnership between Japan's Nippon Coke and Engineering Company, (formerly Mitsui Mining Company) and Sri Lanka's St Anthony's Consolidated, under the aegis of the founder of Tokyo Cement, Deshamanya A Y S Gnanam. The Company was listed in the Colombo Stock Exchange in 1984.

THE TOKYO CEMENT GROUP

Incorporation of New Company

During the financial year 2017-18, a new fully owned subsidiary was incorporated into the Tokyo Cement Group, under the name Tokyo Supermix (Private) Limited, to manufacture and retail ready mixed concrete and value added products. All assets and liabilities of the ready mix operation that were under Tokyo Cement PLC are being transferred to Tokyo Supermix in stages.

Tokyo Cement Group Structure

As at end March 2018, the Tokyo Cement Group comprised five (05) subsidiaries, including the new subsidiary company, Tokyo Supermix (Private) Limited.

The Group now consists of:	
1. Tokyo Super Cement Company Lanka (Private) Limited	(100 % holding)
2. Tokyo Cement Power (Lanka) (Private) Limited	(100 % holding)
3. Tokyo Eastern Cement Company (Private) Limited	(100 % holding)
4. Tokyo Super Aggregate (Private) Limited	(51 % holding)
5. Tokyo Supermix (Private) Limited	(100 % holding)

Proposal for Amalgamation

The Board of Tokyo Cement Company (Lanka) PLC are exploring the possibility of amalgamating Tokyo Super Cement Company Lanka (Private) Limited, with the parent Tokyo Cement Company (Lanka) PLC, as part of ongoing Group structural rationalization to improve governance and operational efficiency.

CHANGES TO DIRECTORATE & SHAREHOLDINGS

Mr. Hiroki Tsukigawa, a Non Executive Director and the nominee of Nippon Coke and Engineering Company Ltd of Japan, appointed under Article 104 of the Company's Articles of Association, vacated his position with effect from 28th July, 2017.

The Board of Directors appointed Mr. Susumo Ando, the Managing Director of UBE Singapore PTE Ltd, as a Non Executive Director and the nominee of UBE Singapore PTE Ltd.

PRINCIPAL ACTIVITIES

The Company's core activities are the manufacture of Ordinary Portland Cement, Blended Hydraulic Cement, Masonry Cement, Tile Adhesives, Water Proofing Products, Pre-Mix Concrete, Ready-Mixed Concrete, CLC Blocks and Power Generation.

Please refer the Chairman's Message and the Managing Director's Review for details of the Company's activities during the financial year 2017-18.

BOARD OF DIRECTORS & BOARD SUB COMMITTEES

Board of Directors

Director	Designation
Dr. Harsha Cabral PC	Chairman and Non Executive Independent Director
Mr. S R Gnanam	Managing Director
Mr. Susumo Ando	Non Executive & Nominee Director of UBE Singapore PTE Ltd
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. W C Fernando	Executive Director & Group General Manager
Mr. Asite Talwatte	Non Executive Independent Director

Board Subcommittees

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 Transaction Review Committee

The reports of the committees are given on pages 69 to 72 of the Annual Report.

Recommendation for Re-election

The following recommendations have been made for re-election to the Board.

- To re-elect Mr. Elijah Jeyaseelan Gnanam who retires by rotation in terms of Article 114 of the Articles of Association.
- To re-elect Mr. Susumu Ando who retires by rotation in terms of Article 120 of the Articles of Association.

- To re-elect as a Director, Mr. Ranjeevan Seevaratnam, who being over the age of 70 years 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.

Directors' Remuneration

Directors' remuneration in respect of the Group and the Company, for the financial year ended 31st March , 2018 are given in note 8 on page 105 of the Annual Report.

Directors' Interests

The Directors' Interests in the Company contracts appear on pages 130 to 135 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 and 19 Resolutions were adopted by the Board of Directors of the company by circulation.

Directors' Shareholdings

Nippon Coke and Engineering Company Ltd has divested the entirety of its shareholdings of Tokyo Cement Company (Lanka) PLC and UBE Singapore PTE Ltd purchased 21,384,000 ordinary voting shares of Tokyo Cement Company (Lanka) PLC in June 2017. UBE Singapore PTE Ltd now holds 10% of the issued stated capital of Tokyo Cement Company (Lanka) PLC.

Directors' Shareholding - Ordinary Shares

Directors / CEO's Shareholding	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March 18	No of Shares Held 31st March 17	No of Shares Held 31st March 18	No of Shares Held 31st March 17
St Anthony's Consolidated (Private) Limited	73,507,172	61,255,977	-	-
Mr. A S G Gnanam	14	12	-	-
Mr. S R Gnanam - Managing Director/CEO	14	12	-	-
Mr. E J Gnanam	14	12	-	-
Ube Singapore Holdings PTE Ltd	26,730,000	4,455,000	-	-
Mr. Susumu Ando (Non Executive and Nominee Director of UBE Singapore PTE. Ltd)	-	-	-	-
Mr. W C Fernando - Executive Director and Group General Manager	-	-	71,280	59,400
Independent Non Executive Directors				
Mr. Ranjeevan Seevaratnam	-	-	-	-
Dr. Harsha Cabral	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
	100,237,214	65,711,013	71,280	59,400
Total Shares in Issue	267,300,000	222,750,000	133,650,000	111,375,000

Interest Register

Tokyo Cement Company (Lanka) PLC has maintained Interest Registers during the year under review as stipulated by the Companies Act No. 07 of 2007.

Related Party Transactions

Directors have disclosed related party transactions and such transactions are given in note 33 on pages 130 to 135 of the Annual Report.

FINANCIAL REVIEW

Significant Accounting Policies

The significant accounting policies adopted in the preparation of Financial Statements are given on page 92 to 103 of the Annual Report.

Sri Lanka Accounting Standards (SLFRSs/ LKASs)

The Financial Statement of the Company for the year ended 31st March 2018, are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs).

Directors' Responsibility 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 on page 84 of this Annual Report.

Value Creation During the Year

(Rs. Mn)	2017-18	2016-17	Change
Direct economic value generated			
• Revenues	35,633	35,701	-2%
Economic value distributed			
• Operating costs	31,295	30,390	3%
• Employee wages and benefits	1,133	864	31%
• Payments to providers of capital	1,468	1,282	14%
• Payments to government (by country)	396	512	-23%
• Community investments	9	22	-59%
Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed')	1,332	2,631	-49%

Revenue

As explained by the Managing Director in his review, the Tokyo Cement Group experienced a marginal dip in revenues in the 2017-18 financial year due to the decline in the rate of growth of the country's construction sector and consequent decline in the rate of demand growth for cement and cement based products.

As a result, Group turnover declined by 0.2% against the previous year to Rs. 35.6 Bn, down from Rs. 35.7 Bn recorded in the 2016-17 financial year. Company turnover for the year declined by 15.4% to Rs. 20.6 Bn from Rs. 24.4 Bn a year ago.

However, the Group recorded a 55.1% increase in other income for the current year, reaching Rs. 263 Mn from, Rs. 169.7 Mn in the previous year, while the Company achieved a 137.7% growth in other income to Rs. 5.5 Bn from Rs. 2.3 Bn due to higher dividend income received from Subsidiaries.

Group finance income declined from Rs. 94.6 Mn in 2016-17, to Rs. 57.5 Mn, while finance income of the company reduced from Rs. 24.7 Mn to Rs. 13.3 Mn in the financial year 2017-18 .

Expenditure

Cost of sales increased by 1.5% at Group level from Rs. 26.8 Bn, to Rs. 27.1 Bn while this figure declined by 10.2% at Company level from Rs. 19.4Bn in 2016-17 to Rs. 17.4 Bn in the current year, due to lower demand for cement.

Group distribution and administration expenses increased by 14.4% from Rs. 4.6 Bn to Rs. 5.3 Bn for the year while this expenditure increased by 2.1% at company level from Rs. 2.8 Bn to Rs. 2.9 Bn.

The Group experienced a sharp increase in finance expenses by 81.5% year-on-year, as a result of additional capital expenditure incurred during the 2017-18 financial year reaching Rs. 967.1 Mn from Rs. 532.8 Mn in the previous year. This figure increased by 28.8% at Company level, from Rs. 532.3 Mn to Rs. 685.6 Mn.

Profits

Group gross profits declined by 5.2% against the previous year from Rs. 8.9 Bn, to Rs. 8.5 Bn in the current year, while the Company experienced a 35.8% fall in gross profits from Rs. 5.0 Bn to Rs. 3.2 Bn as a consequence of the sharp decline in sales revenue.

The Group operating profits fell by 22.9% reaching Rs. 3.5 Bn compared to Rs. 4.5 Bn in the preceding year. However the Company achieved a 29.4% growth in operating profits from Rs. 4.5 Bn to Rs. 5.8 Bn due to dividend income from a subsidiary company.

Group profit before tax dropped by 36.9% from Rs. 4.1 Bn to Rs. 2.6 Bn, while profit after tax declined by 31.5% to Rs. 2.3 Bn from Rs. 3.4 Bn in the previous year.

The Company meanwhile, recorded a 29% growth in profit before tax to Rs. 5.1 Bn from Rs. 4.0 Bn, while the after tax profit increased by 46.6% to Rs. 5.1 Bn from Rs. 3.5 Bn in the previous financial year.

Profit attributable to equity holders stood at Rs. 2.3 Bn compared to Rs. 3.4 Bn in the previous year.

Donations

The Tokyo Cement Group donated Rs. 2.4 Mn to numerous charities during the year.

Taxation

Tokyo Super Cement Company Lanka (Pvt) Ltd, Tokyo Eastern Cement Company (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 is liable for income tax at the reporting date.

The Group income tax expenditure declined by 64.1% to Rs. 242.8 Mn, from Rs. 676.6 Mn one year ago.

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 recognized 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 101.

Capitalization of Reserves

A sum of Rs. 1,345,855,500, out of the Rs. 8,037,306,769 amount standing to the credit of the Revenue Reserve of the Company, was capitalized following shareholder approval, by issuing 1 ordinary share for every 5 issued voting and non voting shares of the Company on 31st May 2017.

Pursuant to the capitalization of reserves, 44,550,000 ordinary voting shares and 22,275,000 ordinary non voting shares of the Company were listed in the Colombo Stock Exchange with effect from 9th June 2017.

The capitalization of reserves was effected as the Board felt it was appropriate that issued stated capital should reflect the capital employed by the Company for its business, and also to reward shareholders out of accumulated profits.

Dividends

The Directors have paid an interim dividend of Rs. 1.25 per share for the 2017-2018 financial year in March 2018, for a dividend payout of Rs. 501,187,500. Such interim dividend paid will be the final dividend for the financial year 2017-18.

The total dividend payout for the year came to Rs. 501,187,500.

Earning Per Share

Please refer note 10 on page 107.

Net Assets Per Share

Please refer on page 88.

Stated Capital

Consequent to the capitalisation of reserves the total issued stated capital has increased from Rs. 2,893,756,250 to Rs. 4,239,611,750 and consists of 267,300,000 ordinary voting shares and 133,650,000 ordinary non voting shares.

Reserves

The Group's total reserves decreased from Rs. 11.5 Bn to Rs. 11.2 Bn by 31 March, 2018.

Debts

The Group's long term debts amounted to Rs. 5.8 Bn against Rs. 4.9 Bn in the previous year. The Company's long term debts amounted to Rs. 5.2 Bn compared to Rs. 3.9 Bn in the previous year. The Group's short term debts stood at Rs. 7.2 Bn against Rs. 3.8 Bn a year ago. The short term debt of the Company as at 31st March 2018 came to Rs. 3.4 Bn compared to Rs. 2.5 Bn a year ago.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 32.2 Bn by 31st March, 2018 compared to Rs.21.2Bn in the previous year. The value of the Company's property, plant and equipment was Rs. 15.4 Bn compared to Rs. 13.5 Bn a year earlier.

The Group's total capital expenditure for the year under review was Rs. 7.2 Bn from Rs. 4.6 Bn in the previous year.

A total of Rs. 832.3 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 Group recorded total current assets of Rs. 7.7 Bn as at 31st March, 2018, against Rs. 7.6 Bn in the previous year the Group.

The total current assets of the Company stood at Rs. 5.6 Bn compared to Rs. 4.4 Bn in the previous financial year.

Statutory Payments

The Directors to the best of their knowledge are satisfied that all statutory financial obligations 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 84 of this annual report.

Post-balance Sheet Events

Please refer note 38 on page 138.

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, 2018, are given in notes 31 on page 125 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 84.

Shareholders' Information

This information provided on pages 139 to 142 of this annual report.

Substantial Shareholdings

The 20 major shareholders and the percentage held by each of them as at 31st March, 2018 are given on pages 141 to 142.

Equitable Treatment to Shareholders

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

Risk Management

The directors have established and adhere 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 on pages 73 to 75 of this report.

Auditors

The independent auditors report on the financial statements is given on pages 85 to 86 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 on page 105 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 on page 92 of the Annual Report.

Annual General Meeting

The Annual General Meeting will be held on 30th August 2018. The notice of the Annual General Meeting appears on page 147.

Mr. S R Gnanam
Managing Director

Mr. W C Fernando
Executive Director

Seccom (Pvt) Limited
Company Secretaries

26th July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

This statement is issued in compliance with the Companies Act No 7 of 2007 provisions that the Directors of the Company are responsible for the preparation and presentation of the financial statements and other statutory reports.

- In terms of Section 150(1),151,152(1) & 153 of the Companies Act No 7 of 2007, the Directors are responsible to ensure compliance with requirements set out therein, 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 and other comprehensive income of the Company and its subsidiaries of the Group for the financial year.
- In terms of Section 148 of the Companies Act No 7 of 2007, the 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.
- The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard, 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 also 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.
- In accordance with the above requirement, the responsibility of the Directors in relation to the financial statements of Tokyo Cement Company (Lanka) PLC and the consolidated financial statements of the Group are set out herein.
- The Directors of Tokyo Cement Company (Lanka) PLC confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2018, incorporated in this report, conform to the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act No 07, 2007, and the Listing Rules of the Colombo Stock Exchange.
- The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.
- The financial statements consist of :
  - The Statement of Profit or Loss and Statement of 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
  - The Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- The Board of Directors confirm that the Company and the Group's Consolidated Statement of Financial Position as at 31st March 2018 and the Statement of Profit or Loss and Statement of Other Comprehensive Income for the Company and the Group for the financial year ended 31st March 2018 reflect a true and fair view of the Company and the Group, respectively.
- The Directors have adopted the going concern basis in preparing the financial statements. 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 responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.
- The Auditors were provided with the opportunity to make appropriate inspections of financial records, minutes of Shareholders and Directors' meetings and other documents and carry out review and sample check the system of internal controls as they considered appropriate and necessary to enable them to form an opinion of the Financial Statements.
- Statutory payments: 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 31 to the financial statements covering contingent liabilities.

The Directors also state that they promote sound business ethics and safety standards, and a culture of compliance within the Group, as a responsible corporate citizen.

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

Seccom (Private) Limited
Company Secretaries

26th July 2018

BDO

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Sri Lanka

TO THE SHAREHOLDERS OF TOKYO CEMENT COMPANY (LANKA) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tokyo Cement Company (Lanka) PLC ('the Company') and the consolidated financial statements of the Company and its subsidiaries ('the Group'), which comprise the statement of financial position as at 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 92 to 138.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of Inventories

The Company and Group had net inventories of Rs. 1,256,856,460 and Rs. 2,530,053,894 respectively as at 31st March 2018, which represented 22% and 33% of the Company's and Group's current assets respectively.

The inventory management and controls system relating to inventory maintenance and recording is centralized at the Group level. Further, the value of inventories involves a significant management estimate by the Group at the end of the reporting period.

The calculation of inventory quantity is performed based on the consumption of each individual inventory categories reported by each component and through verification by management. Further, the calculation of inventory quantity involves measurement factors determined by external surveyor engaged by the Group.

Therefore, the significance of the inventory balance together with the significant management judgement involved has resulted in the measurement of inventories being identified as a key audit matter.

We have performed following audit procedures, among others to address this matter:

- Understanding and evaluating the methodology applied by management to record all appropriate costs into the inventory model;
- Understanding and evaluating the key internal controls surrounding the management's estimate on inventory calculation;
- Testing of the underlying formulas used in the calculations and the validity of data used for such calculations;
- Reading the external surveyor's report and understanding the key estimates and the approach taken by the surveyor in determining the calculation and also assessing the competency, capability and objectivity of the external surveyor engaged by the Group;
- Attending the year end physical inventory verification and performing test counts to confirm the existence of inventory items as well as spot checks to consider whether selected samples have been appropriately included in the inventory calculation;
- Assessing the adequacy of the related disclosures for inventories in the financial statements.

The disclosures associated with inventories are set out on Note 17 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4324.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo

26th July 2018
SSR/cc

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. H.Sasanka Rathnaweera FCA, ACMA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA.
Hasanthi D.Amarakoon ACA, ACMA. R. Vasanthakumar Bsc (Acc), ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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For the year ended 31st March 2018	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Turnover		35,632,695,587	35,701,445,003	20,649,180,337	24,419,713,304
Cost of sales		(27,160,581,079)	(26,760,881,930)	(17,437,899,224)	(19,420,344,302)
Gross profit		8,472,114,508	8,940,563,073	3,211,281,113	4,999,369,002
Other income	5	263,083,772	169,653,784	5,465,542,043	2,299,599,051
		8,735,198,280	9,110,216,857	8,676,823,156	7,298,968,053
Distribution expenses		(3,623,265,490)	(3,108,467,699)	(1,811,484,481)	(1,824,391,760)
Administrative expenses		(1,630,772,750)	(1,485,838,210)	(1,063,589,418)	(990,583,606)
Profit from operations		3,481,160,040	4,515,910,948	5,801,749,257	4,483,992,687
Finance income	6	57,544,067	94,617,097	13,271,146	24,682,035
Finance expenses	7	(967,125,072)	(532,878,807)	(685,649,851)	(532,325,177)
Profit before taxation	8	2,571,579,035	4,077,649,238	5,129,370,552	3,976,349,545
Income tax expenses	9	(242,830,350)	(676,626,913)	(814,123)	(478,744,727)
Profit for the year		2,328,748,685	3,401,022,325	5,128,556,429	3,497,604,818
Other comprehensive income					
Items that will not be re-classified to the statement of profit or loss					
Re-measurement of defined benefit obligation		(27,171,164)	3,090,233	(17,241,493)	2,007,038
Net other comprehensive income not to be re-classified to income statement in subsequent period		(27,171,164)	3,090,233	(17,241,493)	2,007,038
Tax relating to components of other comprehensive income		(8,888,555)	252,679	(3,818,960)	252,679
Total other comprehensive income for the period net of tax		(36,059,719)	3,342,912	(21,060,453)	2,259,717
Total comprehensive income for the year		2,292,688,966	3,404,365,237	5,107,495,976	3,499,864,535
Profit for the year attributable to:					
Owners of the parent		2,343,493,553	3,397,836,436	5,128,556,429	3,497,604,818
Non-controlling interest		(14,744,868)	3,185,889	-	-
Profit for the year		2,328,748,685	3,401,022,325	5,128,556,429	3,497,604,818
Total comprehensive income for the year attributable to:					
Owners of the parent		2,307,406,523	3,401,179,348	5,107,495,976	3,499,864,535
Non-controlling interest		(14,717,557)	3,185,889	-	-
Total comprehensive income for the year		2,292,688,966	3,404,365,237	5,107,495,976	3,499,864,535
Basic earnings per share (Rs.)					
- Voting	10	6.01	10.17	13.16	10.47
- Non voting	10	6.01	10.17	13.16	10.47
Dividend per share					
- Voting	11	-	-	1.25	1.87
- Non voting	11	-	-	1.25	1.87

Figures in brackets indicate deductions.
The accounting policies and notes from pages 92 to 138 form an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

As at 31st March, 2018	Note	Group 31st March 2018 Rs.	Group 31st March 2017 Rs.	Company 31st March 2018 Rs.	Company 31st March 2017 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	23,819,626,901	13,147,402,395	9,047,088,733	7,884,757,861
Capital work-in-progress	13	2,952,631,787	7,602,545,748	2,945,931,335	1,091,017,485
Intangible assets	14	52,718,432	68,436,140	11,378,578	18,751,438
Investments in subsidiaries	15	-	-	9,959,106,780	7,496,099,160
Operating lease prepayment	16	431,370,016	58,580,317	431,370,016	58,580,317
Total non-current assets		27,256,347,136	20,876,964,600	22,394,875,442	16,549,206,261
Current assets					
Inventories	17	2,530,053,894	2,001,600,714	1,256,856,460	876,166,154
Trade and other receivables	18	4,176,679,483	3,025,990,482	2,647,006,430	1,934,375,800
Operating lease prepayment	16	4,726,317	4,726,317	4,726,317	4,726,317
Tax receivables	19	309,505,423	-	300,762,091	-
Amount due from subsidiaries	20	-	-	844,379,962	438,834,112
Financial investments	21	6,665,112	6,237,826	-	-
Cash and cash equivalents	22	717,640,562	2,523,940,748	545,804,546	1,194,352,153
Total current assets		7,745,270,791	7,562,496,087	5,599,535,806	4,448,454,536
Total assets		35,001,617,927	28,439,460,687	27,994,411,248	20,997,660,797
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	4,239,611,750	2,893,756,250	4,239,611,750	2,893,756,250
Retained earnings		11,188,957,883	11,478,370,860	10,547,983,245	8,037,306,769
Equity attributable to the owners of the parent		15,428,569,633	14,372,127,110	14,787,594,995	10,931,063,019
Non-controlling interest		61,968,332	52,185,889	-	-
Total equity		15,490,537,965	14,424,312,999	14,787,594,995	10,931,063,019
Non-current liabilities					
Interest bearing borrowings	24	5,761,474,783	4,886,979,983	5,160,984,916	3,912,481,600
Deferred tax liability	25	2,544,478,122	2,355,308,093	1,512,499,880	1,517,920,066
Retirement benefit obligation	26	181,964,627	130,405,612	158,307,430	121,221,280
Lease creditor	27	4,544,173	-	-	-
Total non-current liabilities		8,492,461,705	7,372,693,688	6,831,792,226	5,551,622,946
Current liabilities					
Trade and other payables	28	2,639,278,901	2,001,029,138	1,829,959,167	1,266,429,041
Amount due to subsidiaries	29	-	-	468,065,698	204,321,340
Current tax payable	19	-	274,159,229	-	286,994,103
Interest bearing borrowings	24	7,195,577,921	3,822,448,653	3,370,800,044	2,540,473,212
Lease creditor	27	2,877,154	-	-	-
Bank overdrafts	22	1,180,884,281	544,816,980	706,199,118	216,757,136
Total current liabilities		11,018,618,257	6,642,454,000	6,375,024,027	4,514,974,832
Total equity and liabilities		35,001,617,927	28,439,460,687	27,994,411,248	20,997,660,797
Net asset value per share		38.48	43.01	36.88	32.72

Figures in brackets indicate deductions.
The accounting policies and notes from pages 92 to 138 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. L N Maddegamaarachchi
Assistant General Manager - Finance

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

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Group	Attributable to owners of the parent			Non-controlling interest Rs.	Total equity Rs.
	Stated capital Rs.	Retained earnings Rs.	Total Rs.		
As at 01st April, 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
Comprehensive income for the year					
Profit / (loss) for the year	-	2,343,493,553	2,343,493,553	(14,744,868)	2,328,748,685
Other comprehensive income / (loss)	-	(36,087,030)	(36,087,030)	27,311	(36,059,719)
Total comprehensive income for the year	-	2,307,406,523	2,307,406,523	(14,717,557)	2,292,688,966
Capitalization of reserves during the year	1,345,855,500	(1,345,855,500)	-	-	-
Non controlling interest on acquisition	-	-	-	24,500,000	24,500,000
Dividend paid	-	(1,250,964,000)	(1,250,964,000)	-	(1,250,964,000)
As at 31st March, 2018	4,239,611,750	11,188,957,883	15,428,569,633	61,968,332	15,490,537,965

Company	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01st April 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
Comprehensive income for the year			
Profit for the year	-	5,128,556,429	5,128,556,429
Other comprehensive loss	-	(21,060,453)	(21,060,453)
Total comprehensive income for the year	-	5,107,495,976	5,107,495,976
Capitalization of reserves during the year	1,345,855,500	(1,345,855,500)	-
Dividend paid	-	(1,250,964,000)	(1,250,964,000)
As at 31st March, 2018	4,239,611,750	10,547,983,245	14,787,594,995

Figures in brackets indicate deductions.
The accounting policies and notes from pages 92 to 138 form an integral part of these financial statements.

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STATEMENT OF CASH FLOW

For the year ended 31st March 2018	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Cash flow from operating activities					
Profit before taxation		2,571,579,035	4,077,649,238	5,129,370,552	3,976,349,545
Adjustments for :					
Depreciation		1,149,911,714	1,083,941,725	812,814,533	746,145,554
Amortization of intangible assets		16,724,855	17,232,426	8,380,007	8,887,579
Retirement benefit obligation		34,388,618	24,099,919	29,639,799	21,724,225
Profit on disposal of property, plant and equipment		(248,183,930)	(21,459,791)	(3,189,491)	(21,459,791)
Interest expense		967,125,072	532,878,807	685,649,851	532,325,177
Lease interest		885,191	-	-	-
Amortization of operating lease		4,761,321	4,726,317	4,761,321	4,726,317
Interest income		(57,116,780)	(94,617,097)	(13,271,146)	(24,682,035)
Dividend income		-	-	(5,428,434,138)	(2,102,475,045)
Unabsorbed taxes		-	20,231,514	-	11,091,954
Write back of liabilities		-	(5,941,064)	-	(3,082,515)
Operating profit before working capital changes		4,440,075,096	5,638,741,994	1,225,721,288	3,149,550,965
(Increase)/decrease in inventories		(528,453,180)	(459,588,647)	(380,690,306)	33,279,539
(Increase)/decrease in trade and other receivables		(1,223,383,758)	(383,888,119)	(739,146,638)	(251,484,729)
Increase/(decrease) in trade and other payables		638,249,762	62,608,828	563,530,127	199,614,836
(Increase)/decrease in amount due to/from related parties		-	-	(141,801,492)	(2,245,463,206)
Cash generated from operation		3,326,487,920	4,857,874,056	527,612,979	885,497,405
Interest paid		(967,125,072)	(532,878,807)	(685,649,851)	(532,325,177)
Taxation paid		(573,518,769)	(86,189,141)	(571,293,456)	(76,232,000)
Retirement benefit obligation paid		(10,000,767)	(3,028,482)	(9,795,142)	(2,884,707)
Net cash flow from operating activities		1,775,843,312	4,235,777,626	(739,125,470)	274,055,521
Cash flow from/(used in) investing activities					
Purchase of property, plant and equipment	A	(2,873,154,328)	(811,689,393)	(2,249,236,544)	(679,834,382)
Prepaid operating lease rentals		(377,551,020)	-	(377,551,020)	-
Intangible assets acquired		(1,007,147)	(2,499,000)	(1,007,147)	(2,499,000)
Dividend received		-	-	3,508,525,973	2,102,475,045
Expenditure incurred on capital work-in-progress		(4,312,500,968)	(3,786,719,825)	(2,056,353,098)	(1,045,132,565)
Interest received		57,116,780	94,617,097	13,271,146	24,682,035
Proceeds from sale of property, plant and equipment		270,310,967	29,990,000	3,189,491	29,990,000
Investment/withdrawals on short-term deposits		(427,287)	(362,233)	-	-
Investment in shares - subsidiary		-	-	(67,569,068)	(800,000,000)
Net cash used in investing activities		(7,237,213,003)	(4,476,663,354)	(1,226,730,267)	(370,318,867)
Cash flow from/(used in) financing activities					
Proceeds from issue of shares		24,500,000	-	-	-
Repayment of interest bearing borrowings		(12,935,343,991)	(13,212,257,997)	(8,719,496,009)	(7,873,784,894)
Receipt of interest bearing borrowings		17,182,968,059	15,735,404,647	10,798,326,157	9,301,313,543
Dividend paid		(1,250,964,000)	(451,068,750)	(1,250,964,000)	(451,068,750)
Lease rental paid		(2,157,864)	-	-	-
Net cash from/(used in) financing activities		3,019,002,204	2,072,077,900	827,866,148	976,459,899
Net increase/(decrease) in cash and cash equivalents		(2,442,367,487)	1,831,192,172	(1,137,989,589)	880,196,553
Cash and cash equivalents at the beginning of the year	B	1,979,123,768	147,931,596	977,595,017	97,398,464
Cash and cash equivalents at the end of the year	C	(463,243,719)	1,979,123,768	(160,394,572)	977,595,017

Figures in brackets indicate deductions.
The accounting policies and notes from pages 92 to 138 form an integral part of these financial statements.

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For the year ended 31st March 2018	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Note				
A Purchase of property, plant and equipment				
Total of additions during the year	11,844,263,257	1,348,122,237	2,450,675,792	903,920,446
Less: Transferred from capital work-in-progress	(8,962,414,929)	(536,432,844)	(201,439,248)	(224,086,064)
Lease asset obtained during the year	(8,694,000)	-	-	-
	2,873,154,328	811,689,393	2,249,236,544	679,834,382
B Cash and cash equivalents at the beginning 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
C Cash and cash equivalents at the end of the year				
Bank balances and cash in hand	717,640,562	2,523,940,748	545,804,546	1,194,352,153
Bank overdraft	(1,180,884,281)	(544,816,980)	(706,199,118)	(216,757,136)
	(463,243,719)	1,979,123,768	(160,394,572)	977,595,017

Figures in brackets indicate deductions.
The accounting policies and notes from pages 92 to 138 form an integral part of these financial statements.

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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 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, 2018, 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 and ready mixed concrete and operation of bio mass power plant
Tokyo Super Cement Company Lanka (Pvt) Ltd	Manufacturing and marketing of cement
Tokyo Eastern Cement Company (Pvt) Ltd	Manufacturing and marketing of cement and value added products and operation of bio mass power plant
Tokyo Cement Power (Lanka) (Pvt) Ltd	Generation of power
Tokyo Super Aggregate (Pvt) Ltd	Manufacturing sand and aggregates
Tokyo Supermix (Pvt) Ltd	Manufacturing and marketing of ready mix concrete for the local market (will commence operations in 2018/2019)

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 from 01st April, 2017 to 31st March, 2018.

1.6 Date of authorization for issue

The consolidated financial statements of the Group for the year ended 31st March, 2018 were authorized for issue by the Board of Directors on 26th July, 2018.

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.

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 Lanka 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 Lanka 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 the accounting policies and notes ("financial statements") of the Company and the Group as at 31st March, 2018 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 are 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 it is 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, 2018 (List of subsidiaries are disclosed in note 15 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 the 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 to determine whether or not the company's voting rights in an investee are sufficient to give its 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 the 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 a 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 the loss of control over a subsidiary company effective from the date the Group loses 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 among the Group of 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 is 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 requires 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 the outcome that requires 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, the management has made various judgements.

Those which the 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 the most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Impairment of non-financial assets
b) Deferred tax
c) Retirement 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 is 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 re-measured 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 costs include 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
Barges	10
Computer and other electrical equipment	8
Packer house	20
Landing jetty	20
Batching plant and pumper truck	30
Vessel	32
Cement silo steel (movable)	5
Cement silo steel	20
Vessel dry docking	2.5
Dry docking – special survey	5
Vessel equipment	20
Bio-mass building	30
Bio-mass plant and machinery	30
Bag storage warehouse	10

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 of 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 are 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 are controlled by the Group, and the generated 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 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 apply 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 to ascertain 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 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 a 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 the 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 a 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 include trade and other receivables, cash and cash equivalents which have been explained under note 18 and 22 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 21 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 a 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 assets 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 asset's 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:

a) 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 24 and 28 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 due 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 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.
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 contain in note 26. 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 the 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 the positions taken in the tax returns with respect to the 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 temporarily 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 assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets 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 reversal 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's 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 receivables are 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 the 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 the 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.

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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 to, 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 or non-voting ordinary shares.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT HAVE BEEN ISSUED BUT ARE NOT MANDATORILY EFFECTIVE AS AT 31ST MARCH, 2018

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 9 will become effective for annual period beginning on or after 01st January, 2018 with early adoption permitted. 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 the revenue is recognized. It replaces the existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts".

SLFRS 15 will become effective for annual period beginning on or after 01st January, 2018 with early adoption permitted. 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 introduces 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.

5. OTHER INCOME

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Bio-mass power income (net)	-	35,909,838	-	81,636,570
Profit on disposal of property, plant and equipment	248,183,930	21,459,791	3,189,491	21,459,791
Sale of carbon credit	5,620,487	32,297,254	5,620,487	32,297,254
Exchange gain from import bills	4,085,542	63,742,921	-	27,437,043
Dividend received from subsidiaries	-	-	5,428,434,138	2,102,475,045
Packing income	-	-	22,998,552	20,802,355
Sundry income	5,193,813	10,302,916	5,193,813	10,302,916
Write back of liabilities	-	5,941,064	-	3,082,515
Lease rental income	-	-	105,562	105,562
	263,083,772	169,653,784	5,465,542,043	2,299,599,051

6. FINANCE INCOME

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Interest on repo	6.1	427,287	362,232	-	-
Interest on money market deposit		57,116,780	94,254,865	13,271,146	24,682,035
		57,544,067	94,617,097	13,271,146	24,682,035

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 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 2017/2018. The resulting notional tax credit is amounting to Rs.42,729/= for the Group.

7. FINANCE EXPENSES

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Interest expenses on borrowings		1,114,653,009	695,239,731	677,004,910	466,647,641
Less : Borrowing cost capitalized during the year	7.1(a)	(187,988,264)	(179,333,698)	(114,374,954)	(49,547,945)
Interest on related party borrowing		-	-	107,000,000	110,000,000
Interest on lease		885,191	-	-	-
Interest expenses on bank overdrafts		39,575,136	16,972,774	16,019,895	5,225,481
		967,125,072	532,878,807	685,649,851	532,325,177

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 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 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
A Profit before taxation	2,571,579,035	4,077,649,238	5,129,370,552	3,976,349,545
B Profit before taxation is stated after charging all expenses including the following:				
Depreciation on property, plant and equipment	1,149,911,714	1,083,941,725	812,814,533	746,145,554
Amortization of intangible assets	16,724,855	17,232,426	8,380,007	8,887,579
Directors' emoluments	26,652,152	45,807,368	26,652,152	45,807,368
Auditors' remuneration - Audit services	5,273,025	4,905,816	3,100,000	2,950,000
Charity and donations	2,419,774	3,750,104	985,913	2,852,825
Staff cost including all benefits	1,051,103,168	804,120,737	876,818,760	737,615,643
Defined benefits cost - Retirement benefit obligation	34,388,618	24,099,919	29,639,799	21,724,225
Defined contribution plan cost - E.P.F. and E.T.F.	81,734,818	59,412,012	66,749,828	54,092,630
Amortization of operating lease	4,761,321	4,726,317	4,761,321	4,726,317
Research and development cost	7,749,640	3,141,125	7,691,399	2,504,150
Legal expenses and professional fee	54,759,467	59,533,891	40,603,551	49,625,000
Repairs and maintenance	1,149,392,184	978,340,655	679,813,218	756,778,605
Reimbursement of vessel operational expenses	691,815,524	685,236,030	447,147,862	473,965,395
NBT expense	715,077,348	626,681,259	423,742,405	414,825,656
Sales commission	779,420,807	724,983,083	393,025,427	416,931,901
Advertisements	184,545,702	149,738,244	64,006,184	37,435,040

9. INCOME TAX EXPENSES

		Group		Company	
	Note	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Current income tax provision	9 A	44,771,766	527,892,899	2,415,349	477,484,445
Deferred taxation	9 B	198,058,584	148,734,014	(1,601,226)	1,260,282
		242,830,350	676,626,913	814,123	478,744,727

9. INCOME TAX EXPENSES (CONTD.)

9A Income tax

Reconciliation between current tax expense/(income) and the product of accounting profit

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Profit before taxation		2,571,579,035	4,077,649,238	5,129,370,552	3,976,349,545
Other comprehensive income		(27,171,164)	3,090,233	(17,241,493)	2,007,038
Less : Income considered separately		(6,231,709)	(1,753,671,309)	(5,428,434,138)	(2,102,475,045)
Profit from trade or business		2,538,176,162	2,327,068,162	(316,305,079)	1,875,881,538
Less: Exempt profit	9A.2	(3,314,155,082)	(1,876,115,861)	(377,020,463)	(24,683,083)
Taxable profit from trade or business		(775,978,920)	450,952,301	(693,325,542)	1,851,198,455
Income considered separately		159,899,166	1,753,671,309	8,626,245	24,683,083
Income taxable @ 12%		-	(205,812,602)	-	(205,812,602)
Liable other income		159,899,166	1,547,858,707	8,626,245	(181,129,519)
Taxable profit		159,899,166	1,998,811,008	8,626,245	1,670,068,936
Tax rates for the year		28% & 12%	28% & 12%	28% & 12%	28% & 12%
Tax rates for the year		28%	28%	28%	28%
Tax effect on chargeable profits @ 28%		44,771,766	559,667,082	2,415,349	467,619,302
Tax effect on chargeable profits @ 12%		-	24,697,512	-	24,697,512
Tax effect of disallowable expenses in determining taxable income/(loss)		326,699,743	312,782,593	287,216,669	235,282,593
Tax effect on allowable expenses in determining taxable income /(loss)		(448,600,460)	(338,454,288)	(417,845,147)	(250,114,962)
Group tax effect on intercompany taxable income		(29,960,000)	(30,800,000)	-	-
		44,771,766	527,892,899	2,415,349	477,484,445
Tax effect on deduction under section 32		-	-	-	-
Current income tax provision for the year		44,771,766	527,892,899	2,415,349	477,484,445
Tax loss carried forward to the Y/A 2018/2019		693,325,542	-	693,325,542	-

9A.1 Current tax attributable to profit or loss and other comprehensive income/(loss)

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Tax attributable to profit or loss	9	44,771,766	527,892,899	2,415,349	477,484,445
Tax attributable to other comprehensive income	9B	8,888,555	(252,679)	3,818,960	(252,679)

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, Tokyo Cement Power (Lanka) (Pvt) Ltd and Tokyo Eastern Cement Company (Pvt) Ltd were exempted from income tax under BOI law.

9B Deferred tax expenses

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Statement of profit or loss				
Accelerated depreciation for tax purposes on freehold property	259,826,381	148,910,547	55,482,118	5,973,376
Benefit arising from tax loss	(50,518,182)	-	(50,518,182)	-
Retirement benefit liabilities	(11,249,615)	(176,533)	(6,565,162)	(4,713,094)
	198,058,584	148,734,014	(1,601,226)	1,260,282
Other comprehensive income				
Tax attributable to other comprehensive income	(8,888,555)	252,679	(3,818,960)	252,679
	189,170,029	148,986,693	(5,420,186)	1,512,961

9B.1 Deferred tax has been calculated at 28%, 15% and 12% 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 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Amount used as the numerator:				
Profit attributable to owners of the parent	2,343,493,553	3,397,836,436	5,128,556,429	3,497,604,818
	2,343,493,553	3,397,836,436	5,128,556,429	3,497,604,818
Number of ordinary shares used as the denominator:	**Nos.**	Nos.	**Nos.**	Nos.
Weighted average number of shares at the year end	389,781,986	334,125,000	389,781,986	334,125,000
- Ordinary voting shares	267,300,000	222,750,000	267,300,000	222,750,000
- Ordinary non-voting shares	133,650,000	111,375,000	133,650,000	111,375,000
Basic earnings per share (Rupee per share)				
- Ordinary voting shares	6.01	10.17	13.16	10.47
- Ordinary non-voting shares	6.01	10.17	13.16	10.47

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

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Final dividends				
- Ordinary voting shares	-	-	1.25	1.87
- Ordinary non-voting shares	-	-	1.25	1.87

12. PROPERTY, PLANT AND EQUIPMENT

12.A Group

Item	Cost/Valuation			
	As at 01.04.2017 Rs.	Additions Rs.	Disposals / Reinstatement Rs.	As at 31.03.2018 Rs.
Freehold land	756,520,263	288,762,778	-	1,045,283,041
Factory buildings	1,729,892,286	774,828,130	-	2,504,720,416
Generator house	22,558,795	-	-	22,558,795
Other buildings	719,222,492	92,820,155	-	812,042,647
Plant and machinery	6,112,995,782	3,563,367,053	892,750	9,675,470,085
Power plant	221,083,463	-	-	221,083,463
Factory and other equipment	620,356,255	42,573,395	-	662,929,650
Laboratory equipment	109,807,540	18,841,046	-	128,648,586
Office equipment	26,867,563	12,284,880	-	39,152,443
Generators	68,337,390	-	9,101,629	59,235,761
Recycling system	3,929,015	-	-	3,929,015
Furniture and fittings	34,934,522	6,134,592	-	41,069,114
Vehicles	1,790,123,096	373,948,798	1,165,178	2,162,906,716
Bulk cement carriers	12,637,344	-	-	12,637,344
Cement silos	486,932,907	1,895,271,690	-	2,382,204,597
Cement silos - steel	260,775,686	-	-	260,775,686
Tug boat	8,940,227	-	-	8,940,227
Railway platform	7,263,915	-	-	7,263,915
Barges	8,354,413	17,577,365	-	25,931,778
Computer and other electronic equipment	142,283,986	29,231,016	-	171,515,002
Packer house	171,738,244	-	-	171,738,244
Landing jetty	69,837,150	-	-	69,837,150
Batching plant	1,000,845,128	242,119,099	-	1,242,964,227
Vessel	3,338,058,349	1,442,238,523	694,800,000	4,085,496,872
Vessel dry docking	627,619,095	222,302,271	126,307,683	723,613,683
Bio-mass building	220,637,920	501,854,022	-	722,491,942
Bio-mass plant and machinery	2,541,276,607	2,311,414,444	-	4,852,691,051
Bag storage warehouse - Dambulla	64,711,746	-	-	64,711,746
	21,178,541,179	11,835,569,257	832,267,240	32,181,843,196
Leasehold assets				
Motor vehicles	-	8,694,000	-	8,694,000
Total	21,178,541,179	11,844,263,257	832,267,240	32,190,537,196

Depreciation				Written down value	
As at 01.04.2017 Rs.	Charge for the year Rs.	On Disposals / Reinstatement Rs.	As at 31.03.2018 Rs.	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
-	-	-	-	1,045,283,041	756,520,263
340,269,333	44,789,497	-	385,058,830	2,119,661,586	1,389,622,953
22,555,359	3,436	-	22,558,795	-	3,436
419,487,055	54,076,407	-	473,563,462	338,479,185	299,735,437
1,537,550,513	228,162,803	30,000	1,765,683,316	7,909,786,769	4,575,445,269
153,086,787	508,116	-	153,594,903	67,488,560	67,996,676
287,717,744	27,125,027	-	314,842,771	348,086,879	332,638,511
41,856,947	8,419,996	-	50,276,943	78,371,643	67,950,593
22,263,716	4,164,003	-	26,427,719	12,724,724	4,603,847
36,983,501	5,938,581	3,709,429	39,212,653	20,023,108	31,353,889
1,249,892	196,452	-	1,446,344	2,482,671	2,679,123
23,650,049	6,846,962	-	30,497,011	10,572,103	11,284,473
1,121,537,877	236,903,691	1,165,178	1,357,276,390	805,630,326	668,585,219
2,567,388	574,428	-	3,141,816	9,495,528	10,069,956
231,146,694	35,745,285	-	266,891,979	2,115,312,618	255,786,213
37,944,577	2,679,307	-	40,623,884	220,151,802	222,831,109
6,138,434	816,164	-	6,954,598	1,985,629	2,801,793
1,452,783	242,136	-	1,694,919	5,568,996	5,811,132
766,988	383,448	-	1,150,436	24,781,342	7,587,425
100,023,578	17,863,071	-	117,886,649	53,628,353	42,260,408
54,974,115	7,546,824	-	62,520,939	109,217,305	116,764,129
57,134,379	3,491,856	-	60,626,235	9,210,915	12,702,771
176,780,567	56,594,377	-	233,374,944	1,009,589,283	824,064,561
2,133,980,804	190,419,072	694,800,000	1,629,599,876	2,455,896,996	1,204,077,545
415,654,295	116,628,352	110,435,596	421,847,051	301,766,632	211,964,800
70,588,413	7,145,220	-	77,733,633	644,758,309	150,049,507
701,839,090	84,856,441	-	786,695,531	4,065,995,520	1,839,437,517
31,937,906	6,471,180	-	38,409,086	26,302,660	32,773,840
8,031,138,784	1,148,592,132	810,140,203	8,369,590,713	23,812,252,483	13,147,402,395
-	1,319,582	-	1,319,582	7,374,418	-
8,031,138,784	1,149,911,714	810,140,203	8,370,910,295	23,819,626,901	13,147,402,395

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.B Company

Item	Cost/Valuation			
	As at 01.04.2017 Rs.	Additions Rs.	Disposals / Reinstatement Rs.	As at 31.03.2018 Rs.
Freehold land	667,975,269	-	453,447,053	214,528,216
Factory buildings	327,782,498	1,506,995	-	329,289,493
Generator house	22,558,795	-	-	22,558,795
Other buildings	603,574,332	88,571,995	27,111,331	665,034,996
Plant and machinery	2,051,735,161	190,928,065	-	2,242,663,226
Power plant	210,267,852	-	-	210,267,852
Factory and other equipment	566,051,649	4,530,510	-	570,582,159
Laboratory equipment	107,208,488	17,135,646	-	124,344,134
Office equipment	19,594,785	9,585,470	-	29,180,255
Generators	59,162,662	-	-	59,162,662
Recycling system	3,929,015	-	-	3,929,015
Furniture and fittings	27,987,420	4,077,429	-	32,064,849
Vehicles	1,482,880,755	217,116,379	1,165,178	1,698,831,956
Bulk cement carriers	12,637,344	-	-	12,637,344
Cement silos	474,728,202	30,857,652	-	505,585,854
Cement silos - steel	260,175,686	-	-	260,175,686
Tug boat	8,940,227		-	8,940,227
Railway platform	7,263,915	-	-	7,263,915
Barges	6,573,428	17,577,365	-	24,150,793
Computer and other electronic equipment	131,297,621	18,121,150	-	149,418,771
Packer house	153,618,474	-	-	153,618,474
Landing jetty	69,837,150	-	-	69,837,150
Batching plant	1,000,845,128	179,897,931	-	1,180,743,059
Vessel dry docking	438,961,043	222,302,271	-	661,263,314
Bio-mass building	220,637,920	-	-	220,637,920
Bio-mass plant and machinery	2,541,276,607	6,228,411	-	2,547,505,018
Vessel	2,005,284,463	1,442,238,523	-	3,447,522,986
Grand total	13,482,785,889	2,450,675,792	481,723,562	15,451,738,119

Depreciation				Written down value	
As at 01.04.2017 Rs.	Charge for the year Rs.	On Disposals / Reinstatement Rs.	As at 31.03.2018 Rs.	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
-	-	-	-	214,528,216	667,975,269
143,207,395	2,856,741	-	146,064,136	183,225,357	184,575,103
22,555,359	3,436	-	22,558,795	-	3,436
402,489,841	47,543,715	5,027,997	445,005,559	220,029,437	201,084,491
1,041,812,544	44,893,152	-	1,086,705,696	1,155,957,530	1,009,922,617
152,536,158	508,116	-	153,044,274	57,223,578	57,731,694
263,393,911	21,091,286	-	284,485,197	286,096,962	302,657,738
41,810,656	7,993,551	-	49,804,207	74,539,927	65,397,832
18,816,551	3,463,209	-	22,279,760	6,900,495	778,234
33,701,016	5,713,956	-	39,414,972	19,747,690	25,461,646
1,249,892	196,452	-	1,446,344	2,482,671	2,679,123
21,889,674	4,134,793	-	26,024,467	6,040,382	6,097,746
993,849,554	183,910,112	1,165,178	1,176,594,488	522,237,468	489,031,201
2,567,388	574,428	-	3,141,816	9,495,528	10,069,956
187,239,612	13,300,400	-	200,540,012	305,045,842	287,488,590
37,344,577	2,679,307	-	40,023,884	220,151,802	222,831,109
6,138,434	816,164	-	6,954,598	1,985,629	2,801,793
1,452,783	242,136	-	1,694,919	5,568,996	5,811,132
766,988	383,448	-	1,150,436	23,000,357	5,806,440
98,189,702	16,156,581	-	114,346,283	35,072,488	33,107,919
52,733,253	7,546,824	-	60,280,077	93,338,397	100,885,221
57,295,201	3,491,856	-	60,787,057	9,050,093	12,541,949
176,619,744	56,594,377	-	233,214,121	947,528,938	824,225,384
251,288,843	108,207,840	-	359,496,683	301,766,631	187,672,200
70,588,412	7,145,220	-	77,733,632	142,904,288	150,049,508
701,839,087	84,856,441	-	786,695,528	1,760,809,490	1,839,437,520
816,651,453	188,510,992	-	1,005,162,445	2,442,360,541	1,188,633,010
5,598,028,028	812,814,533	6,193,175	6,404,649,386	9,047,088,733	7,884,757,861

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	1,242,073,740	-
	Elpitiya	Acres 7.50	3	111,344,366	17,906,600
	Colombo	Perches 40.90	-	-	180,982,714
	Peliyagoda (leasehold)	Acres 1.9	5	28,011,803	-
	Negombo land 01-CLC plant	Acres 2.04	-	-	15,638,902
b) Tokyo Super Cement Company Lanka (Pvt) Ltd	Cod bay, China bay, Trincomalee (leasehold)	Perches 16.89	2	708,484,251	-
	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, Trincomalee (leasehold)	Hect 4.77	8	1,254,442,407	-
e) Tokyo Super Aggregate (Pvt) Ltd	Dompe	Acres 10.5		76,138,581	60,531,300
f) Tokyo Supermix (Pvt) Ltd	Jaffna	Acres 6.5	2	-	8,835,685
	Negombo land 01 - Batching plant	Acres 1.97	1	14,051,557	32,859,000
	Kandy land	Acres 1.52	-	-	49,933,848
	Weligama land	Acres 12	1	13,059,773	93,682,327
	Meethotamulla land	Acres 2.1	-	-	244,579,102
	Anuradhapura land	Acres 2.31	-	-	45,816,160
	Naula land	Acres 10	-	-	19,469,800
	Rathmalana land	Acres 1	2	20,732,747	249,599,400

During the year company has disposed its land and building which has net book value of Rs. 453,447,053 and Rs. 22,083,334 respectively to its fully owned subsidiary Tokyo Supermix (Private) Limited.

13. CAPITAL WORK-IN-PROGRESS

13.A Group

Description	Balance as at 01.04.2017 Rs.	Expenses incurred during the year Rs.	Capitalized/ charged during the year Rs.	**Balance as at 31.03.2018 Rs.**	Balance as at 31.03.2017 Rs.
ERP implementation	44,128,875	13,130,784	-	57,259,659	44,128,875
Resource planning project	90,965,444	15,641,800	-	106,607,244	90,965,444
Batching plants	69,263,053	120,067,026	170,621,634	18,708,445	69,263,053
Tile motor plant	142,110,629	10,608,265	149,034,046	3,684,848	142,110,629
Cement grinding mill	4,227,944,995	1,576,294,892	5,804,239,887	-	4,227,944,995
Bio-mass power plant	2,140,810,946	666,229,109	2,807,040,055	-	2,140,810,946
Jetty expansion project	843,970,112	830,295,940	-	1,674,266,052	843,970,112
Unloading system for jetty expansion project	-	798,553,995	-	798,553,995	-
Engineers quarters	13,168,184	72,065	13,240,249		13,168,184
Material storage yard	-	3,015,602	-	3,015,602	-
Automation of Chinese silo extension	661,693	-	661,693	-	661,693
Barge work	16,133,615	1,443,750	17,577,365	-	16,133,615
Head office building	10,714,286	-	-	10,714,286	10,714,286
New housing scheme	2,673,916	42,034,397	-	44,708,313	2,673,916
New packing plant	-	129,259,062	-	129,259,062	-
Technical building	-	105,854,281	-	105,854,281	-
Total	7,602,545,748	4,312,500,968	8,962,414,929	2,952,631,787	7,602,545,748

13.B Company

Description	Balance as at 01.04.2017 Rs.	Expenses incurred during the year Rs.	Capitalized/ charged during the year Rs.	**Balance as at 31.03.2018 Rs.**	Balance as at 31.03.2017 Rs.
ERP implementation	44,128,875	13,130,784	-	57,259,659	44,128,875
Resource planning project	90,965,444	15,641,800	-	106,607,244	90,965,444
Jetty expansion project	843,970,112	830,295,939	-	1,674,266,051	843,970,112
Unloading system for jetty expansion project	-	798,553,995	-	798,553,995	-
Trinco batching plant	6,626,333	118,428,935	125,055,268	-	6,626,333
Aladeniya batching plant	8,656,059	1,638,091	-	10,294,150	8,656,059
Elpitiya CLC plant	45,566,366	-	45,566,366		45,566,366
Negombo CLC plant	8,414,295	-	-	8,414,295	8,414,295
Engineers quarters	13,168,184	72,065	13,240,249	-	13,168,184
Barge work	16,133,615	1,443,750	17,577,365	-	16,133,615
Head office building	10,714,286	-	-	10,714,286	10,714,286
New housing scheme	2,673,916	42,034,396	-	44,708,312	2,673,916
New packing plant	-	129,259,062	-	129,259,062	-
Technical building	-	105,854,281	-	105,854,281	-
Total	1,091,017,485	2,056,353,098	201,439,248	2,945,931,335	1,091,017,485

14. INTANGIBLE ASSETS

Group

Item	Note	Written down value As at 31.03.2018 Rs.	Written down value As at 31.03.2017 Rs.
Goodwill		32,995,007	32,995,007
Accounting and related software	14.1	19,723,425	35,441,133
		52,718,432	68,436,140

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. 160.50 to Rs. 166.50 through the period made by considering the past experience and external source of information which has been approved by the Board of Directors.

14.1 Accounting and related software

14.1.A Group

Item	Cost/Valuation			Depreciation			Written down value	
	As at 01.04.2017 Rs.	Additions Rs.	As at 31.03.2018 Rs.	As at 01.04.2017 Rs.	For the year Rs.	As at 31.03.2018 Rs.	As at 31.03.2018 Rs.	As at 01.04.2017 Rs.
ABAS ERP solution system	75,839,104	-	75,839,104	42,459,717	16,689,696	59,149,413	16,689,691	33,379,387
H Senid HRM-Payroll enterprise system	2,974,000	1,007,147	3,981,147	947,413	-	947,413	3,033,734	2,026,587
Weigh bridge intergration software	562,541	-	562,541	527,382	35,159	562,541	-	35,159
	79,375,645	1,007,147	80,382,792	43,934,512	16,724,855	60,659,367	19,723,425	35,441,133

14.1 B Company

Item	Cost/Valuation			Depreciation			Written down value	
	As at 01.04.2017 Rs.	Additions Rs.	As at 31.03.2018 Rs.	As at 01.04.2017 Rs.	For the year Rs.	As at 31.03.2018 Rs.	As at 31.03.2018 Rs.	As at 01.04.2017 Rs.
ABAS ERP solution system	33,379,388	-	33,379,388	16,689,696	8,344,848	25,034,544	8,344,844	16,689,692
H Senid HRM-Payroll enterprise system	2,974,000	1,007,147	3,981,147	947,413	-	947,413	3,033,734	2,026,587
Weigh bridge intergration software	562,541	-	562,541	527,382	35,159	562,541	-	35,159
	36,915,929	1,007,147	37,923,076	18,164,491	8,380,007	26,544,498	11,378,578	18,751,438

15. INVESTMENTS IN SUBSIDIARIES

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Tokyo Super Cement Company Lanka (Pvt) Ltd				
Ordinary shares (81,433,493 shares)	-	-	4,865,006,314	2,945,098,150
Tokyo Cement Power (Lanka) (Pvt) Ltd				
Ordinary shares (2,200,000,010 shares)	-	-	2,200,000,010	2,200,000,010
Tokyo Eastern Cement Company (Pvt) Ltd				
Ordinary shares (2,300,001,000 shares)	-	-	2,300,001,000	2,300,001,000
Tokyo Super Aggregate (Pvt) Limited				
Ordinary shares (76,500,000 shares)	-	-	76,500,000	51,000,000
Tokyo Supermix (Pvt) Ltd				
Ordinary shares (456,012,544 shares)	-	-	517,599,456	-
	-	-	9,959,106,780	7,496,099,160

15.1 Partly - owned subsidiaries

	2017/2018	2016/2017
Name of the company		
Tokyo Super Aggregate (Pvt) Limited	51%	51%
Accumulated balances of non-controlling interests:		
Tokyo Super Aggregate (Pvt) Limited	61,968,332	52,185,889

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

15.1.1 Summarize statement of profit or loss and other comprehensive income

	2017/2018 Rs.	2016/2017 Rs.
Total comprehensive income for the year	(30,035,830)	6,501,815

15.1.2 Summarised statement of financial position

	2017/2018 Rs.	2016/2017 Rs.
Non-current assets	363,710,075	362,531,510
Current assets	103,848,449	87,895,887
Total assets	467,558,524	450,427,397
Capital and reserve	126,465,986	106,507,815
Non-current liabilities	154,315,433	127,146,075
Current liabilities	186,777,105	216,779,507
Total equity and liabilities	467,558,524	450,433,397

15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

15.1.3 Summarised statement of cash flow information

	2017/2018 Rs.	2016/2017 Rs.
Cash flows from operating activities	49,722,494	(60,443,861)
Cash flows used in investing activities	(21,711,064)	(150,740,086)
Cash flows from financing activities	49,990,746	44,980,411
	78,002,176	(166,203,536)

16. OPERATING LEASE PREPAYMENT

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year	63,306,634	68,032,951	63,306,634	68,032,951
Addition during the year	377,551,020	-	377,551,020	
Amortization during the year	(4,761,321)	(4,726,317)	(4,761,321)	(4,726,317)
At the end of the year	436,096,333	63,306,634	436,096,333	63,306,634
Less: Current portion of pre-payment	(4,726,317)	(4,726,317)	(4,726,317)	(4,726,317)
Non current portion of pre-payment	431,370,016	58,580,317	431,370,016	58,580,317

16.1 Pre-paid lease rentals to acquire the rights to use have been classified as operating lease prepayment and are amortized over the lease term in accordance with the pattern of benefits provided.

The current year addition reflects only a part payment made to acquire the leasehold land. However, the use of the leased asset has not been obtained during the current financial year.

17. INVENTORIES

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Raw material	1,020,284,348	459,952,316	358,354,687	167,651,962
Finished goods	809,379,290	741,443,764	534,589,656	585,998,612
Packing materials	260,344,034	150,885,581	158,513,053	8,709,468
Spares and consumables	411,192,812	457,847,850	184,238,600	95,585,870
Goods - in - transit	28,853,410	191,471,203	21,160,464	18,220,242
	2,530,053,894	2,001,600,714	1,256,856,460	876,166,154

The inventories have been pledged against borrowings as disclosed in note no 32.

18. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Trade debtors - Related Parties	18.1	217,898,713	108,844,090	229,014,061	134,520,845
- Others		2,466,274,722	2,089,885,098	1,720,000,729	1,558,881,687
		2,684,173,435	2,198,729,188	1,949,014,790	1,693,402,532
Less: Provision for impairment		(8,315,639)	(8,315,639)	(8,315,639)	(8,315,639)
		2,675,857,796	2,190,413,549	1,940,699,151	1,685,086,893
Deposits, advances and pre-payments		458,001,446	383,059,321	280,659,546	174,553,103
Other receivables		1,042,820,241	452,517,612	425,647,733	74,735,804
		4,176,679,483	3,025,990,482	2,647,006,430	1,934,375,800

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

18.1 Trade debtors - Related parties

Name of the related party	Nature of the relationship	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Tokyo Super Cement Company Lanka (Pvt) Ltd	Subsidiary	-	-	4,832,760	-
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	6,282,588	25,676,755
Rhino Roofing Products Ltd	Common directors (Note 33.1)	87,921,756	62,621,152	87,921,756	62,621,152
Rhino Products Ltd	Common directors (Note 33.1)	123,567,257	46,222,938	123,567,257	46,222,938
El-Toro Roofing Products (Pvt) Ltd	Common directors (Note 33.1)	6,408,260	-	6,408,260	-
St Anthony's Home mart (Pvt) Ltd	Common directors (Note 33.1)	1,440	-	1,440	-
		217,898,713	108,844,090	229,014,061	134,520,845

18.2 Mitigation of credit risk exposure

The management reviews impairment indications of each debtor on individual basis and fair value of trade debtors is 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. TAX RECEIVABLES/ (PAYABLES)

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
At the beginning of the year	(274,159,229)	16,169,482	(286,994,103)	19,360,902
Taxation for the year	(44,771,766)	(527,892,899)	(2,415,349)	(477,484,445)
	(318,930,995)	(511,723,417)	(289,409,452)	(458,123,543)
Add: ESC paid	96,849,935	223,745,662	60,810,373	173,438,704
WHT paid	1,327,115	8,665,523	1,327,115	2,468,308
Tax paid	573,518,769	16,244,457	571,293,456	6,313,882
Setoff Against WHT	(43,259,401)	(11,091,454)	(43,259,401)	(11,091,454)
At the end of the year	309,505,423	(274,159,229)	300,762,091	(286,994,103)

20. AMOUNT DUE FROM SUBSIDIARIES

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Tokyo Supermix (Pvt) Ltd	-	-	11,245,790	-
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	168,932,075	-
Tokyo Eastern Cement Company (Pvt) Ltd	-	-	658,769,563	433,366,503
Tokyo Super Aggregate (Pvt) Ltd	-	-	5,432,534	5,467,609
	-	-	844,379,962	438,834,112

21. FINANCIAL INVESTMENTS

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Held to maturity				
Investments in treasury bills	6,665,112	6,237,826	-	-
	6,665,112	6,237,826	-	-

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Favourable Balances				
Cash at bank	596,028,256	422,234,412	453,917,121	375,321,710
Money market deposits	59,645,516	796,851,422	59,645,516	796,851,422
Call deposits	768,551	1,274,941,622	-	-
Cash in hand	61,198,239	29,913,292	32,241,909	22,179,021
	717,640,562	2,523,940,748	545,804,546	1,194,352,153
Unfavourable Balances				
Bank overdraft	(1,180,884,281)	(544,816,980)	(706,199,118)	(216,757,136)

23. STATED CAPITAL

	Group			
Description	At the beginning of the year 01st April, 2017 Rs.	Capitalized reserve during the year Rs.	At the end of the year 31st March, 2018 Rs.	At the end of the year 31st March, 2017 Rs.
Value of ordinary shares	2,893,756,250	1,345,855,500	4,239,611,750	2,893,756,250
	2,893,756,250	1,345,855,500	4,239,611,750	2,893,756,250

Description	Company			
	At the beginning of the year 01st April, 2017 Rs.	Capitalized reserve during the year Rs.	**At the end of the year 31st March, 2018 Rs.**	At the end of the year 31st March, 2017 Rs.
Value of ordinary shares	2,893,756,250	1,345,855,500	4,239,611,750	2,893,756,250
	2,893,756,250	1,345,855,500	4,239,611,750	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.

23.1 Movement in number of ordinary shares

Description	Group			
	At the beginning of the year 01st April, 2017 Rs.	Capitalized reserve during the year Rs.	**At the end of the year 31st March, 2018 Rs.**	At the end of the year 31st March, 2017 Rs.
Ordinary shares				
- Voting	222,750,000	44,550,000	267,300,000	222,750,000
- Non-voting	111,375,000	22,275,000	133,650,000	111,375,000
	334,125,000	66,825,000	400,950,000	334,125,000

Description	Company			
	At the beginning of the year 01st April, 2017 Rs.	Capitalized reserve during the year Rs.	**At the end of the year 31st March, 2018 Rs.**	At the end of the year 31st March, 2017 Rs.
Ordinary shares				
- Voting	222,750,000	44,550,000	267,300,000	222,750,000
- Non-voting	111,375,000	22,275,000	133,650,000	111,375,000
	334,125,000	66,825,000	400,950,000	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.

23.2 Capitalization of reserve

The Board of Directors have announced at the Board meeting on the 25 April 2017 that Rs. 1,345,855,500 value of revenue reserves are to be capitalized for the issue of shares and according to the decision made by the Board of Directors, 66,825,000 (44,550,000 - Voting, 22,275,000 - Non-Voting) no of new shares were issued on the 31 May 2017 amounting to the value of Rs. 1,345,855,500 (Rs. 1,086,574,500 - Voting, Rs. 259,281,000 - Non-Voting).

24. INTEREST BEARING BORROWINGS

24.1 Long-term interest bearing borrowings

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year		6,497,785,623	3,575,483,930	4,649,998,800	3,512,492,000
Add: Loans obtained during the year		3,102,000,000	3,675,000,000	2,556,000,000	1,600,000,000
		9,599,785,623	7,250,483,930	7,205,998,800	5,112,492,000
Less: Settlements during the year		(2,045,735,640)	(752,698,307)	(1,241,187,200)	(462,493,200)
At the end of the year		7,554,049,983	6,497,785,623	5,964,811,600	4,649,998,800
Current maturity portion	A	1,792,575,200	1,610,805,640	803,826,684	737,517,200
Non-current maturity portion					
- Related parties		-	-	788,422,516	1,000,000,000
- Others		5,761,474,783	4,886,979,983	4,372,562,400	2,912,481,600
		5,761,474,783	4,886,979,983	5,160,984,916	3,912,481,600
		7,554,049,983	6,497,785,623	5,964,811,600	4,649,998,800
Repayable after one year					
Repayable between one and five years		7,430,789,983	6,497,785,623	5,857,411,600	4,649,998,800
Repayable after five years		123,260,000	-	107,400,000	-
		7,554,049,983	6,497,785,623	5,964,811,600	4,649,998,800

24.2 Short-term borrowings

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Import demand loans	24.2.1	4,903,002,721	2,211,643,013	2,566,973,360	1,802,956,012
Working capital loans	24.2.2	500,000,000	-	-	-
	B	5,403,002,721	2,211,643,013	2,566,973,360	1,802,956,012
Total current Interest bearing borrowings	A+B	7,195,577,921	3,822,448,653	3,370,800,044	2,540,473,212

Note:

a) Current and non-current 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 rupees one billion and to be repaid within 6 years including a grace period of 2 years at an interest rate of 10.70%.

24.2.1 Import demand loans

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year	2,211,643,013	2,525,798,056	1,802,956,012	1,427,934,163
Add: Loans obtained during the year	13,580,968,059	12,060,404,647	8,242,326,157	7,701,313,543
Less: Settlements during the year	(10,889,608,351)	(12,374,559,690)	(7,478,308,809)	(7,326,291,694)
At the end of the year	4,903,002,721	2,211,643,013	2,566,973,360	1,802,956,012

24.2.2 Working capital loans

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year	-	85,000,000	-	85,000,000
Add: Loans obtained during the year	500,000,000	-	-	-
Less: Settlements during the year	-	(85,000,000)	-	(85,000,000)
At the end of the year	500,000,000	-	-	-

25. DEFERRED TAX LIABILITY

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year		2,355,308,093	2,206,321,400	1,517,920,066	1,516,407,105
Charged to statement of profit or loss	9.B	189,170,029	148,986,693	(5,420,186)	1,512,961
At the end of the year		2,544,478,122	2,355,308,093	1,512,499,880	1,517,920,066

25.1

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Tax effect on temporary difference on property, plant and equipment	2,784,999,742	2,391,338,168	1,750,957,112	1,551,862,024
Tax effect on temporary difference on retirement benefit obligations	(46,390,468)	(36,030,075)	(44,326,080)	(33,941,958)
	2,738,609,274	2,355,308,093	1,706,631,032	1,517,920,066
Less: Unused tax losses	(194,131,152)	-	(194,131,152)	-
Deffered tax liability	2,544,478,122	2,355,308,093	1,512,499,880	1,517,920,066

25.2 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.

26. RETIREMENT BENEFITS OBLIGATION

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
At the beginning of the year	130,405,612	112,424,408	121,221,280	104,388,800
Actuarial (gain) or loss from change in financial assumption	27,171,164	(3,090,233)	17,241,493	(2,007,038)
Current service cost	17,435,889	12,924,099	13,881,033	11,432,322
Interest cost	16,952,729	11,175,820	15,758,766	10,291,903
Provision for the year	61,559,782	21,009,686	46,881,292	19,717,187
	191,965,394	133,434,094	168,102,572	124,105,987
Payments made during the year	(10,000,767)	(3,028,482)	(9,795,142)	(2,884,707)
At the end of the year	181,964,627	130,405,612	158,307,430	121,221,280

26.1 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 retirement benefit obligation for the year.

	Increase/ (decrease) in discount rate	Increase/ (decrease) in salary escalation rate	Group effect on employee benefit obligation Rs.	Company effect on employee benefit obligation Rs.
	1%	**	169,424,430	149,442,309
	-1%	**	193,309,035	168,520,661
	**	1%	193,661,596	169,237,102
	**	-1%	168,506,110	148,661,166

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 2018	31st March 2017
Discount rate	11.5%	13%
Salary increment rate	10%	10%
Retirement age	55 years	55 years
Employee turnover ratio	2%	2%

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

27. LEASE CREDITOR

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Gross lease creditor				
At the beginning of the year	-	-	-	-
Add: Facility obtained during the year	11,508,611	-	-	-
	11,508,611	-	-	-
Less: Payments made during the year	(2,157,864)	-	-	-
At the end of the year	9,350,747	-	-	-
Interest in Suspense				
At the beginning of the year	-	-	-	-
Add: Due to facility obtained during the year	2,814,611	-	-	-
Less: Charge to the income statement	(885,191)	-	-	-
At the end of the year	1,929,420	-	-	-
Net liability to lease creditors	7,421,327	-	-	-
Current maturity portion	2,877,154	-	-	-
Non-current maturity portion	4,544,173	-	-	-
	7,421,327	-	-	-

Note:
Current and non current portion of finance lease obligation over finance charges and capital repayable has been apportioned between finance lease repayable within one year and repayable after one year.

28. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Bills payable		772,286,971	83,058,097	604,254,501	1,738,107
Expense creditors - Related parties	28.1	2,444,318	35,394,785	32,608,010	84,746,784
- Others		1,031,850,724	986,100,465	792,149,145	985,591,124
Other creditors		832,696,888	896,475,791	400,947,511	194,353,026
		2,639,278,901	2,001,029,138	1,829,959,167	1,266,429,041

28.1 Payable to related parties

Name of the related party	Nature of the relationship	Group		Company	
		31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	5,747,888	-
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	25,431,201	49,351,999
El-Toro Roofing Products (Pvt) Ltd	Common directors (Note 33.1)	-	28,465,021	-	28,465,021
St Anthony's Homemart (Pvt) Ltd	Common directors (Note 33.1)	-	6,929,764	-	6,929,764
St Anthony's Hardware (Pvt) Ltd	Common directors (Note 33.1)	1,428,921	-	1,428,921	-
Orion City Ltd	Common directors (Note 33.1)	1,015,397	-	-	-
		2,444,318	35,394,785	32,608,010	84,746,784

29. AMOUNT DUE TO SUBSIDIARIES

	Group		Company	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Tokyo Super Cement Company Lanka (Pvt) Ltd	-	-	468,065,698	98,282,326
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	-	106,039,014
	-	-	468,065,698	204,321,340

30. CAPITAL AND OTHER COMMITMENTS

30.1 Company

30.1.1 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, 2018 is Rs. 90 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. 2.1 Bn (USD 14.4 Mn). Total cost of project completed as at 31st March, 2018 is Rs. 2.4 Bn with the additional approval for cost overrun.

c) Investment on a proposed resource planning project in Mannar at an estimated cost of Rs.90.9 Mn.Total cost of project completed as at 31st March, 2018 is Rs. 106.6 Mn with the additional approval for cost overrun.

d) Investment on a proposed Colombo Cement Terminal Expansion Project at an estimated cost of Rs.2.2 Bn.Total cost of project completed as at 31st March, 2018 is Rs. 377 Mn.

e) Investment on a proposed packing plant at an estimated cost of Rs. 172 Mn.Total cost of project completed as at 31st March, 2018 is Rs.129Mn.

g) Establishment of a proposed Technical Building at an estimated cost of Rs.454 Mn.Total cost of project completed as at 31st March, 2018 is Rs.105.8 Mn.

30.1.2 Other commitment

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

b) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to purchase Coal Ash from Norochcholai power plant for a period of 5 years commencing from year 2018.

30.2 Subsidiary companies

a) Tokyo Cement Power (Lanka) (Pvt) Ltd

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

b) Tokyo Super Cement Company Lanka (Pvt) Ltd

The Company has entered into agreements with the Ceylon Electricity Board (CEB) to purchase Coal Ash from Norochcholai power plant for a period of 5 years commencing from year 2018.

c) Tokyo Eastern Cement Company (Pvt) Ltd

The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to purchase Coal Ash from Norochcholai power plant for a period of 5 years commencing from year 2018.

31. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

31.1 Contingent liabilities

There were no material contingent liabilities for the Group 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 the 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.

31.2 Contingent assets

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

32. 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 31.03.2018 Rs.**	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	a. Term loans					
	i. Commercial Bank of Ceylon PLC	800,000,000	-	199,988,000	Repayable in 47 equal monthly instalments of Rs.16,667,000/- a final instalment of Rs.16,651,000/-.	(a) On demand loan agreement.
	ii. Commercial Bank of Ceylon PLC	2,000,000,000	1,500,050,000	1,900,010,000	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 Tokyo Eastern Cement Company (Pvt) Ltd
	iii. Sampath Bank PLC	500,000,000	250,001,600	375,000,800	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	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)	
	v. National Development Bank PLC	150,000,000	37,500,000	75,000,000	Loan amount repayable in 48 monthly instalments of Rs.3,125,000.	(a) Loan agreement on term loan for Rs.150 Mn.

32. ASSETS PLEDGED (CONTD.)

Name of the company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2018 Rs.	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
	vi. Commercial Bank of Ceylon PLC	1,430,000,000	1,251,260,000	-	Loan Repayable in 47 equal monthly installments of Rs. 29,790,000/- and Final installment of Rs. 29,870,000/-	(a) Mortgage the vessel for an amount of 1,430,000,000/- when called upon to do so by the bank.
	vii. Commercial Bank of Ceylon PLC	370,000,000	370,000,000	-	Loan to be absorbed from the Term Loan facility of Rs.1,165,000,000/- and repayable in 47 equal monthly instalments of Rs. 24,270,000/- and a final instalment of Rs. 24,310,000/-.	(a) Mortgage over lease hold rights to be executed over the property situated at Colombo Port .
	viii. Commercial Bank of Ceylon PLC	456,000,000	456,000,000	-	Loan to be absorbed from Term Loan Facility of Rs. 500,000,000 and repayable in 59 equal monthly instalments of Rs. 8,300,000/- a final instalments of Rs.10,300,000/-.	(a) Mortgage Bond for Rs. 500,000,000/- to be executed over machinary(3 Units of Liebherr Cargo Cranes and 03 Nos of four Rope Grabs)located at Trincomalee Jetty.
	b. Import demand loan					
	i. Commercial Bank of Ceylon PLC	1,000,000,000	1,196,195,000	537,868,000	Each loan to be settled within 120 days from date of grant.	–
	ii. Commercial Bank of Ceylon PLC	750,000,000	709,373,673	730,262,937	Each loan to be settled within 120 days from date of grant.	(a) 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.

Name of the company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	**Balance outstanding as at 31.03.2018 Rs.**	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
	iii. Sampath Bank PLC	1,000,000,000	-	269,198,514	Each loan to be settled within 120 days from date of grant.	(a) Stock and book debts of the company
	iV. Sampath Bank PLC	525,000,000	661,404,687	265,626,561	Each loan to be settled within 120 days from date of grant.	(a) Stock and book debts of the company
	c. Overdraft facility					
	i. Commercial Bank of Ceylon PLC	300,000,000	467,951,122	216,757,136	On demand	(a) General terms and conditions relating to overdraft.
	ii. Sampath Bank PLC	35,000,000	238,247,996	-	On demand	(b) Overdraft agreement of Rs. 35Mn Secondary Mortgage over cement, plant and machinery at port premises, Colombo.
Tokyo Super Cement Company Lanka (Pvt) Ltd	a. Term Loans					
	i. Commercial Bank of Ceylon PLC	500,000,000	500,000,000	-	Repayable in 10 equal monyhly instalments of Rs.50,000,000/- plus interest	–
	a. Import demand loan					
	i. City Bank, N.A.	USD 7.5 Mn	93,649,983	-	Repayable within 90 days from the date of grant	(a) Unconditional corporate guarantee from Tokyo Cement Company (Lanka) PLC.
	ii. Commercial Bank of Ceylon PLC	800,000,000	1,058,279,000	408,687,000	Repayable within 120 days from the date of grant	–
	iii. Sampath Bank PLC	500,000,000	396,550,375	-	Repayable within 90 days from the date of grant	(a) Short term Import loan agreement for 500mn. (b) Stocks and book debts of the Company.

32. ASSETS PLEDGED (CONTD.)

Name of the company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2018 Rs.	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
Tokyo Eastern Cement Company (Pvt) Ltd	a. Term loans					
	i. Commercial Bank of Ceylon PLC	2,000,000,000	1,499,600,000	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 year at the beginning).	(a) Loan agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC for Rs. 2Bn.
	b. Import demand loan					
	i. Commercial Bank of Ceylon PLC	750,000,000	787,550,000	-	Repayable within 120 days from the date of grant.	(a) Corporate guarantee Bond from Tokyo Cement Company (Lanka) PLC for Rs.750 Mn.
Tokyo Cement Power (Lanka) (Pvt) Ltd	a. Term loans					
	i. National Development Bank PLC	1,500,000,000	403,415,050	658,203,490	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					
	i. Commercial Bank of Ceylon PLC	40,000,000	38,890,000	-	Repayable in 35 equal monthly instalments of Rs.1,110,000/- a final instalment of Rs.1,150,000/-	

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Name of the company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2018 Rs.	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
	ii. Commercial Bank of Ceylon PLC	50,000,000	30,388,889	45,833,334	Repayable in 8 equal monthly instalments of Rs.1,388,888/, 6 equal monthly instalments of Rs.1,700,000/, 6 equal monthly instalments of Rs.1,750,000/, 6 equal monthly instalments of Rs.1,800,000/-, equal monthly instalments of Rs.1,850,000/- respectively, a final instalment of Rs.1,838,896/-	
	iii. Commercial Bank of Ceylon PLC	150,000,000	93,166,667	120,833,333	Repayable in 8 equal monthly instalments of Rs.4,166,666/, 6 equal monthly instalments of Rs.4,700,000/, 6 equal monthly instalments of Rs.5,200,000/, 6 equal monthly instalments of Rs.6,000,000/-, equal monthly instalments of Rs.5,666,664/- respectively, a final instalment of Rs.1,838,896/-	(a) Corporate guarantee for Rs. 250 Mn of Tokyo Cement Company (Lanka) PLC.
	iv. Commercial Bank of Ceylon PLC	25,000,000	17,777,778	22,916,667	Repayable in 8 equal monthly instalments of Rs.4,166,666/-, 6 equal monthly instalments of Rs.750,000/-, 6 equal monthly instalments of Rs.800,000/-, 6 equal monthly instalments of Rs.900,000/-, equal monthly instalments of Rs.1,000,000/- respectively, a final instalment of Rs.827,500/-	

32. ASSETS PLEDGED (CONTD.)

Name of the company	Nature of liabilities the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2018 Rs.	Balance outstanding as at 31.03.2017 Rs.	Repayment	Security pledged
Tokyo Supermix (Pvt) Ltd	a. Short-term loan					
	i Commercial Bank of Ceylon PLC	20,000,000	20,000,000	-	Term loan repayable within 03 months from the date of grant from the Term Loan facility.	(a) Mortgage over Land marked Lot 1 depicted in plan No.2017/119 dated 11/11/2017 situated at Udahaduwa containing in extent Ten Acres, One Rood and Ten Perches.
	ii Commercial Bank of Ceylon PLC	36,000,000	36,000,000	-	Term loan repayable within 03 months from the date of grant from the Term Loan facility.	–
	iii Commercial Bank of Ceylon PLC	450,000,000	450,000,000	-	Term loan repayable within 03 months from the date of grant from the Term Loan facility.	(a) Mortgage over Land marked Lot A in plan No.2332 dated 30/08/2013 situated at Telawala containing in extent Three Roods and Thirty Nine Decimal One Perches.

33. RELATED PARTY TRANSACTIONS

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

	Tokyo Super Cement Co Lanka (Pvt) Ltd	Tokyo Eastern Cement Company (Pvt) Ltd	Tokyo Cement Power (Lanka) (Pvt) Ltd	Tokyo Super Aggregate (Pvt) Ltd	Tokyo Supermix (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	EL - Toro Roofing Products Limited	Providence Network & Solutions (Pvt) Ltd	Orion City
Mr. S R Gnanam	X	X	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	X	X
Mr. E J Gnanam	X	X	X	-	X	X	X	X	X	X	X	-	X
Mr. R Seevaratnam	X	X	X	-	X	-	-	-	-	-	-	-	-
Mr. H Tsukigawa	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr. Harsha Cabral	X	X	X	X	X	-	-	-	-	-	-	-	-
Mr. Ravi Dias	X	X	X	-	X	-	-	-	-	-	-	-	-
Mr. W C Fernando	X	X	X	X	X	-	-	-	-	-	-	-	-
Mr. Asite Talwatte	X	X	X	-	X	-	-	-	-	-	-	-	-
Mr. Susumo Ando	-	-	-	-	-	-	-	-	-	-	-	-	-

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

33.1.1 Mr. Hiroki Tsukigawa nominee director of Nippon Coke Engineering Company Ltd ceased to be a director of the company with effect from 28th July 2017.

Mr. Susumu Ando was appointed as the nominee and Non Executive Director of UBE Singapore PTE Limited with effect from 28th July 2017.

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

	Nature of the relationship	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Subsidiary companies					
(a) Tokyo Super Cement Company Lanka (Pvt) Ltd	Subsidiary company				
Fund transfers (from) /to		1,990,130,000	1,557,970,669	456,097,998	419,822,670
Purchase of bio-mass power		137,134,494	249,474,076	137,134,494	249,474,076
Packing plant hiring expenses		26,574,025	24,181,741	26,574,025	24,181,741
Sale of clinker		-	47,638,380	-	47,638,380
Dividend paid		5,428,434,317	2,102,475,045	5,428,434,317	2,102,475,045
Expenses incurred on behalf of the Company		263,417,396	311,491,487	29,500,539	400,448,891
Loan interest		107,000,000	110,000,000	107,000,000	110,000,000
Lease rental		105,562	105,562	105,562	105,562
Purchase of cement		-	141,278,416	-	141,278,416
Investment in stated capital		1,919,908,164	1,599,998,144	1,919,908,164	1,599,998,144
Sale of fly ash		4,832,760	-	4,832,760	-
(b) Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary company				
Investment in stated capital		-	850,000,000	-	850,000,000
Fund transfers from/(to)		275,037,547	199,527,000	275,037,547	64,527,000
Expenses incurred on behalf of the Company		66,457	9,982,079	66,457	10,051,529
Sale of ready mix concrete		1,933,578	-	1,933,578	-
(c) Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary company				
Fund transfers from/(to)		2,056,933,477	1,203,148,000	572,700,172	200,000,000
Expenses incurred on behalf of the Company		277,415,130	-	277,415,130	-
Capital expenses incurred on behalf of the Company		-	410,001,443	-	320,974,589
Investment in stated capital		-	1,650,000,000	-	800,000,000
Purchase of ready mix concrete		218,265,176	152,226,868	218,265,176	152,226,868
Sale of innovation raw materials		254,452,949	-	254,452,949	-
Sale of packing material		47,969,976	-	47,969,976	-

33. RELATED PARTY TRANSACTIONS (CONTD.)

3.2 The Company and the Group have had the entered in to the following transactions during the year in the ordinary course of business with related entities at commercial rates. (Contd.)

	Nature of the relationship	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
(d) Tokyo Super Aggregate (Pvt) Ltd	Subsidiary company				
Investment in stated capital		25,500,000	-	25,500,000	-
Expenses incurred on behalf of the Company		-	5,467,609	-	5,467,609
Purchase of sand & metal		317,834,508	96,772,442	317,834,508	96,772,442
Fund transfers from/(to)		53,400,000	-	53,400,000	-
(e) Tokyo Supermix (Pvt) Ltd	Subsidiary company				
Investment in stated capital		456,012,544	-	456,012,544	-
Expenses incurred on behalf of the Company		11,245,719	-	11,245,719	-
Sale of assets		475,530,387	-	475,530,387	-
Investment in share application fund		61,586,912		61,586,912	
Other Related Companies					
(a) St. Anthony's Consolidated (Pvt) Ltd	Common directors (33.1)				
Sales commission		683,310,299	598,915,914	296,914,919	290,864,767
Bonus for marketing staff		16,196,856	13,534,710	16,196,856	13,534,710
(b) St. Anthony's Hardware (Pvt) Ltd	Common directors (33.1)				
Purchase of chemicals		54,686,712	54,484,363	54,686,712	54,484,363
Trade payable		1,482,921	-	1,482,921	-
(c) South Asian Investment (Pvt) Ltd	Common directors (33.1)				
Sales commission paid		96,110,508	100,110,886	96,110,508	100,110,886
(d) Rhino Roofing Products Ltd	Common directors (33.1)				
Sale of cement		1,199,430,347	1,547,499,573	1,199,430,347	1,038,762,664
Sale of concrete		10,121,612	3,005,694	10,121,612	3,005,694
Trade receivables		87,921,756	62,621,152	87,921,756	62,621,152
(e) Rhino Products Ltd	Common directors (33.1)				
Sale of cement		1,070,536,698	1,183,369,958	1,070,536,698	1,027,610,338
Trade receivables		123,567,257	46,222,938	123,567,257	46,222,938
Sale of concrete		-	163,868	-	163,868
(f) St. Anthony's Coatings (Pvt) Ltd	Common directors (33.1)				
Sale of cement		1,009,946	426,902	1,009,946	426,902
(g) St.Anthony's Industries Group (Pvt) Ltd	Common directors (33.1)				
Sale of cement		-	3,342,212	-	3,342,212
Purchase of consumables		95,713	-	95,713	-

	Nature of the relationship	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
(h) Orion City Ltd	Common directors (33.1)				
Rent expense		7,803,473	11,951,529	-	11,931,529
Rent payable		1,015,397	-	-	-
(i) St Anthony's Homemart (Pvt) Ltd	Common directors (33.1)				
Sale of cement		960,845	-	664,177	-
Trade receivables		107,896	-	1,440	-
(j) St. Anthony's Minerals & Coatings (Pvt) Ltd	Common directors (33.1)				
Sale of cement		818,750	-	818,750	-
(k) EL - Toro Roofing Products (Pvt) Ltd	Common directors (33.1)				
Sale of cement		45,154,017	-	45,154,017	-
Trade receivables		6,408,260	-	6,408,260	-
(l) Supermet Building Solutions (Pvt) Ltd	Common directors (33.1)				
Purchase of chemicals		1,056,653	-	1,056,653	-

33.3 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 32.

33.4 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, 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017 - Nil, 2016 - Nil). This assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

33.4.1 Amounts due to / from related parties

The amounts due to / from related parties are disclosed in the notes no. 18.1, 20, 28.1 and 29.

33.5 Transactions with key management personnel of the company or its parent

33.5.1 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.

	2017/2018 Rs.	2016/2017 Rs.
a) Compensation of key management personnel		
Directors' Emoluments and other key personnel's remuneration	85,257,983	77,150,900
Non-cash benefits	-	-
	85,257,983	77,150,900

33. RELATED PARTY TRANSACTIONS (CONTD.)

33.5.2 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;

	2017/2018 Rs.	2016/2017 Rs.
a) Short-term employee benefits	85,257,983	77,150,900
b) Post-employment benefits	-	-
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
	85,257,983	77,150,900

33.5.3 Share transactions with key management personnel

Name of related entity	Nature of transactions	Class of shares	Number of shares	Date of acquisition /disposal	Consideration paid per share
Nippon Coke & Engineering Company Limited - Japan	Disposal of company's shares	Voting	10,692,000	June 2017	Rs. 69.60
		Voting	10,692,000	June 2017	Rs. 72
		Voting	600,000	June 2017	Rs. 64 to Rs. 66
UBE Singapore Holdings PTE Ltd	Purchase of company's shares	Voting	21,384,000	June 2017	Rs. 69 to Rs. 72

33.6 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, 2018 audited financial statements, which required additional disclosures in the 2017/18 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	1,919,908,164	7% and 13%	On Demand	Capitalization of reserves
Tokyo Supermix (Pvt) Ltd	Fully owned subsidiary	Share issue and share application fund	517,599,456	11% and 5%	On Demand	Expansion of the ready mix business

The Related Party review committee has reviewed relevant Related Party Transactions, approved the transactions and directed to make immediate disclosure to Colombo Stock Exchange in respect of the non recurrent transactions above.

33.7 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, 2018 audited financial statements, which required additional disclosures in the 2017/18 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.

34. 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 Supermix (Pvt) Ltd	100%
Tokyo Super Aggregate (Pvt) Ltd	51%

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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 risks: interest rate risks, 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).

Name of related entity	Increase/ (Decrease) in interest rate	Group Effect on profit before tax Rs.	Company Effect on profit before tax Rs.
2018	1%	(27,485,271)	(11,194,764)
	-1%	27,485,271	11,194,764
2017	1%	(20,989,300)	(16,779,211)
	-1%	20,989,300	16,779,211

35. 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 Group's exposure to foreign exchange rate changes is minimized by positive negotiations with banks 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

		31.03.2018		31.03.2017	
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%	(135,809,681)	(135,809,681)	(120,604,046)	(120,604,046)
	-1%	135,809,681	135,809,681	120,604,046	120,604,046

Company

		31.03.2018		31.03.2017	
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%	(82,423,262)	(82,423,262)	(77,013,135)	(77,013,135)
	-1%	82,423,262	82,423,262	77,013,135	77,013,135

(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 31st March, 2018 based on contractual undiscounted payments.

Group

Name of related entity	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	1,792,575,200	2,187,844,510	1,890,970,000	1,216,810,000	342,590,000	123,260,273	7,554,049,983
Short-term borrowings	5,403,002,721	-	-	-	-	-	5,403,002,721
Trade and other payables	2,639,278,901	-	-	-	-	-	2,639,278,901
Bank overdrafts	1,180,884,281	-	-	-	-	-	1,180,884,281
	11,015,741,103	2,187,844,510	1,890,970,000	1,216,810,000	342,590,000	123,260,273	16,777,215,886

Company

Name of related entity	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	803,826,684	1,509,482,589	1,881,376,228	1,414,096,099	248,630,000	107,400,000	5,964,811,600
Amount due to subsidiaries	468,065,698	-	-	-	-	-	468,065,698
Short-term borrowings	2,566,973,360	-	-	-	-	-	2,566,973,360
Trade and other payables	1,829,959,167	-	-	-	-	-	1,829,959,167
Bank overdrafts	706,199,118	-	-	-	-	-	706,199,118
	6,375,024,027	1,509,482,589	1,881,376,228	1,414,096,099	248,630,000	107,400,000	11,536,008,943

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 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.

	Group		Company	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial assets				
Trade receivable	2,675,857,796	2,675,857,796	1,940,699,151	1,940,699,151
Financial investments	6,665,112	6,665,112	-	-
Cash and cash equivalents	717,640,562	717,640,562	545,804,546	545,804,546
Total financial assets	3,400,163,470	3,400,163,470	2,486,503,697	2,486,503,697
Financial liabilities				
Interest bearing borrowings	12,957,052,704	12,957,052,704	8,531,784,960	8,531,784,960
Trade and other payables	1,806,582,013	1,806,582,013	1,429,011,656	1,429,011,656
Bank overdrafts	1,180,884,281	1,180,884,281	706,199,118	706,199,118
Total financial liabilities	15,944,518,998	15,944,518,998	10,666,995,734	10,666,995,734

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

36.1 Fair value of the financial instrument carried at amortized cost (Contd.)

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.

37. 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.

38. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events that occurred after the reporting period which require adjustments to or disclosures in these financial statements except for those disclosed below;

a) Disposal of ready mix concrete division

The Board of Directors of Tokyo Cement Company (Lanka) PLC, decided to transfer all its movable and immovable assets of the ready mix concrete division consisting of Plant, equipment, vehicles and other assets to its fully owned subsidiary, Tokyo Supermix (Pvt) Ltd amounting to a net book value of Rs. 1,294,636,814 in the financial year of 2018/2019.

39. COMPARATIVE INFORMATION

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

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DISTRIBUTION OF VOTING SHARES AS AT 31ST MARCH 2018

Category			No of Holders Nos.	Share Holdings Shares	Holding %
1	-	250	925	65,573	0.02%
251	-	500	216	78,419	0.03%
501	-	1,000	299	222,409	0.08%
1,001	-	2,000	420	655,920	0.25%
2,001	-	5,000	429	1,429,533	0.54%
5,001	-	10,000	249	1,786,188	0.67%
10,001	-	20,000	203	3,029,208	1.13%
20,001	-	30,000	69	1,749,796	0.65%
30,001	-	40,000	50	1,759,295	0.66%
40,001	-	50,000	38	1,753,727	0.66%
50,001	-	100,000	86	6,103,620	2.28%
100,001	-	1,000,000	98	29,676,165	11.10%
1,000,001	-	99,999,999	20	218,990,147	81.93%
		Total	3,102	267,300,000	100.00%

DISTRIBUTION OF NON VOTING ORDINARY SHARES AS AT 31ST MARCH 2018

Category			No of Holders Nos	Share Holdings Shares	Holding %
1	-	250	983	82,711	0.06%
251	-	500	283	99,569	0.07%
501	-	1,000	344	251,129	0.19%
1,001	-	2,000	401	604,561	0.45%
2,001	-	5,000	381	1,274,395	0.95%
5,001	-	10,000	237	1,720,601	1.29%
10,001	-	20,000	178	2,541,391	1.90%
20,001	-	30,000	81	1,980,749	1.48%
30,001	-	40,000	39	1,391,052	1.04%
40,001	-	50,000	31	1,422,863	1.07%
50,001	-	100,000	77	5,702,067	4.27%
100,001	-	1,000,000	86	25,755,823	19.27%
1,000,001	-	99,999,999	23	90,823,089	67.96%
		Total	3,144	133,650,000	100.00%

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held As at 31/3/18	No of Shares Held As at 31/3/17	No of Shares Held As at 31/3/18	No of Shares Held As at 31/3/17
St Anthony's Consolidated (Pvt) Limited	73,507,172	61,255,977	-	-
South Asian Investment (Pvt) Limited	53,820,756	44,850,630	-	-
Capital City Holdings (Pvt) Limited	8,019,367	6,682,806	-	-
St Anthony's Hardware (Pvt) Limited	545,292	454,410	-	-
TOTAL	135,892,587	113,243,823	-	-

DIRECTORS / CEO'S SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March 2018	No of Shares Held 31st March 2017	No of Shares Held 31st March 2018	No of Shares Held 31st March 2017
St Anthony's Consolidated (Private) Limited	73,507,172	61,255,977	-	-
Mr. A S G Gnanam	14	12	-	-
Mr. S R Gnanam - Managing Director/CEO	14	12	-	-
Mr. E J Gnanam	14	12	-	-
Ube Singapore Holdings PTE Ltd	26,730,000	4,455,000	-	-
Mr. Susumu Ando (Non Executive and Nominee Director of UBE Singapore PTE. Ltd)	-	-	-	-
Mr. W C Fernando - Executive Director and Group General Manager	-	-	71,280	59,400
Independent Non Executive Directors				
Mr. Ranjeevan Seevaratnam	-	-	-	-
Dr. Harsha Cabral	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
	100,237,214	65,711,013	71,280	59,400
Total Shares in Issue	267,300,000	222,750,000	133,650,000	111,375,000

MARKET PRICE PER SHARE

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2018 Rs.	31st March 2017 Rs.	31st March 2018 Rs.	31st March 2017 Rs.
Highest price recorded for the twelve months ending	69.90	63.50	62.00	55.00
Lowest price recorded for the twelve months ending	52.00	55.00	45.20	46.00
As at end of the year	54.00	61.00	46.00	53.00

SHARE TRADING FROM 01ST APRIL, 2017 TO 31ST MARCH, 2018

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
No of Transactions	7,391	8,315	6,680	7,041
No of Shares Traded	83,716,742	51,535,129	35,523,817	35,990,364
Value of Share Traded (Rs.)	5,909,125,394	2,624,014,837	2,193,500,855	1,663,455,893

PERCENTAGE OF PUBLIC SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2018 Rs.	31st March 2017 Rs.	**31st March 2018 Rs.**	31st March 2017 Rs.
The percentage of shares held by Public	37.70%	29.70%	100%	100%
No of Public Shareholders	3,102	2,946	3,144	3,048

TWENTY LARGEST SHAREHOLDERS AS AT

	31st March 2018 No of Ordinary Shares	**%**	31st March 2017 No of Ordinary Shares	%
Voting				
St. Anthony's Consolidated (Pvt) Ltd	73,507,172	27.50%	61,255,977	27.50%
South Asian Investment (Pvt) Ltd	53,820,756	20.13%	44,850,630	20.13%
Ube Singapore Holdings Pte. Ltd	26,730,000	10.00%	4,455,000	2.00%
Marina Bay Holding And Investment PTE Ltd	16,038,000	6.00%	Not in Top 20 list	-
Capital City Holdings (Private) Limited	8,019,367	3.00%	6,682,806	3.00%
HSBC Intl Nominees Ltd-Jpmlu-T Rowe Price Funds Si	7,220,126	2.70%	Not in Top 20 list	-
J.B. Cocoshell (Pvt) Ltd	4,531,646	1.70%	1,984,327	0.89%
The Ceylon Guardian Investment Trust PLC A/C # 02	3,983,120	1.49%	4,652,600	2.09%
Deutsche Bank Ag-National Equity Fund	3,600,000	1.35%	3,000,000	1.35%
Northern Trust Company S/A Apollo Asia Fund Limited	3,245,603	1.21%	Not in Top 20 list	-
The Ceylon Investment PLC A/C # 02	3,047,374	1.14%	4,750,000	2.13%
Pictet And Cie (Europe) S.A. S/A Lloyd George India	3,000,880	1.12%	2,000,000	0.90%
Seb Ab-Tundra Frontier Opportunities Fund	2,315,592	0.87%	1,096,327	0.49%
Deutsche Bank Ag As Trustee For Namal Acuity Value	1,800,000	0.67%	1,500,000	0.67%
Thambi Lebbe Mohamed Imtiaz	1,377,964	0.52%	Not in Top 20 list	-
Maria Tasneem Moosajee	1,320,000	0.49%	Not in Top 20 list	-
HSBC Intl Nom Ltd-Jpmcb-T.Rowe Price Institutional	1,107,329	0.41%	Not in Top 20 list	-
Radhakrishnan Maheswaran	1,096,940	0.41%	914,117	0.41%
Andal Radhakrishnan	1,096,939	0.41%	914,116	0.41%
Meenambigai Priyadarshini Radhakrishnan	1,096,939	0.41%	914,116	0.41%
TOTAL	217,955,747	81.53%	138,970,016	62.38%

TWENTY LARGEST SHAREHOLDERS AS AT

	31st March 2018 No of Ordinary Shares	%	31st March 2017 No of Ordinary Shares	%
Non Voting				
Bnymsanv Re-Butterfield Trust (Bermuda) Limited	16,258,204	12.16%	12,746,647	11.44%
Northern Trust Company S/A Apollo Asia Fund Limited	10,561,789	7.90%	Not in Top 20 list	-
HSBC Intl Nom Ltd-State Street Luxembourg C/O Ssbt	6,827,366	5.11%	5,689,472	5.11%
Pershing LLC S/A Averbach Grauson & Co.	5,774,775	4.32%	3,570,819	3.21%
Employees Provident Fund	5,643,524	4.22%	4,702,937	4.22%
Seb Ab-Tundra Frontier Opportunities Fund	5,060,000	3.79%	2,100,000	1.89%
Deutsche Bank Ag As Trustee For Jb Vantage Value E	4,914,606	3.68%	4,095,505	3.68%
Deutsche Bank Ag-National Equity Fund	3,720,000	2.78%	3,100,000	2.78%
Mas Capital (Private) Limited	3,466,055	2.59%	2,910,859	2.61%
Citibank Newyork S/A Norges Bank Account 2	3,101,811	2.32%	6,269,466	5.63%
Citibank London S/A Old Mutual Global Investors Se	2,949,011	2.21%	Not in Top 20 list	-
Phoenix Ventures Private Limited	2,827,005	2.12%	1,671,289	1.50%
Deutsche Bank Ag As Trustee For Namal Acuity Value	2,782,635	2.08%	2,318,863	2.08%
Seb Ab-Fim Frontier Fund	2,181,610	1.63%	1,818,009	1.63%
People's Leasing & Finance Plc/Hi Line Trading (Pvt) Ltd	1,852,138	1.39%	Not in Top 20 list	-
Seylan Bank Plc/Arrc Capital (Pvt) Ltd	1,839,934	1.38%	Not in Top 20 list	-
J.B. Cocoshell (Pvt) Ltd	1,837,011	1.37%	9,078,710	8.15%
Union Assurance Plc/No-01A/C	1,729,956	1.29%	1,658,150	1.49%
Gf Capital Global Limited	1,476,000	1.10%	1,100,000	0.99%
DFCC Bank Plc A/C 1	1,472,515	1.10%	1,227,096	1.10%
TOTAL	86,275,945	64.54%	64,057,822	57.51%

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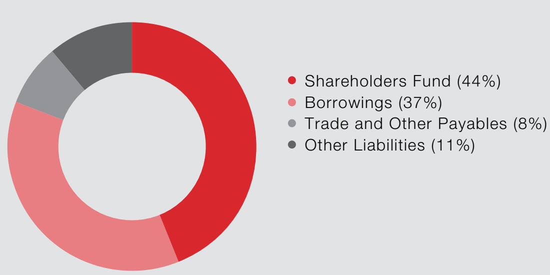
Year ended March 31 Rs. Mn.	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
OPERATING RESULTS					
Turnover	35,633	35,701	30,117	29,674	28,908
Gross profit	8,472	8,941	6,926	6,407	7,217
Profit Before Taxation	2,572	4,078	2,487	2,165	2,627
Taxation	(243)	(677)	(556)	(476)	(453)
Profit After Taxation	2,329	3,401	1,931	1,689	2,156
Minority Interest	(15)	3	-	(48)	(30)
Profit Attributable to Ordinary Shareholder	2,343	3,398	1,931	1,627	2,126
BALANCE SHEET					
Assets					
Non Current Assets					
Property, Plant & Equipment	23,820	13,147	12,892	12,426	9,917
Capital Work - in - Progress	2,952	7,603	4,352	372	2,502
Intangible Assets	53	68	83	102	37
Operating Lease Prepayment	431	59	63	68	73
Total Non Current Assets	27,256	20,877	17,390	12,967	12,529
Current Assets					
Inventories	2,530	2,002	1,542	1,619	1,870
Trade & Other Receivable	4,498	3,036	2,746	4,358	3,515
Cash & Cash Equivalent	718	2,524	572	787	370
Total Current Assets	7,746	7,562	4,860	6,765	5,755
Total Assets	35,002	28,439	22,250	19,731	18,284
Equity & Liabilities					
Capital & Reserves					
Stated Capital	4,240	2,894	2,894	2,894	2,894
Retained Earnings	11,189	11,478	8,528	7,088	6,120
Equity attributable to owners of the parent	15,429	14,372	11,422	9,982	9,014
Non - controlling interest	62	52	49	-	12
Total Capital & Reserves	15,491	14,424	11,471	9,982	9,026

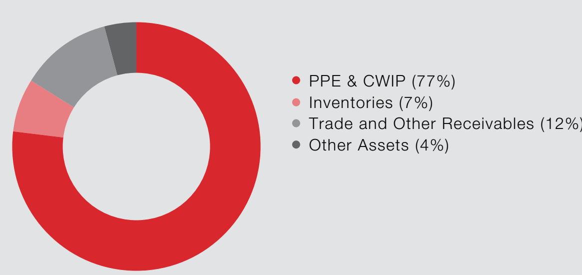
FIVE YEAR SUMMARY

Year ended March 31 Rs. Mn.	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Non Current Liabilities					
Interest Bearing Borrowing	5,761	4,887	2,858	3,061	1,867
Deferred Tax	2,544	2,355	2,207	1,732	1,385
Retirement Benefit Obligations	182	131	112	108	81
Lease Creditors	5	-	-	-	-
Total Non Current Liabilities	8,492	7,373	5,177	4,901	3,333
Current Liabilities					
Trade & Other Liabilities	2,639	2,275	1,850	2,247	2,007
Short Term Borrowings	7,196	3,822	3,328	2,304	3,479
Lease Creditors	3	-	-	-	-
Bank Overdraft	1,181	545	424	297	439
Total Current Liabilities	11,019	6,642	5,602	4,848	5,925
Total Equity and Liabilities	35,002	28,439	22,250	19,731	18,284
INVESTOR INFORMATION					
Earnings Per Share - Voting Ordinary Share (Rs.)	6.01	10.17	5.78	4.91	6.51
Earnings Per Share - Non Voting Ordinary Share (Rs.)	6.01	10.17	5.78	4.91	6.51
Dividend Per Share - Voting Ordinary Share (Rs.)	1.25	1.87	1.35	1.19	1.50
Dividend Per Share - Non Voting Ordinary Share (Rs.)	1.25	1.87	1.35	1.19	1.50
Rerun on Equity (%)	15.03	23.56	16.94	16.77	23.92
Interest Cover (Time)	3.65	8.65	6.34	5.63	5.70
Market Price Per Share (Rs.) - Voting	54.00	61.00	37.00	54.90	36.20
Market Price Per Share (Rs.) - Non Voting	46.00	53.00	32.30	37.40	29.00
Price Earnings Ratio (Times)	8.99	6.00	6.40	10.85	5.57
Assets Turnover Ratio (Times)	1.02	1.26	1.35	1.50	1.58
Net Asset Per Share (Rs.)	38.48	43.01	34.18	29.88	27.01

COMPOTITION LIABILITIES (%)

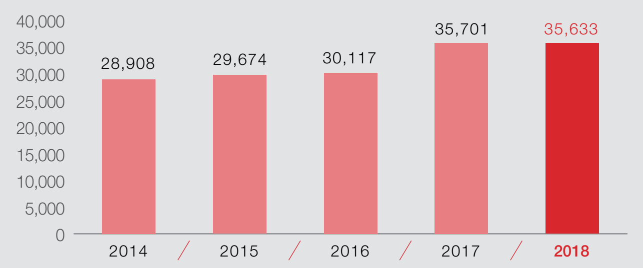


COMPOSITION ASSETS (%)

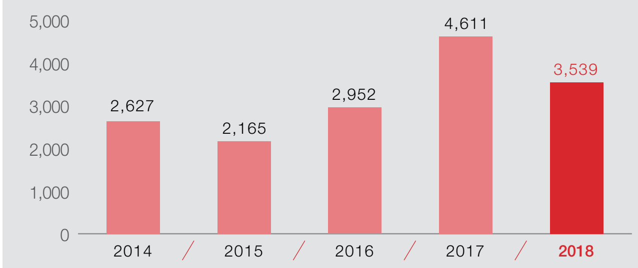


FIVE YEAR SUMMARY GRAPHICAL REVIEW

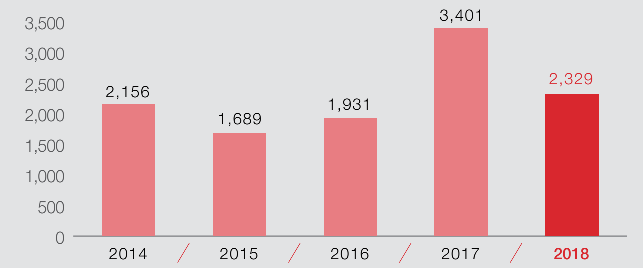
GROUP TURNOVER (Rs Mn)



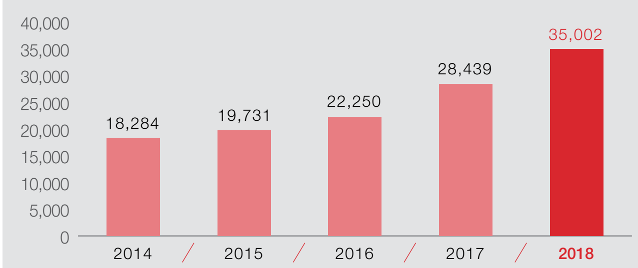
EARNINGS BEFORE INTEREST & TAX (Rs Mn)



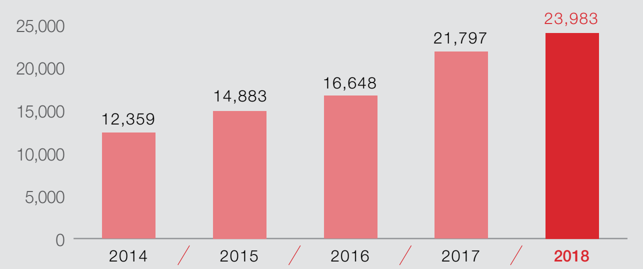
EARNINGS AFTER TAX & INTEREST (Rs Mn)



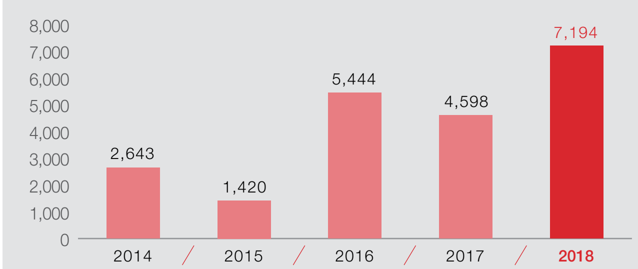
TOTAL ASSETS (Rs Mn)



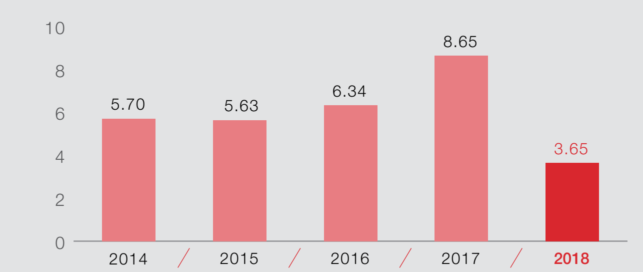
CAPITAL EMPLOYED (Rs Mn)



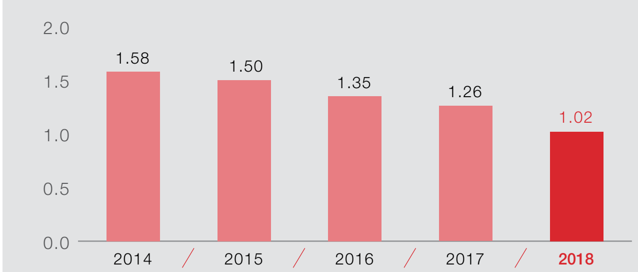
CAPITAL INVESTMENTS (Rs Mn)



INTEREST COVER (Times)

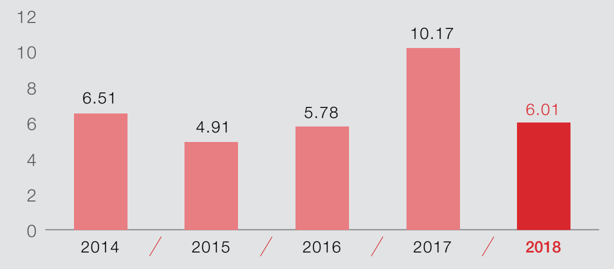


ASSETS TURNOVER (Times)

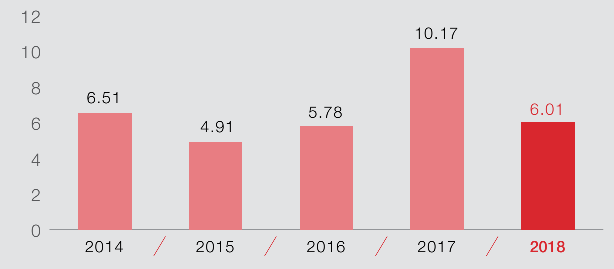


FIVE YEAR SUMMARY GRAPHICAL REVIEW

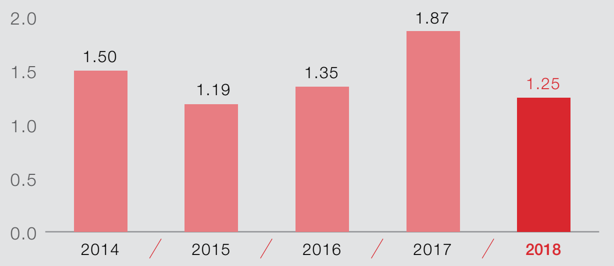
EARNING PER SHARE - VOTING (Rs)



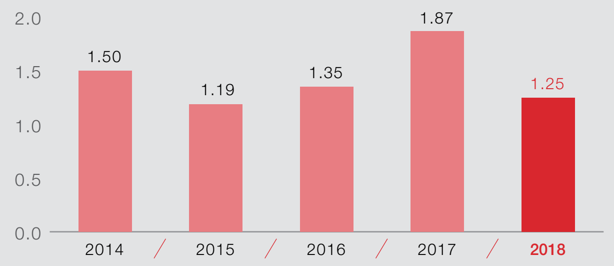
EARNING PER SHARE - NON VOTING (Rs)



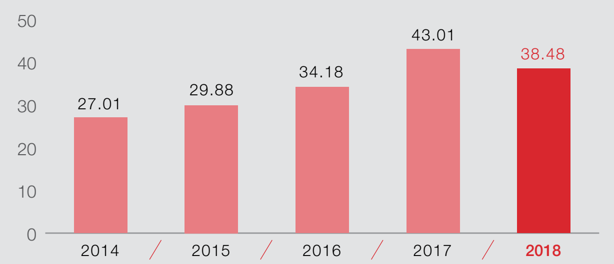
DIVIDEND PER SHARE - VOTING (Rs)



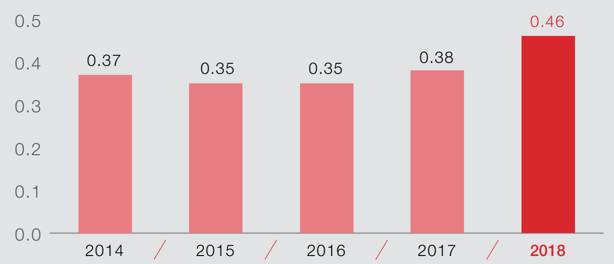
DIVIDEND PER SHARE - NON VOTING (Rs)



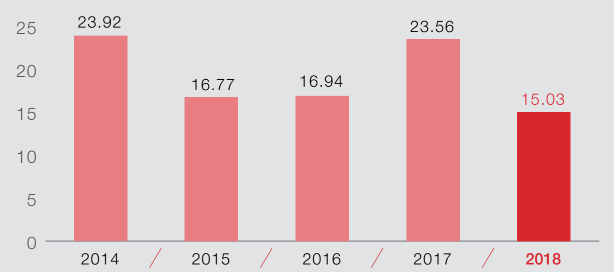
NET ASSETS PER SHARE (Rs)



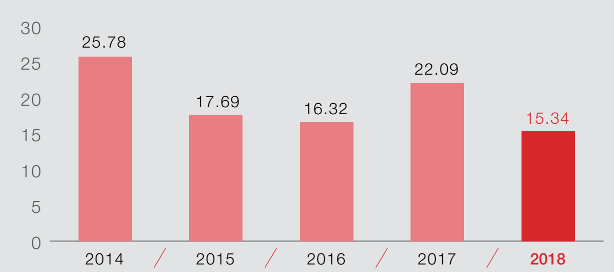
GEARING RATIO (Times)



RETURN ON EQUITY (%)



RETURN ON CAPITAL EMPLOYED (%)



NOTICE OF MEETING

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NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held on Thursday 30th August 2018 at 4.00 p.m at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara 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 31st March 2018 and the Report of the Auditors thereon.

2. To declare the Interim Dividends paid on 27th March 2018 as the Final dividends for the Financial Year ending 31 st March 2018

3. To re-elect Mr. Elijah Jeyaseelan Gnanam who retires by rotation in terms of Article 114 of the Articles of Association.

4. To re-elect Mr. Susumu Ando 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 180 of the Articles 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

26th July 2018

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 2018 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 **Final Dividends**

Members having noted an interim dividend payment of Rs. 1/25 per share declared by the Directors on 16th March 2018 in respect of the financial year 2017/18 and paid on 27th March 2018. RESOLVED THAT the Interim Dividends paid on 27th March 2018 be the Final dividends for the Financial Year ending 31 st March 2018

Resolution 3 **Re-election of Directors**

RESOLVED that Mr. Elijah Jeyaseelan Gnanam , Director of the Company, who retires by rotation in terms of Article 114 of the Articles of Association and being eligible for appointment be and is hereby re-appointed as Director of the Company.

Resolution 4 **Re-election of Directors**

RESOLVED that pursuant to Article 120 of the Articles of Association, Mr. Susumu Ando, who was appointed as an additional director of the company at the meeting of the Board held on 28th July 2017, who ceases to hold office at the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing proposing his candidature for the office of the directors, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement of directors by rotation

Resolution 5 **Re-Appointment of Auditors**

Shareholders noting Article 180 of the Articles of Association which states that At each Annual General Meeting the retiring Auditor or Auditors shall, without any resolution being passed, be deemed to have been re-appointed until the conclusion of the next ensuing Annual General Meeting: RESOLVED that Directors are hereby 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**

RESOLVED 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 a Director of the Company

FORM OF PROXY
VOTING ORDINARY SHARES

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For Thirty Sixth Annual General Meeting of
TOKYO CEMENT COMPANY (LANKA) PLC

I/We ....

(ID No : ....) of ....

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

of (ID No : ....) ....or failing him

any one of the following directors

- ☐ Dr. Harsha Cabral P C
- ☐ Mr. Simon Rajaseelan Gnanam
- ☐ Mr. Arul S Gunaseelan Gnanam
- ☐ Mr. Ranjeevan Seevaratnam
- ☐ Mr. Elijah Jeyaseelan Gnanam
- ☐ Mr. Ravi Dias
- ☐ Mr. W C Fernando
- ☐ Mr. Asite Talwatte
- ☐ Mr. Susumu Ando

as my /our Proxy to represent me/us and * .... / to vote for me/us on my/our behalf at the Thirty Sixth Annual General Meeting of the Company to be held on Thursday 30th August 2018 at 4.00 p.m at the Auditorium, the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara 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 31st March 2018 and the Report of the Auditors thereon.		
2	RESOLVED THAT the Interim Dividends paid on 27th March 2018 be the Final dividends for the Financial Year ending 31st March 2018		
3	To re-elect Mr. E J Gnanam as a Director of the Company.		
4	To re-elect Mr. Susumu Ando as a Director of the Company.		
5	To authorize the Directors to fix the remuneration payable to the Auditors		
6	To authorize the Directors to determine contributions to charities		
7	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

Date: ....

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

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For Thirty Sixth 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 (ID No : ....) ....or failing him

any one of the following directors

☐ 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. Susumo Ando	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. Asite Talwatte	of Colombo	or failing him

as my /our Proxy to represent me/us and* .... on my/our behalf at the Thirty Sixth Annual General Meeting of the Company to be held on Thursday 30th August 2018 at 4.00 p.m at the Auditorium, the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 7 and at any adjournment thereof

....
Signature of Shareholder/s

Date: ....

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

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5. 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.

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 Executive 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
Mr. Susumu Ando	- Non Executive Director (Nominee Director of UBE Singapore Pte. Ltd) (Appointed on 28th July 2017)
Mr. Hiroki Tsukigawa	- Non Executive Director (Nominee Director of Nippon Coke Engineering Company Limited) (Resigned on 28th July 2017)

COMPANY SECRETARY :
Seccom (Private) Limited,
(Company Secretaries)
1E - 2/1, De Fonseka Place, Colombo 5
T Phone 2590 176 Fax 2 581618
E_Mail: kmaahamed@hotmail.com

HEAD OFFICE :
469 - 1/1, Galle Road, Colombo 3
T Phone 2500 466 Fax 2500 897
Web Site: www.tokyocement.com

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
Tokyo Supermix (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

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TOKYO CEMENT COMPANY (LANKA) PLC

Tokyo Cement Company (Lanka) PLC
469 - 1/1, Galle Road, Colombo 3, Sri Lanka

www.tokyocement.com