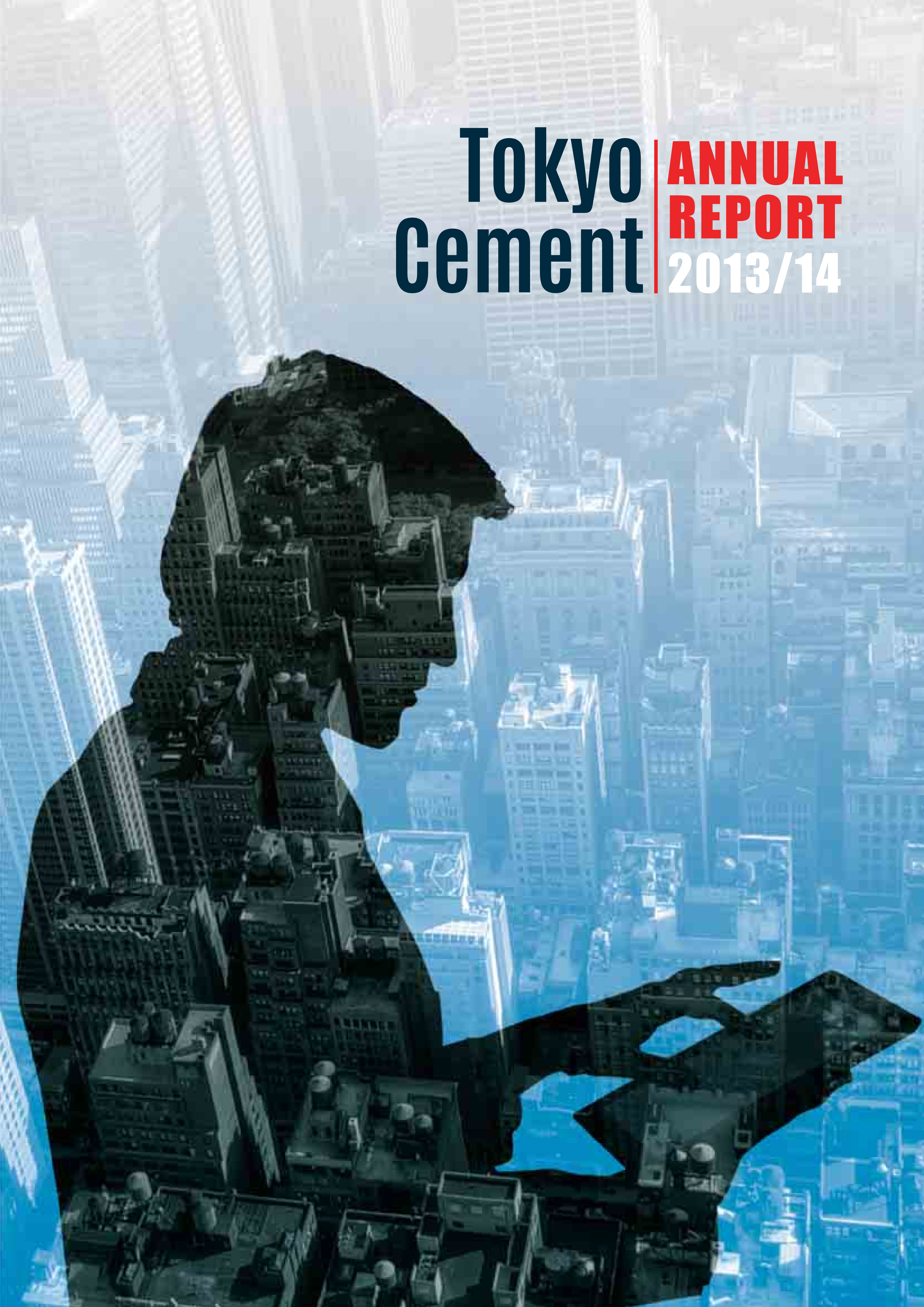
Tokyo Cement

ANNUAL REPORT 2013/14



Building beyond tomorrow

"Over the past 32 years we, at Tokyo Cement have helped build this nation through enthusiastic economic and social participation, during both the best of times and - more importantly - the worst of times. As Sri Lanka's unwavering partner in development, we will continue to walk alongside our fellow citizens on this long and windy road towards building a bigger and brighter tomorrow.

Always anticipating, ever-evolving; we have the foresight and the experience to adapt to the changing needs of our local industry. We are constantly expanding our capacities, innovating new technologies, enhancing our resource bases and rebranding our growing product line, to position ourselves to propel further growth. Concurrently, we perpetually re-evaluate our sustainable business methodologies in order to wield the greatest positive impact in everything that we do. Such that, as we grow – as do the environmental and societal benefits, that we bestow.

Tokyo Cement is helping to build a future for this nation that looks beyond tomorrow; built on foundations of quality, stability and sustainability."


TOKYO CEMENT COMPANY [LANKA] PLC

VISION AND MISSION

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.

CONTENTS

PERFORMANCE HIGHLIGHTS

	Group		Company	
	2014	2013	2014	2013
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
PERFORMANCE				
Revenue	28,908	27,296	10,239	9,399
Less: Cost of sales	(21,691)	(22,007)	(7,704)	(7,402)
Gross Profit	7,217	5,289	2,535	1,997
Profit Before tax	2,627	1,255	1,107	615
Profit After Tax	2,175	894	888	362
Total Comprehensive Income	2,156	892	876	361
INFORMATION TO SHAREHOLDERS	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Earnings Per Share - Voting	6.51	2.68	2.66	1.08
Earnings Per Share - Non Voting	6.51	2.68	2.66	1.08
Dividend Per Share - Voting	1.50	1.00	1.50	1.00
Dividend Per Share - Non Voting	1.50	1.00	1.50	1.00
Net Asset Value Per Share	27.01	23.63	17.39	17.26
Market Value Per Share - Voting	36.20	23.50	36.20	23.50
Market Value Per Share - Non Voting	29.00	17.50	29.00	17.50
KEY FINANCIAL INDICATORS				
Return on Capital Employed (ROCE) %	17.45	9.52	11.29	5.54
Interest Cover (Times)	5.70	2.79	8.75	3.45
Price Earnings Ratio - Voting (Multiple)	5.57	8.76	13.61	21.75
Price Earnings Ratio - Non Voting (Multiple)	4.46	6.52	10.90	16.20
Current Ratio	0.97 : 1	0.76 : 1	0.77 : 1	0.60 : 1
Quick Asset Ratio	0.65 : 1	0.43 : 1	0.55 : 1	0.36 : 1
Dividend Payout Ratio	23%	37%	56%	93%

Revenue

Group

28.9 Bn

2012/13 - 27.3 Bn

Company

10.2 Bn

2012/13 - 9.4 Bn

Gross Profit

Group

7.2 Bn

2012/13 - 5.3 Bn

Company

2.5 Bn

2012/13 - 2 Bn

Profit Before tax

Group

2.6 Bn

2012/13 - 1.2 Bn

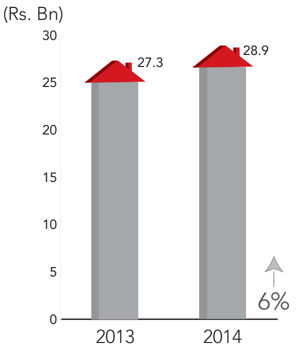
Company

1.1 Bn

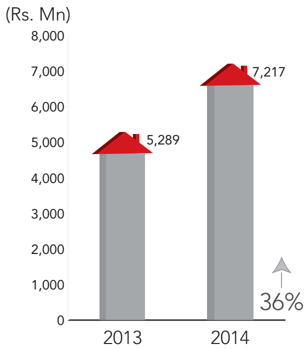
2012/13 - 0.6 Bn

GROUP

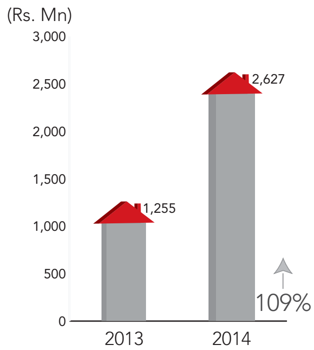
Revenue



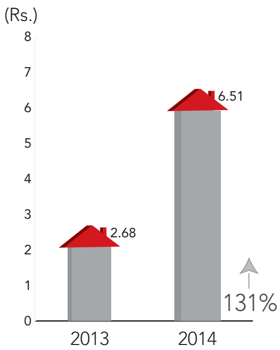
Gross Profit



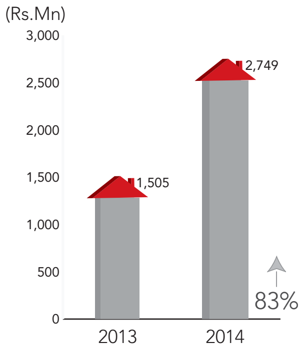
Pre Tax Profit



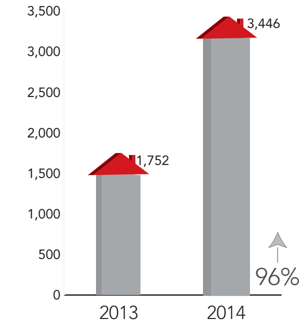
Earning Per Share



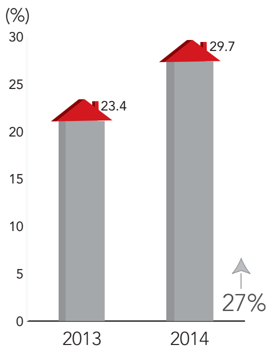
Capital Expenditure



Net Operating Cash Flow



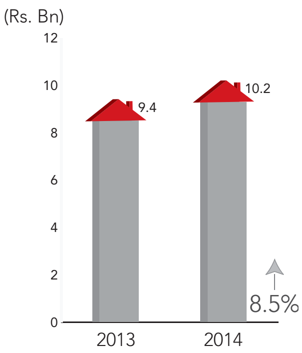
Gearing Ratio



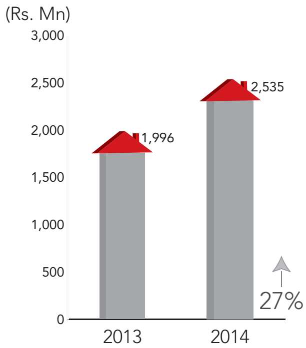
PERFORMANCE HIGHLIGHTS

COMPANY

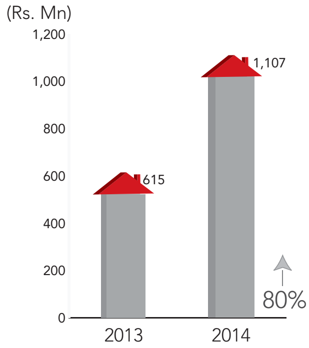
Revenue



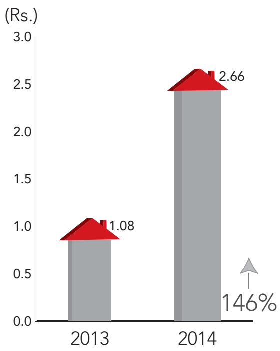
Gross Profit



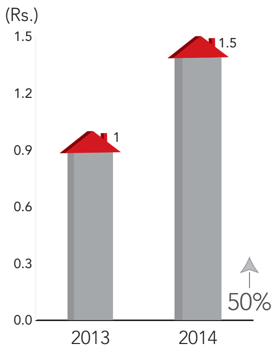
Pre Tax Profit



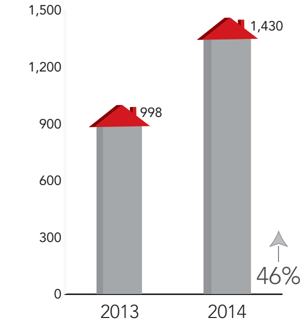
Earning Per Share



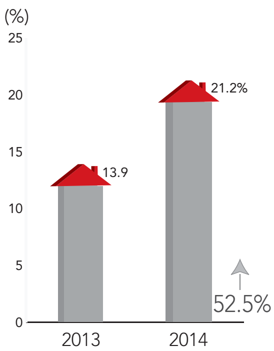
Dividend per Share



Net Operating Cash Flow



Gearing Ratio



CORPORATE PROFILE

Tokyo Cement - Building beyond tomorrow

Sri Lanka is on the verge of entering a new chapter of growth and development, in an environment of political and macro economic stability. A new era of hope and opportunities is dawning for the people who suffered indescribable hardships for generations, due to the prolonged, harsh impacts of war, displacement and instability. In an environment of normalcy the country is now gearing for faster economic growth and enhanced per capita incomes, supported by structural adjustments to macro economic fundamentals. In the wake of these changes, we also see sweeping transformations to Sri Lankan society and life styles, with urbanisation and modernisation rapidly gaining ground. This milieu of change and transition is the backdrop to Tokyo Cement's plans for the future.

Having been a staunch partner of Sri Lanka's progress over the last three decades, through hard times and good times, we have every confidence in the country's future prospects. We believe the environment is now right to foster growth across all economic and social segments of the country. As we have always done, and will continue to do, Tokyo Cement is ready and able to meet the new demands of this new era.

Over the past year, we invested extensively on enhancing our products and services, to ensure the availability of the highest quality and latest technologies, to support national infrastructure development and overall economic growth. More information on these future focused investments can be found in the Operational Review of this Annual Report. As a true partner of the people, we also continued to discharge our responsibilities to society by implementing stringent environmental protection systems and contributing in various ways to social welfare and the public good. More information on these activities can be found in Sustainability Review of this Annual Report.

The Tokyo Cement Group is committed to invest in Sri Lanka's future.

PRODUCTS

CEMENT

OPC | OPC | PPC

WATER PROOFER

SUPERSEAL

FLOORING COMPOUND	TILE ADHESIVES	WALL PLASTERS	BRICK & BLOCK MORTAR	SCREED MORTAR	CELLULAR LIGHTWEIGHT CONCRETE	CONCRETE	ENERGY

SUPERFLOW

SUPERBOND

Standard set, Rapid set,
High Performance

SUPERCAST

Indoor and Outdoor

SUPERSET

Screed and Block mortar

SUPERLIGHT

RMC AND BAG

TOKYO POWER

MANAGEMENT REPORT

CHAIRMAN'S MESSAGE

"The company's ready-made concrete is in demand and this operation presently operates from ten locations. A significant contribution is received from this line of business and it is planned to expand, on demand. Another successful line is the production of tile adhesives, ready to use wall plaster and masonry mortar which was introduced two years ago and this activity is now well established and its products are in demand."

CHAIRMAN'S MESSAGE

Dear Shareholders,
Your company is now 32 years of age and, as your Chairman I consider it appropriate to brief stakeholders as to the progress made by The Group. You are aware, the founder of the company was late Mr. A.Y.S. Gnanam. He invited Mitsui Mining Co. Ltd., Japan which was a big name in cement as a foreign collaborator. A few years after the opening the company encountered serious problems as the factory was extensively damaged during the war. Through the best efforts of late Mr. Gnanam, production recommenced after a couple of years.

The Group now not only enjoys about 35% of the cement market but it has also ventured into several cement related products. The Bagging Plant in the port of Colombo is a major operation in importing cement in bulk. This subsidiary experienced profitability problems but now has turned around.

The company's ready-made concrete is in demand and this operation presently operates from ten locations. A significant contribution is received from this line of business and it is planned to expand, on demand. Another successful line is the production of tile adhesives, ready to use wall plaster and masonry mortar. A further exciting product that we propose to put into the market in the near future is the light weight cement blocks. Judging by the popularity of this product in India and Australia, we feel confident that this product will also be a success story.

The company is the pioneer in biomass power generation using gliricidia wood and paddy husk as fuel. This project not only generates cost effective electricity for the company's plants but also is a source of income for the subsistence farming community in North Central and Eastern Provinces. Due to the success of the original biomass plant, a second Plant was commissioned during the period under review at Mahiyanganaya. The company owns three ships used in bringing the raw materials exclusively by the company.

Sri Lankan Economy

The Sri Lankan economy has experienced largely benign macroeconomic conditions. In June 2014, year-on-year inflation declined to 2.8% and annual average inflation fell to 4.9%. The balance of payments has recorded a surplus of around $1.5 billion and reserves have attained a level of $9 billion. The authorities have successfully achieved a low inflation, low interest rate and stable exchange rate environment in recent months. Despite this, both domestic and foreign investment remains below the government's expectations. In addition, while there has been some recovery in domestic demand since 4Q 2013, it remains somewhat muted. These trends suggest that the economy would benefit from reforms which would strengthen its growth framework to support the commendable progress made in achieving stable macroeconomic conditions.

Global Economy

The world economy continues to experience a moderate recovery following the Great Recession which commenced in 2008. The most recent forecasts have downgraded global growth somewhat for 2014.

Recovery is being sustained in the US after a setback as a result of the impact on the economy of a harsh winter. Gains are being recorded on both the growth and employment fronts. However, the economy remains less robust than one would expect at this stage of a recovery from a steep recession. Europe has stabilized with the severe recession in Southern Europe bottoming out. The German economy remains resilient with continued impressive export performance. In Europe, recovery is most advanced in the UK. Abenomics has injected some dynamism into the Japanese economy. The stimulus measures, with their twin arrows of fiscal expansion and loose monetary policy, have had a positive impact. The third arrow, structural reforms, has made less progress hence the economy remains muted.

The large emerging market economies have all experienced a slowdown. Growth in China (7%) and India (4.5%) has moderated though there are signs that the reforms being implemented by President Xi and Prime Minister Modi are beginning to revive their respective economies. This is encouraging as these economies have accounted for about half of global growth in recent years.

Overall, the recovery in the USA and stabilization in Europe, the country's two largest export markets, have had a positive impact on Sri Lanka's balance of payments. Low global inflation has also contributed to containing domestic inflation through subdued and stable prices of key import commodities.

Performance Overview

The Group, notwithstanding constraints in a highly competitive market, demonstrated a considerable growth during the review period. The after tax profit of Rs. 2.2 billion is the highest ever recorded by this Group. The Managing Director's report will contain details of the operations. The Directors recommend a dividend of Rs. 1.5 for both voting and non-voting shares. It has to be appreciated that a substantial amount of the profits has been retained to finance the expansion project.

Short To Medium Term Plans

Presently the country imports over 45% of cement requirements. With a view to reduce imports, representations were made by the company to the State with a proposal to expand activities of The Group. Our proposal has received favourable response by the Authorities subject to an investment of not less than USD 50 million. The expansion project will receive a tax holiday of 5 years and thereafter tax at 12%. Approximately 7 acres of land was acquired for the project. As the project will enjoy a tax holiday, the expansion project will be carried out under a subsidiary. It is proposed to finance the project with internally generated funds and, borrowings. The gestation period will be about 3 - 4 years.

Staff and Directorate

Presently The Group has over 633 permanent employees. It is with pride I state that the biggest asset the company has is its competent and committed staff cadre. I take this opportunity to thank them for their commitment and loyal service.

I regret to state that Mr. Tatsuro Naruse who was a Director of the company for the past two years representing the Japanese Collaborator, passed away recently after a brief illness. He was a committed member of the Board. The undersigned attended his funeral in Tokyo and offered condolences to his family and the Japanese Collaborator. Mr. Stanley Wanigasekera who was associated with the company since 1984 as a nominee Director of the Japanese Collaborator will ceased to be a Director with effect from 16th September 2014. Valuable contribution made by Mr. Wanigasekera at the board level over a long period is recorded with a high degree of appreciation. I join with my fellow Directors in wishing Mr. Wanigasekera good health and long years of happy retirement. I thank my colleagues in the Board for their support and co-operation.

Edgar Gunatunga
Chairman

18th August 2014

MESSAGE OF THE JAPANESE JOINT VENTURE PARTNER

Tokyo Cement Group, as one of the leading manufacturers of the country, is also enjoying this vigorous pace of economic growth of the country. In the financial year 2013/2014, the Group achieved an 6% growth in terms of revenue and a 65% growth in operating profits.

On behalf of the Japanese Joint Venture partner, I would like to express our heartfelt appreciation to the shareholders of Tokyo Cement Company (Lanka) PLC for their confidence and trust in the members of the Board.

I would like to extend my sincere thanks to the customers, dealers and staff of the Tokyo Cement Group for their exceptional consideration and support.

In recent years, Sri Lanka has experienced faster economic growth fuelling the pace of growth in manufacturing and increasing the demand for construction related products and services. The string of new international hotel developments in Colombo is indicative that increasing number of people, including investors, are attracted to Sri Lanka as the country picks up the pace of growth in an environment of peace and stability.

Tokyo Cement Group, as one of the leading manufacturers of the country, is also enjoying this vigorous pace of economic growth of the country. In the financial year 2013/2014, the Group achieved an 6% growth in terms of revenue and a 65% growth in operating profits.

What is noteworthy is that Tokyo Cement's contribution to the country has not been limited to economic and financial returns. The Group has made significant contributions to society and public welfare through a range of CSR programmes. As a manufacturer the Company has also been highly conscious of minimizing environmental impacts and conserving nature. The strong emphasis placed on such activities makes Tokyo Cement an exceptionally responsible corporate citizen, with a strong social conscience, for which I am proud of.

I believe the financial year 2014/2015 will be another successful year for the Tokyo Cement Group.

Yoshichika Nishio
President
Nippon Coke & Engineering Co., Ltd

18th August 2014

MANAGING DIRECTOR'S MESSAGE

"To meet market demand, we plan to invest US$ 50 million on a capacity expansion, of 1.0 million tonnes. In order to meet the energy requirement of this venture we will invest in a second 8 MW bio mass plant. This green energy plant, which was delayed due to delays in land transfer, will also be initiated in the new financial year. The new green energy plant will support our sustainable energy use policy and will also create alternative incomes for farming communities."

MANAGING DIRECTOR'S MESSAGE

My dear shareholders,

It gives me great pleasure to present our annual report to you, and to share the performance of your Company during a year of many changes and challenges.

Your Company remained the leading supplier of cement to the local market despite many challenges, including anti competitive practises and cement dumping. Although the year saw a dip in demand compared to the previous year your Company benefited from an overall favourable operating environment. Our after tax profits increased by 143% to Rs. 2.2 Bn, compared to the after tax profit of Rs. 0.9 Bn in 2013. Revenues increased by 6% to Rs. 28.9 Bn.

Overall, your Company benefited from the predictable macroeconomic environment during the year that resulted in a steady exchange rate and declining interest rates. The lower interest rates brought direct and indirect benefits for the Company by reducing the cost of funds and allowing our distributors easier access to credit. The reasonable and stable exchange rate, also contributed towards the overall financial health of the Company. This situation was partially due to the policy decision to control dumping of second hand vehicles in Sri Lanka. The significantly lower import volumes of second hand vehicles helped conserve the country's foreign exchange reserves and contributed towards the stable exchange rate. I am encouraged by these developments, that I view, as overall conducive towards economic growth, particularly the lower interest rate regime.

Supported by this favourable external environment and the Tokyo Cement brand name, your Company continued to retain market share despite a rising tide of competition from low quality imported cements. Although the cement market contracted by about 6% during the year compared to 2012/13, I believe this is an ongoing market correction following the spike in demand in the immediate aftermath of the war ending. Therefore, I anticipate market growth close to overall national GDP growth for the year 2014. Another encouraging development is that large scale private sector and government projects that were delayed have now been activated. Therefore, I anticipate strong and sustained demand through the new financial year.

The year was also favourable in terms of supply of raw materials, with India experiencing an oversupply situation of clinker, and the ASEAN region also seeing adequate growth in supply. Clinker supplies are expected to hold steady over the new financial year as well. We continued to import our clinker requirements from ASEAN region, where India, Indonesia, Thailand and Malaysia remained the main source destinations.

Raising the alarm

I am happy to announce that in October 2013, the Government announced its policy for the cement industry, which limited one cement factory to each port. This was a result of Tokyo Cement objecting to a multinational cement company's plans to establish a packing plant in the port of Trincomalee. This decision was made by the Company to protect Company interests, as Tokyo Cement has invested extensively in the

Port of Trincomalee and the Tokyo Cement plant in Trincomalee, for over 30 years, as the country's pioneer private sector cement manufacturer. Needless to say, I am extremely encouraged by the Government decision, which sends out the correct signals to support local industries.

However, I must raise a red flag regarding anti competitive practices followed by foreign manufacturers, including the practice of dumping low quality cement in the local market. Cement dumping at below cost prices, by foreign companies, not only hurts local manufacturers, but is also a public hazard, as such low quality products used in the construction industry will result in unsafe buildings. These products utilise Sri Lanka's free trade agreements with India and Pakistan to enter the country at below cost prices and also benefit from lower freight rates of repositioning containers from Dubai.

I would also like to highlight that domestic cement industries in countries such as Indonesia and Malaysia have suffered due to invasive international cement companies. Such a situation would be detrimental to Sri Lanka's economy in the long term, as it would reduce consumer bargaining power and weaken the domestic industry base. Therefore, we believe the Government should study the current situation in the cement market, to ensure a level playing field for local entrepreneurs.

We have responded to the threat of rising competition with a new branding strategy that aims to clearly differentiate our products from dubious quality imported cement products. The branding strategy ensures that our product range is linked to the Tokyo Cement brand's name, which stands for over three decades of trusted quality.

Responding to industry changes

Sri Lanka's construction industry is in the threshold of a new era. With mega development projects being unrolled by the government and the private sector the domestic construction industry is attracting large foreign contractors in a never before seen scale. This internationalisation of the domestic construction industry has created new demand patterns. These include demand for products that conform to new construction technologies and design specifications. However, due to nearly three decades of war, Sri Lanka's construction industry has been lagging behind in construction technologies and specialised skills. Tokyo Cement has responded to the radical changes in the industry with new investments in product development and laboratory facilities. We have set up a special facility to cater to requirements of international contractors. This includes investments in new equipment, quality improvements and providing cement testing facilities. During the year under review, we also introduced some innovative products to meet the changing market needs. These include a new, cost effective, high performance cement block, with low heat hydration properties, under the brand name 'Tokyo Super Light.' The Company also introduced a number of Do It Yourself (DIY) products for the general public, who are not construction industry professionals. During the year, we also invested in expansion of capacity for ready mix concrete to support both household and large scale contractor demand.

Labour shortage

Another important industry issue I would like to highlight is the shortage of both skilled and unskilled human resources in the country, to meet the growing construction industry labour demands. Unless this situation is addressed urgently, Sri Lanka will have no option but to import construction labour. Already construction companies have been forced to bring foreign labour to meet the shortfall.

I am greatly concerned that due to various reasons, the construction industry is viewed as

MANAGING DIRECTOR'S MESSAGE

a low status employment, which is discouraging young people from entering the sector, despite its many lucrative opportunities. Although the A Y S Gnanam Construction Academy, which is one of the Company's largest social responsibility initiatives, has attempted to recruit school drop outs for free training, this has been a challenging task.

Plans for the new financial year

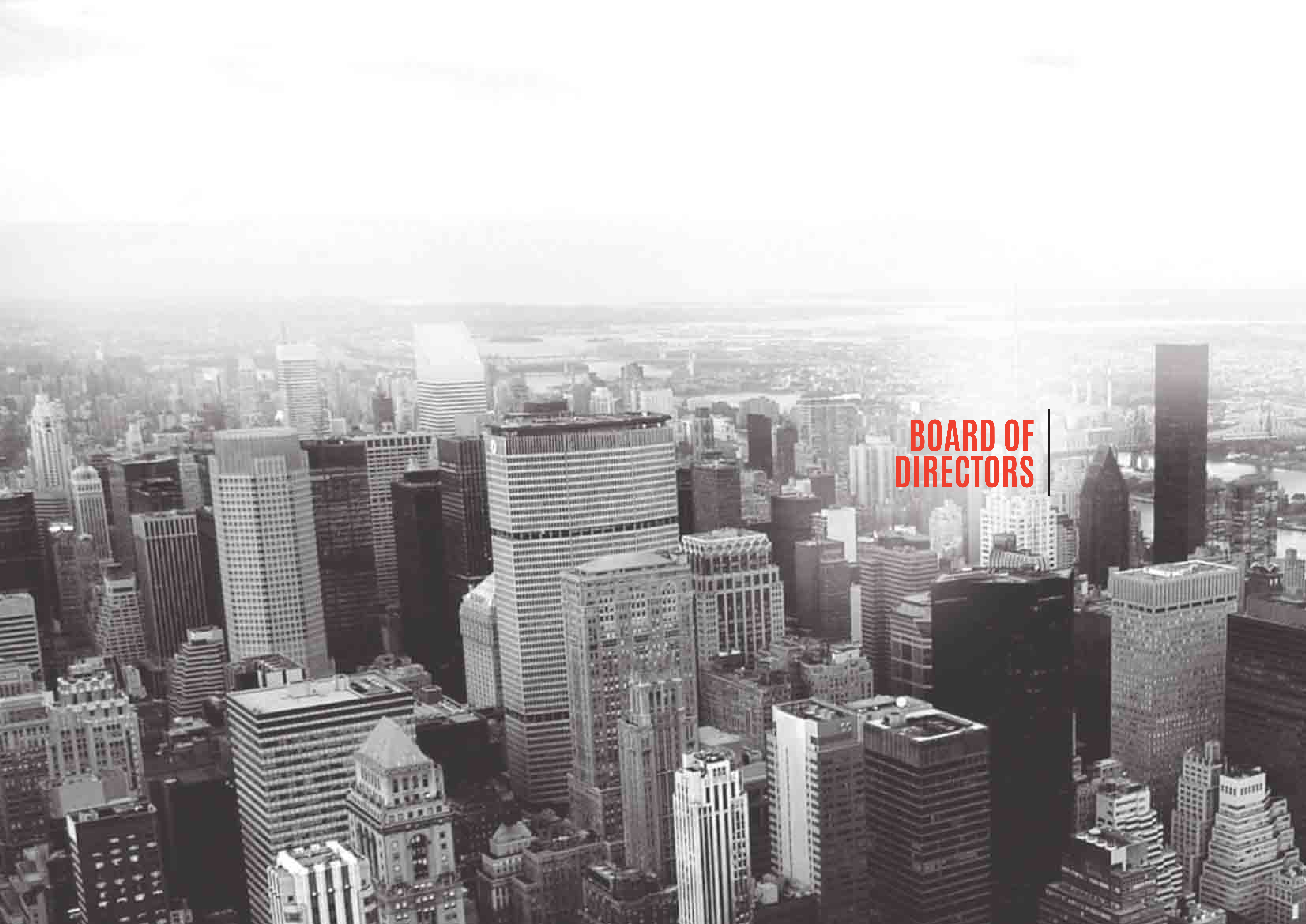
During the new financial year, we will continue to introduce more new products to the local construction industry, including cement based products. To meet market demand, we plan to invest US$ 50 million on a capacity expansion, of 1.0 million tonnes and in order to meet the energy requirement of this venture we will invest on a second 8 MW bio mass plant. This green energy plant, which was delayed due to delays in land transfer, will also be initiated in the new financial year. The new green energy plant will support our sustainable energy use policy and will also create alternative incomes for farming communities.

Appreciations

I would like to thank our shareholders for their support to the Company. My appreciations go out to the Board of Directors and management of Tokyo Cement, for their guidance during the year, and to all staff for their contributions to the Company's success. I must also thank all our loyal customers and dealers for standing by the Company, for many years.

S R Gnanam
Managing Director

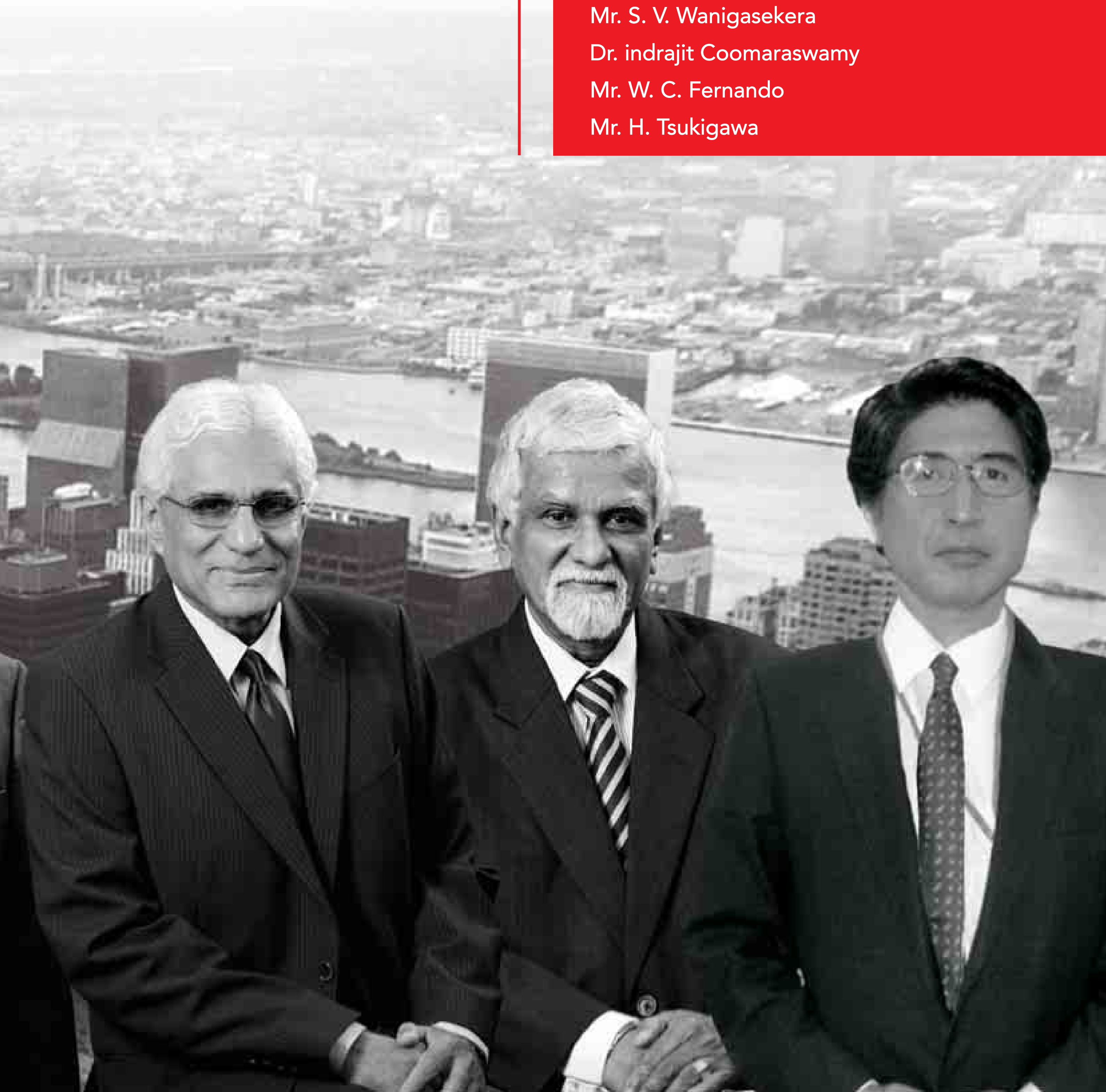
18th August 2014



BOARD OF DIRECTORS

BOARD OF DIRECTORS

From left to right:
Mr. Edgar Gunatunga
Mr. S. R. Gnanam
Mr. T. Naruse (Deceased)
Mr. A. S. G. Gnanam
Mr. E. J. Gnanam
Mr. R. Seevaratnam
Dr. Harsha Cabral
Mr. S. V. Wanigasekera
Dr. indrajit Coomaraswamy
Mr. W. C. Fernando
Mr. H. Tsukigawa



BOARD OF DIRECTORS

Mr. E. Gunatunga

Chairman

Mr. Gunatunga was appointed to the Board in June 1997 and has been the Chairman since February 2007. He counts over 53 years banking experience and was formerly the Managing Director/ Deputy Chairman of Sampath Bank, from January 1991 to December 1996.

Mr. S. R. Gnanam

Managing Director

Mr. Gnanam was appointed to the Board in 1983. Over Thirty years working experience in business Management, Strategic planning, Social and Economic Research. He is the chairman of South Asian Investment (Private) Limited, Alexandra Industries (Ceylon) Limited, St. Anthony's Hardware (Pvt) Ltd, and Capital City Holding (Pvt) Ltd. Also he serves as the Managing Director of St.Anthony's Consolidated (Pvt) Ltd, St.Anthony's Hydro power limited and Sofia Kandy Limited.

Mr. T. Naruse (Deceased)

Nominee Director of Nippon Coke & Engineering Company Limited, Japan

Mr. Naruse was appointed to the Board in July 2012. He has over 35 years work experience and has been with Nippon Coke & Engineering Co., Ltd (formerly Mitsui Mining Co., Ltd) since 1977. He spent 30 years in the Coal & Coke Procurement and Marketing business at Nippon Coke. He was the President of Mitsui Mining USA Inc. for two years starting in 2001 and was the Chief representative of Mitsui Mining Co., Ltd in Jakarta for three years starting in 2006. He graduated from the Law Facility of Gakushuin University in 1977.aalso serves on the boards of several public companies.

Mr. A. S. G. Gnanam

Director

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

Mr. E. J. Gnanam

Director

Mr. E. J. Gnanam was appointed to the Board in February 2007. He is the Managing Director of South Asian Investments (Private) 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 garments, manufacturing and services. He has a Bachelor of Arts from the University of Texas and an MBA from the University of Melbourne.

Mr. R. Seevaratnam

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.

Dr. Harsha Cabral

Independent Director

Dr. Cabral, a president's Counsel was appointed to the Board as an Independent Non-Executive Director in 2009. Dr. Cabral counts over twenty five years of experience as a lawyer specializing in Company Law, Intellectual Property Law, Commercial Law,International Trade law and Commercial Arbitration and holds a PhD in Corporate Law from the University of Canberra, Australia.

He is a commissioner of the Law Commision of Sri Lanka.He is a member of the Advisory Commission on Company Law in Sri Lanka and was a key member in member in drafting the companies Act no.7 of 2007.

Dr. Cabral is a Council Member of the University of Colombo, a member of the Board of Studies of the Council of Legal Educational in Sri Lanka, a member of the Acedemic Board of Studies of the Institute of Chartered Accountants of Sri lanka, a member of the Corporate Governance Committee of the ICASL, UGC nominee on the Post Graduate Institute of Medicine and a Senate member of Aquinas College of Higher Education. Dr. Cabral is the Vice President of the Business Recovery and Insolvency practitioner in Sri Lanka and serves as the Non Executive Director of several other companies.

Mr. S. V. Wanigasekera

Director

Mr. Wanigasekera was appointed to the Board in 1983. He counts over 53 years of finance and managerial experience in Sri Lanka. He has a B.Com(London), F.C.A. (UK), F.C.A. (Sri Lanka). He was appointed the Chairman of Central Finance Company PLC in 2006. He served as the Executive Chairman of Ceylon Tobacco Company PLC and was a Director of Hatton National Bank PLC, Richard Peiris & Company PLC, Associated Motorways PLC and Brown & Company PLC.

Dr. indrajit Coomaraswamy

Independent Director

Dr. Coomaraswarmy was appointed to the board in March 2011. He has over 30 years of experience in policy making and providing economic advisory services, on both macroeconomic and structural issues at National and Intergovernmental levels. He obtained his Bachelors and Masters in Economics from the Cambridge University of UK and subsequently obtained a Doctorate from the University of Sussex. He was formerly a Director, Economic Affairs at the Commonwealth Secretariat.

Mr. Hiroki Tsukigawa

Director

Appointed to Board in 2013. Graduated from Yokohama National University in 1984 with a Bachelor of Business Management. Entered "Mitsui Mining Company, Limited" in 1984. Over twenty five years working experience in Coal & Coke Procurement and Marketing business at Nippon Coke and Engineering Co., Ltd.(formerly Mitsui Mining Co., ltd.). Has served as Senior Manager of Corporate Planning & Administration Department of Nippon Coke and Engineering Co., Ltd. from 2012.

Mr. W. C. Fernando

Group General Manager/Subsidiary Director

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

Management Discussion and Analysis

About the company

Established in 1982, Tokyo Cement Company (Lanka) PLC, is a partnership between Japan's multi-national industrial conglomerate, Nippon Coke and Engineering Company (formerly Mutsui Mining Company Japan), and Sri Lanka's Saint Anthony's Consolidated. The Company, was listed in the Colombo Stock Exchange in 1984. The Tokyo Cement group of companies comprise 5 subsidiaries. These are: Fuji Cement Company (Lanka) Limited, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power (Lanka) Limited, Tokyo Cement Colombo Terminal (Private) Limited, and Tokyo Eastern Cement Company Limited.

Principle Activities

The Company's core activities are the manufacture of Ordinary Portland Cement, Portland Pozzolana Cement, Masonry Cement, Tile Adhesives, Water Proofing Products, Pre-Mix Concrete and Ready-Mix Concrete.

Group structure

The Tokyo Cement Group comprises 4 fully owned subsidiaries and one subsidiary with majority ownership.

- Fuji Cement Company (Lanka) Limited. 100% owned
- Tokyo Super Cement Company Lanka (Private) Limited. 100% owned
- Tokyo Cement Colombo Terminal (Private) Limited. 59.87% owned
- Tokyo Cement Power (Lanka) Limited. 100% owned
- Tokyo Eastern Cement Company Limited. 100% owned

Global cement industry

As reported by the Global Cement Outlook of January 2014, global interest rates remained a key driver of construction activity, especially in formal sectors of economies, and slower economic growth had a negative impact. Therefore, estimated cement consumption growth in the world excluding China was only about 2% in 2013. The forecast for 2014 is for an increase of 3.5%. Both 2013 and 2014 are set to deliver the slowest growth in the world (excluding-China) in the past decade, outside the crisis years of 2008-09. While most emerging countries are still on the rising part of the cement consumption bell-curve, despite economic healing in developed markets, a strong bounce in cement demand in most regions is considered unlikely.

Sri Lankan economy

In the backdrop of macro economic adjustments of 2012, the Sri Lankan economy continued to strengthen in 2013, with interest rates reducing and private sector credit picking up during the last quarter of the year. The rupee remained stable, appreciating against the US dollar by 0.03% during the year.

Many positive developments were observed in the Sri Lankan economy during 2013. Although global economic conditions continued to remain weak, with global GDP growth contracting from 3.2% in 2012 to 3% in 2013, the Sri Lankan economy improved from a 6.3% rate of growth in 2012 to a GDP growth rate of 7.3% by the end of 2013. The industrial sector expanded by 9.9% during the year, compared to the 10.3% growth rate of 2012, while the agriculture sector recorded a growth rate of 4.7%, compared the 5.2% growth in 2012, and the services sector saw a robust growth of 6.4%, compared to the 4.6% rate of growth in 2012. In spite of significant upward adjustment to domestic energy prices, the rate of inflation was stable and remained at single digit level. Headline inflation was 4.7% year-on-year and 6.9% on an annual average basis. With exports recording a growth of 6.4% in 2013 and import expenditure declining by 6.2%, a significant improvement was seen in the trade balance, and the overall balance of the BOP recorded a surplus of US$ 985 million in 2013, compared to a surplus of US$ 151 million recorded in 2012. Economic growth is expected to reach 7.8% in 2014 and then to enter a higher growth path of over 8% in the medium term. This expansion is expected to be broad based with all major sectors, contributing positively in the coming years. In addition, overall capacity of the economy has increased substantially in recent times as a result of the Government's mega infrastructure drive. Such increased capacity of the economy, in turn, has significantly amplified the investment potential and opened up new avenues to be utilised by the private sector.

Cement market in Sri Lanka

Despite the positive economic indicators, the cement industry in Sri Lanka experienced negative growth during the year due to declining demand. The year 2013 commenced with cement demand reaching 10% above 2012 levels, at 5.2 million tonnes. However, at the close of the year, demand growth had dropped to around a 6%, at 4.9 million tonnes. Nevertheless, towards end of the year, demand for cement indicated signs of stabilising, supported by a decline in bank lending rates following the lifting of restrictions on bank lending. The lowering interest rates were particularly significant as interest rates of housing loans saw a gradual easing, which in turn, resuscitated demand for cement. Another significant market development was the inflow of dubious quality, low priced imported cements that flooded the local market.

Regulatory structure of the cement industry

Cement is a price controlled product in Sri Lanka and is regulated by the Consumer Affairs Authority (CAA). Therefore, the company requires written approval from the CAA to increase cement prices.

Operational Review of the Company

The review of operational and financial performance and the Managing Director's and Chairman's statements, in conjunction with the audited financial statements of the Company and the Group, reflect the respective state of affairs of the Company and the Group.

Expansion of distribution network

In response to declining demand and rising competition in the local cement market in 2013, Tokyo Cement took immediate defensive action by widening the distribution network to penetrate a wider geographic area.

Market development activities

In addition to the penetration strategy, the Company also adopted a market development

Tokyo Superlight Cement block: The latest from Tokyo Cement laboratories, the Tokyo Superlight will be the next paradigm shift in the local construction industry.

approach by entering new market segments such as infrastructure projects. Major development projects are now unfolding in the South and also in the North and East. These development projects require specialised and high quality cement, cement based products and testing facilities that are equivalent to international construction industry standards. With over three decades of local construction industry experience and well established quality standards, Tokyo Cement is well positioned to exploit this opportunity.

As part of the market development strategy, the Company invested in factory upgrades, development of new products and the establishment of a new laboratory facility, during the current financial year. In addition, the Company has also set up three ready mix concrete plants in 2013, located in Biyagama, Kadawatha and Negombo. The plants in Kadawatha and Biyagama are dedicated to meet needs of projects such as the outer Colombo highway which is under construction. The plant in Negombo supplies ready mix concrete to consumers.

Research & Development (R&D)

The focus of Tokyo Cement R&D is to increase domestic construction industry efficiency by developing products that reduce costs while increasing performance. For this purpose a 'Concrete Clinic' was established in Dambulla in 2011, where products can be tested and new products can be developed according to customer requirements. The Clinic has been most effective in meeting the needs of international contractors that have special requirements for specific needs.

Tokyo Cement has also extended its R&D related activities beyond the Company and is the exclusive sponsor for R&D at the Civil Engineering Division of the University of Peradeniya.

New product development

During the current year we continued to focus on developing and introducing new products to the local market, to support the construction industry.

Tokyo Superlight Cement block: The latest from Tokyo Cement laboratories, the Tokyo Superlight will be the next paradigm shift in the local construction industry. This Cellular Lightweight

Concrete (CLC) block made its debut at Architects Exhibition in February 2014 becoming a star attraction.

The CLC blocks are larger in size (500x200x100) and lighter in weight than traditional cement blocks used in the construction industry, provide superior thermal and acoustic insulation and is considerably more fire resistant. It is also a more eco-friendly building material, as it is a superior insulator, requiring less energy for climate control, where air conditioning costs can be reduced by 30%, and is made in a carbon-neutral process that does not use wood ovens or autoclaves used in traditional brick making.

Tokyo Cement Do It Yourself (DIY) range

During the current year, we continued to enhance our pioneer range of DIY construction products, as part of our new product development efforts. In 2013, no less than 5 new DIY products were introduced, expanding the Tokyo Cement DIY range to 7 products. This exciting new DIY range of construction products are user friendly and designed for the safe and effective use of ordinary consumers. The DIY products also makes it possible for house builders to be in control of the quality of their constructions, as instructions on correct usage of products are clearly displayed on the packaging in pictorial and text form. This system eliminates the space for error, and ensures consistent quality, by providing the optimum mix, instead of the traditional approach of randomly adding water to cement and sand.

Tokyo Super block bond: This is a ready to use brick laying motar that can be mixed and used by the layman. With the addition of water in the specified quantities, the product is ready to use on cement bricks or fired earth red bricks.

Tokyo Superset screed motar: This is another ready to use, water mix, comprising the optimum mix of cement, filler and fibre, to ensure the best quality tile bedding for floor tiles. The consistent quality assurance given by our ready to use product ensures that once bedded, the floor tiles do not come unstuck or lift out of the floor.

Tokyo Superseal water proofer: This cement based water proofer can be used by the laymen by simply adding the specified quantity of water. The product can be used to waterproof wall, joints, overhead slabs and any other vertical or horizontal surfaces.

Tokyo Superflow flooring compound: This is a self levelling cement based flooring compound that can be applied manually or with a pump. Just add water and its ready to use.

Tokyo Supermix: This is a dry concrete mix of river sand and metal, with a separate bag of cement. To use, simply add the specified quantity of water and the concrete mix is ready for slabs, drive ways, pavements and other concrete based works.

Tokyo Cement Social Marketing

At Tokyo Cement we view marketing through a social perspective that goes beyond advertising

Sri Lankan bowling legend Muttiah Muralitharan to build 60 cricket pitches, out of which 30 were constructed by the end of the financial year.

and promotions. Therefore, instead of using mass advertising to promote our products, we invest in sustainable social marketing initiatives that build relationships with the public. Our marketing initiatives have been key to building a top-of-the-mind brand that is clearly differentiated from the mushrooming cement competition.

Our social marketing initiatives such as the Tokyo Cement All Island School Quiz, is supporting the development of young people, while positioning the Tokyo Cement brand as the choice of future generations.

In another initiative we partnered with Sri Lankan bowling legend Muttiah Muralitharan to build 60 cricket pitches, out of which 30 were constructed by the end of the financial year. We sponsored Sir Ion Botham's 200 mile charity walking from the North to the South to provide disadvantaged children in Sri Lanka with sports facilities to help improve their lives. More Tokyo Cement social welfare and environmental conservation initiatives are described in our Sustainability report.

We are confident this social marketing and relationship based brand building will withstand competitor attacks and will build Tokyo Cements brand equity.

New branding strategy

During the year, the Tokyo Cement product portfolio entered a new chapter with a sweeping brand reorganising process. All individual, stand alone, Tokyo Cement products were brought under a central Tokyo Cement brand umbrella. The ultimate objective is the enhancement of brand equity through clear linkages of all products to the strength and trust in the Tokyo Cement brand identity. We believe the new branding strategy will differentiate Tokyo cement products from the competition in an increasingly crowding marketplace. This will in turn benefit all Tokyo Cement brands through a strong and clear association with high quality and over three decades of trust.

Information Technology

The Group has initiated implementation of an Enterprise Resource Planning system across the company and its subsidiaries to integrate the corporate headquarters, sales depots, and factory. The new system is expected to enhance operational efficiency and employee productivity throughout the Group.

Tokyo Cement Employment policy

Tokyo Cement is an equal opportunity employer and does not discriminate based on gender, race and religion. Career advancement opportunities are provided to all employees without exception, based on merit. Tokyo Cement is as committed to a zero-lost-workday work environment, with occupational health and safety being a primary imperative within our operations.

As at March 31, 2014 the total work force of the Company stood at 997 including 633 permanent employees and 364 casual workers. The total remuneration package for employees came to Rs. 587 million, which exceeds the remuneration payments of the previous year by Rs. 138 million.

Tokyo Cement Customer Policy

At Tokyo Cement, our customers are considered the greatest source of strength and inspiration in the forward journey of the Company. Therefore, our customer policy is to provide total satisfaction to all customers by enhancing the quality of our products and services.

Tokyo Cement Supplier Policy

Our policy towards all suppliers is a policy of trust and reliability. We invest in building long term relationships with our suppliers based on trust.

Financial Review of the Company

Significant Accounting Policies

The significant accounting policies adopted in the preparation of Financial Statements are given on page 70 to page 122 of the Annual Report.

Sri Lanka Accounting Standards (SLFRSs/ LKASs)

With Sri Lanka's adoption of International Financial Reporting Standard (IFRS), the institute of Chartered Accountants of Sri Lanka issued new Sri Lanka Accounting standard (commonly known as SLFRSs/LKASs), which is applicable after 1st January 2012. Therefore, the Financial Statement of the Company for 31st March 2014, is the 2nd set of financial statements prepared in accordance with the Sri Lanka accounting standards (SLFRSs/LKASs).

Revenue and profits

While the cement market downturn of 2013 had an unavoidable negative impact on Tokyo Cement, we are happy to state that our growth rates remained above industry growth rates. Our responsive pricing strategy, coupled with market penetration efforts, the introduction of value added cement based products and strong brand recognition, ensured that profitability was maintained.

Group revenues rose 6% to Rs. 28.9 billion during the financial year ended March 31, 2014, from Rs. 27.3 billion in the previous year. Company revenues rose to Rs. 10.2 billion during the year under review, from Rs. 9.4 billion in the previous year.

Consolidated gross profits increased by 36%, to Rs. 7.2 billion in 2013/14, from Rs. 5.3 billion in the financial year 2012/13. Company gross profits increased to Rs. 2.5 billion during the year under review, from Rs. 2.0 billion in the previous year. Consolidated profit before tax increased from Rs. 1.3 billion to Rs. 2.6 billion, while profit after tax increased from Rs. 894 million to Rs. 2,174 million during the financial year under review.

Profit attributable to equity holders stood at Rs. 2,127 million from Rs. 884 million during the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Donations

The Tokyo Cement Group donated Rs. 7.5 million to numerous charities during the year.

Taxation

Tokyo Super Cement Lanka (Pvt) Ltd and Tokyo Cement Power Lanka Ltd are not liable for income tax on its main income at the balance sheet date. Tokyo Cement Company (Lanka) PLC, Fuji Cement Company (Lanka) Ltd and Tokyo Cement Colombo Terminal (Pvt) Ltd are liable for income tax at the balance sheet date. 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.

For Group Companies under BOI tax holidays, deferred tax during the tax holiday period has been recognised for temporary differences, when reversals of such differences extend beyond the tax exemption period, taking into account the requirements of LKASs 12 and the Institute of Chartered Accountants of Sri Lanka (ICASL) council's ruling on deferred tax. Please refer accounting policy number 2.4.2.2.1 in page 91.

Dividends

To declare that the interim dividend of Rs. 1.50 per share (voting and non voting) paid on 27th June 2014 to be the final dividends for the year 2013/14. (i.e. Total Dividends for the year 2013/14 is Rs. 501.2 million).

Earning per share

Please refer note 7 on page 100.

Stated capital

The Company's stated capital at the end of the year under review, was represented by 222.750 million ordinary voting shares and 111.375 million ordinary non-voting shares.

Reserves

The Group's total reserves increased from Rs. 4.8 billion as at March 31, 2013, to Rs. 6.15 billion, by March 31, 2014. This includes Rs. 150 million in capital reserves and Rs. 6 billion in revenue reserves.

Debt

Group's long term debts amounted to Rs. 1.9 billion against Rs.1.0 billion in the previous year. Company long term debts amounted to Rs. 924 million as at end March 2014, compared to Rs. 433 million as at March 31, 2013. The Group's short term liabilities stood at Rs. 3.5 billion against Rs. 3.2 billion a year ago. The Group had incurred an interest cost of Rs. 559 million during the current financial year, compared to Rs. 700 million in the previous year.

Property, plant and equipment

The consolidated property, plant and equipment costs stood at Rs. 15.5 billion by March 31, 2014 compared to Rs.14.7 billion in the previous year. The cost of the Company's property, plant and equipment was Rs. 8.9 billion, compared to Rs. 8.2 billion a year earlier.

The group's total capital expenditure for the year under review was Rs. 2.7 billion from Rs. 1.5 billion in the previous year. A total of Rs. 110 million 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 9C to the Financial Statements.

Current assets

The total current assets of the group, as at March 31, 2014, were valued at Rs. 5.8 billion compared to Rs. 4.1 billion in the previous year. The total current assets of the Company was valued at Rs. 2.5 billion compared to the figure of Rs. 1.8 billion in the previous financial year.

Statutory payments

The Directors to the best of their knowledge are satisfied that all statutory financial obligation to the government and to employees have been either duly paid, or adequately provided for, in the Financial Statements. A confirmation of the same is included in the statement of directors responsibilities on page 64-65 of this annual report.

Post-balance sheet events

Please refer note 31 on page 122.

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, 2014, are given in notes 26 on pages 112 - 113 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 78.

Shareholders information

This information provided in page 123-125 of this annual report.

Substantial shareholdings

The 20 major shareholders and the percentage held by each of them as at March 31, 2014 are given on page 125.

Mr. Edgar Gunatunga	Chairman
Mr. S.R. Gnanam	Managing Director
Mr. A.S.G. Gnanam	Non Executive Director
Mr. E.J. Gnanam	Non Executive Director
Mr. R. Seevaratnam	Non Executive Independent Director
Dr. Harsha Cabral	Non Executive Independent Director
Dr. indrajit Coomaraswamy	Non Executive Independent Director
Mr. T. Naruse	Nominee Director of Nippon Coke & Engineering Company Limited, Japan
Mr. S.V. Wanigasekera	Nominee Director of Nippon Coke & Engineering Company Limited, Japan
Mr. H. Tsukigawa	Nominee Director of Nippon Coke & Engineering Company Limited, Japan

Equitable treatment to shareholders

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

Board of Directors and Board sub committees

Board of Directors

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.

Board committees

- Audit committee
- Remuneration committee
- Nomination committee

The reports of the committees are given on pages 66-69 of the Annual Report.

Directors' responsibilities for financial statements

The Directors are responsible for the preparation and presentation of Financial Statements of the company to reflect a true and fair view of the state of its affairs. The Statement of Directors' Responsibilities for the Financial Statements is given on page 64-65 of this Annual Report.

Recommendation for re-election

Mr. E. J. Gnanam retires by rotation in terms of the articles of association of the company and offer himself for re-election at the forthcoming annual general meeting.

To re-elect as a director Mr. Edgar Gunatunga 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. Edgar Gunatunga who is 81 years and that he be re-elected a Director of the Company

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 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 March 31, 2014 are given in note 5 on page 98 of the Annual Report.

Directors' Interests

The Directors' Interests in the Company contracts appear on pages 118-121 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.

Director's meetings

The Board of Directors met 11 times during the year under review.

Directors and CEO Shareholding

	Voting Ordinary Shares		**Non Voting Ordinary Shares**	
	No of Shares Held As at 31/3/14	**No of Shares Held As at 31/3/13**	**No of Shares Held As at 31/3/14**	**No of Shares Held As at 31/3/13**
Local Joint Venture Partner - St Anthony's Consolidated (Private) Limited	61,255,977	55,687,252	0	0
Gnanam A S G	12	11	0	0
Gnanam S R - Jt Managing Director/CEO	12	11	0	0
Gnanam E J	12	11	0	0
Edgar Gunatunga - Chairman	2,433	2,212	1,100	1,000
Foreign Joint Venture Partner - Nippon Coke Engineering Co Limited, Japan	52,680,300	49,004,932	0	0
Nominee Directors of Foreign Collaborator				
Mr. Wanigasekera S V	5,940	5,400	15,935	14,487
Mr. H. Tsukigawa	0	0	0	0
Independant Directors				
Mr. Ranjeevan Seevaratnam	0	0	0	0
Dr. Harsha Cabral	0	0	0	0
Dr. indrajit Coomaraswamy	0	0	0	0
	113,944,686	104,699,829	17,035	15,487
Total Shares in Issue	222,750,000	202,500,000	111,375,000	101,250,000

Interest register

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

Related party transactions

Directors have disclosed related party transactions and such transactions are given in notes 29 on page 118-121 of the Annual Report.

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 51-53 of this report.

Auditors

The independent auditors report on the financial statements is given on page 70 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 5 on page 98 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 79 of the Annual Report.

Annual General Meeting

The Annual General Meeting will be held on 16th September 2014. The notice of the Annual General Meeting appears on page 131.

Edgar Gunatunga
Chairman

S R Gnanam
Managing Director

Seccom (Private) Limited
Company Secretaries

18th August 2014

ENERGY

8MW Biomass Plant supplying ALL the energy to the main Trincomalee factory - first of it's kind in Sri Lanka

5MW Dendro Plant supplying the grid

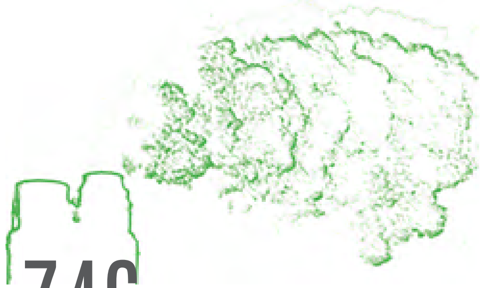
Awarded 43,000 Carbon Credits per year from UNFCC

Supplemented with and agricultural out-growers program that supports farmers and allows us to promote rural economies through local fuel sources

IMPACT OF CLEAN ENERGY

ENVIRONMENTAL IMPACT OF BIOMASS POWER, IF WE WERE TO GENERATE (PER ANNUM):

120,000,000 KWH



82,746

METRIC TONS GREENHOUSE GASSES

82,746

LITRES OF GASOLINE

40,314,725 KGs

OF COAL NOT BURNT

17,420

PASSENGER VEHICLES TAKEN OFF THE ROADS

317,064,218 Kms

NOT DRIVEN

32,400

TONS OF WASTE NOT BEING SENT TO DUMPS

SEQUESTERED BY

69,153 ACRES

ACRES OF FOREST PER YEAR

OUR POWER PLANT IN MAHIYANGANA

TOKYO POWER

WILL ENGAGE **20,000**

FARMING FAMILIES IN THE GLIRICIDIA GROWING PROGRAMS

CASH FLOW OF OVER RS. **285,000,000**

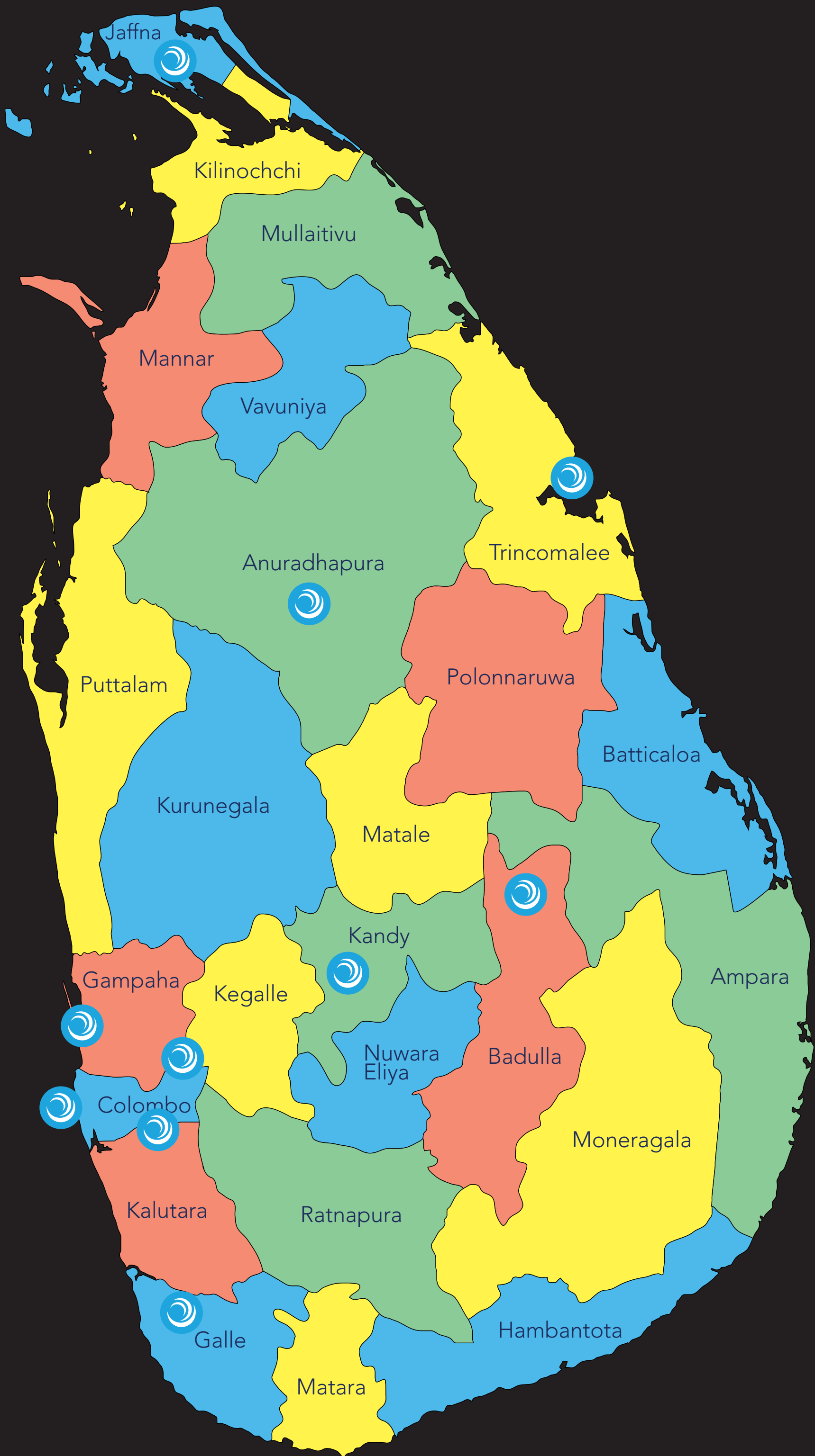
PER ANNUM DIRECTLY TO FARMING FAMILIES

TURNING ON THE LIGHTS FOR OVER

30,000 RURAL HOMES

READY MIXED CONCRETE

TOKYO CEMENT COMPANY (LANKA) PLC



TOKYO SUPERMIX

The largest manufacturing capacity at 426m³/hr

Fleet of 80 concrete mixers & 10 pump cars

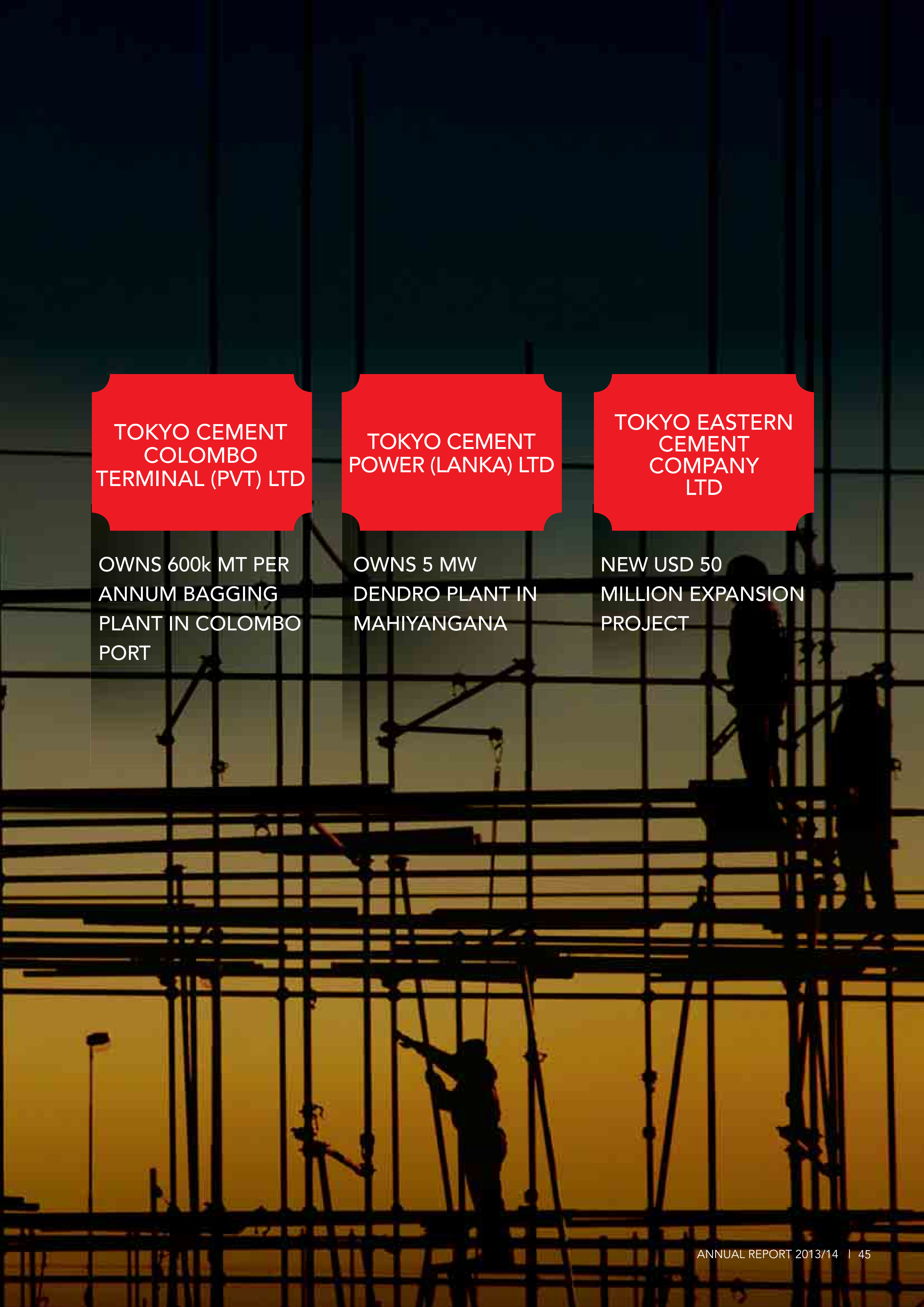
Competitors have an additional cost of buying cement to make concrete, we use our own

Strategically-growing network covering key regions in the country which are seeing large scale development projects

GROUP STRUCTURE

TOKYO CEMENT COMPANY (LANKA) PLC

TOKYO CEMENT COMPANY (LANKA) PLC	TOKYO SUPER CEMENT COMPANY LANKA (PVT) LTD	FUJI CEMENT COMPANY (LANKA) LTD
OWNS 600K MT PER ANNUM CEMENT FACTORY IN TRINCOMALEE	OWNS 900k MT PER ANNUM CEMENT FACTORY IN TRINCOMALEE (TAX FREE TILL 2018)	OWNS 300k MT PER ANNUM CEMENT FACTORY IN TRINCOMALEE



TOKYO CEMENT COLOMBO TERMINAL (PVT) LTD

OWNS 600k MT PER ANNUM BAGGING PLANT IN COLOMBO PORT

TOKYO CEMENT POWER (LANKA) LTD

OWNS 5 MW DENDRO PLANT IN MAHIYANGANA

TOKYO EASTERN CEMENT COMPANY LTD

NEW USD 50 MILLION EXPANSION PROJECT

CORPORATE GOVERNANCE

As the only listed corporate entity in Sri Lanka involved In the manufacture of cement, our corporate governance framework adopts a comprehensive approach encompassing accountability towards environmental protection and social and economic sustainability.

Board of Directors

Shareholders appoint Board of Directors at the Annual General Meeting except for the nominee Directors of Nippon Coke & Engineering Co. Ltd. Board of Directors consists of ten (10) members. Of the Board of Directors three (3) Directors are Independent non-executive Directors and five (5) directors are non-executive Directors. Company is a joint venture by St. Anthony's consolidated (Pvt) Ltd and Nippon Coke & Engineering Co. Ltd.

All Non-Executive Directors are professionals in the field of banking,economic, legal and accountancy with vast experience in business and administration.

Corporate Governance Process

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

Audit Committee

The Audit Committee comprises of three Non-Executive Directors of which two are independent. Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka. Audit Committee assists the Board of Directors in its general oversight of financial reporting, Risk Management, internal controls and functions relating to internal and external audit and monitoring of compliance with laws, regulations and best practices.

This Committee meets quarterly and the Mr. S. V. Wanigasekara (Director), Managing Director, Group General Manager, Chief Financial Officer and Internal Auditor participates Audit Committee meeting upon invitation. The report of the Audit Committee appears on page 66-67.

Audit Committee Members

Mr. R. Seevaratnam - Chairman

Dr. indrajit Coomaraswamy

Mr. Edgar Gunatunga

Remuneration Committee

The Remuneration Committee comprises two Independent Non-Executive Director's. The Committee is empowered to examine any matters relating to remuneration paid to executive members. Their terms of reference also encompass the review of matters relating to human resources management of the Company.

Remuneration Policy

Company has adopted a policy of remuneration to Senior Management Team and Executive

Directors based on performance. It is a policy of the company to link remuneration of Senior Management Team with the company's short range and long range business strategies and committee make its best endeavour to maintain remuneration levels sufficient to attract and retain Senior Management Team of the company. The decisions on the matters relating remuneration of Senior Management Team were arrived in consultation with the Chairman and Managing Director. No director is involved in determining his or her own remuneration.

Remuneration Committee Members

Dr. Harsha Cabral - Chairman

Mr. R. Seevaratnam

Nomination Committee

The Nomination Committee comprises six directors of which three are an independent Non-Executive Directors. The Committee is responsible for recommend to board the process of selecting Chairman and Managing Director, Identifying suitable persons for appointment to the Board as Executive and Non-Executive Directors.

Nomination Committee Members

Dr. indrajit Coomaraswamy - Chairman

Mr. Edgar Gunatunga

Mr. S. R. Gnanam

Mr. T. Naruse (Deceased on 31st May 2014)

Mr. R. Seevaratnam

Dr. Harsha Cabral

Internal Controls and Monitoring

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

Board of directors achieve monitoring of operations through monthly board meetings and review of various management information obtained at these meetings including reports of the internal auditors. Internal Control is implemented through the corporate management by ensuring adherence to board accepted policies and adequacy of internal control implemented by the management is measured through the Internal Audit team who shall review the systems and controls in accordance with a board approved audit plan.

This includes surprise audits of sales depots, Ready Mix Concrete operations, and factory. These reports are scrutinised and discussed by the members of the Audit Committee and suitable action is taken where necessary, in consultation with senior management. Members of the Audit Committee also reviews monthly/ interim financial statements submitted to the Board, and ensures financial information reported are in compliance with various accounting standards promulgated by Institute of Chartered Accountants of Sri Lanka.

Going Concern

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

Transparency

The Board discloses full information, both financial and non financial information within the bounds of commercial realities. Being the only cement manufacturer listed on the Colombo

CORPORATE GOVERNANCE

Stock Exchange, it is committed to a responsible business philosophy. Publication of quarterly accounts and the release of the Annual Report and Audited Accounts are complied within the stipulated time frame.

Investor Relations

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

Shareholder Value and Returns

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

External governance

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

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

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

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

CORPORATE GOVERNANCE

Rule No:	Rule	Compliance status
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)	Compliant
14	Audit Committee The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.6 (a)	Compliant
15	Specified whether a separate Audit Committee formed or whether listed parent company's Audit Committee used - Rule 7.10.6 (a)	Compliant
16	Specified the names of Directors comprising the Audit Committee (where the parent company's Audit Committee qualifies to function as the listed company's Audit Committee, a statement to this effect and disclosed the names of the Directors) Rule 7.10.6 (c)	Compliant
17	Confirmed that the functions of the Committee has being in accordance with Rule 7.10.6 (b)	Compliant
18	Specified whether the Chairman of the Committee is a Non-Executive Director Rule 7.10.6 (b)	Compliant
19	Specified whether the Chairman or one member of Committee is a member of a recognised professional accounting body – Rule 7.10.6 (a)	Compliant
20	Specified whether the CEO and CFO attended Committee meetings, unless otherwise determined by the Audit Committee – Rule 7.10.6 (a)	Compliant
21	The Annual Report contained a report by the Audit Committee stating the manner of compliance in relation to the functions required of the Audit Committee and the determinations made by the Audit Committee – Rule 7.10.6 (c)	Compliant
22	Specified the basis for determining External Auditors as being Independent Rule 7.10.6 (c)	Compliant

RISK MANAGEMENT

Risk management deliberately considers about the identification, assessment, and prioritization of the effect of uncertain events on the organizational objectives. An entity's board of directors and management has a key role in this process to design a comprehensive system to identify potential uncertain events that may affect the entity, and manage such risks to be within the risk appetite of the organization or eliminate from the root cause, to provide a reasonable assurance for the achievement of entity objectives.

The strategies which are applied for risk management typically include transferring the risk to another party, avoiding the risk, 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. Increase in shareholder value is the ultimate reward of the successful risk management system where the administrative and operational activities are executed within the well crafted internal control system by managing of types of risks associated with the enterprise.

We have applied numerous approaches to address the risks faced by the Tokyo Cement Group. In this, divisional managers act as the first defence line 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. The second line of defence is the role played by the major support functions, Accounting & Finance, Administration, Operations, and Information Technology. In close relationship with the business units, these major functions ensure that uncertain events that may face by each business units have been appropriately identified and managed. Finally, is the Internal Audit Function assesses the efficiency & effectiveness of the processes executed by the first and second lines of defence independently and provides

Impact To The Company	High	Operational Risks	• Volatility of energy and raw material prices • Availability of raw materials and additives • Production Technology related risk • Quality Risks • Legal and Regulatory risks	IT Risks	
		Market & Strategist Risks	• Industry Risk/sales Risks • Risks from acquisitions and investments • Political Risk		Risks of substitution of products
		Financial Risks	• Refinancing/Liquidity risk • Credit risk		
			Low	Medium	High
			Probability of Occurrence		

RISK MANAGEMENT

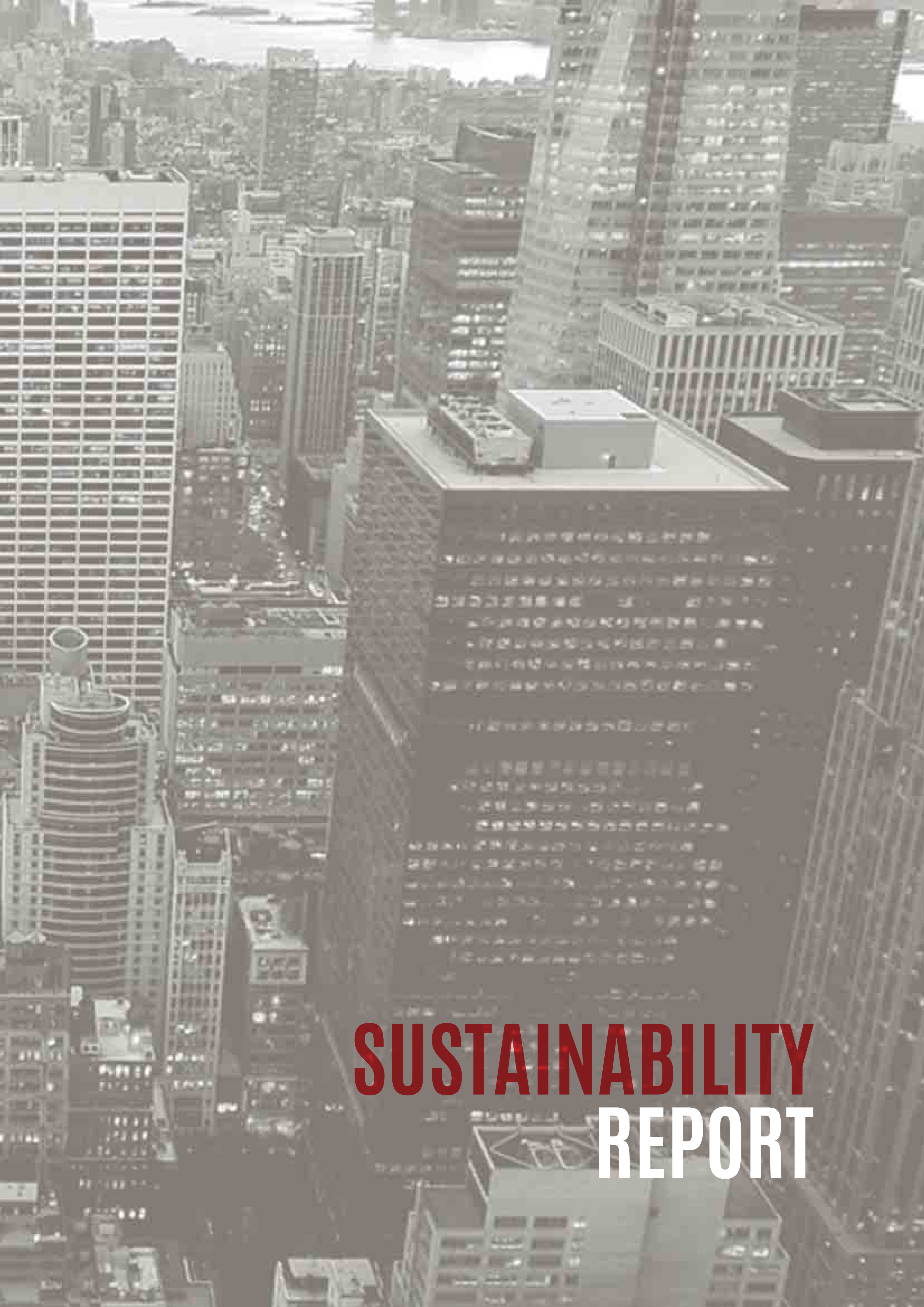
an assurance on these processes to the Board of directors through the Audit Committee on continuously.

Risk assessment mechanism of the company considers two aspects of the risks; quantitative and qualitative aspects which has a significant influence for 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.

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 adjust product pricing competitively
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 Risk	Unavailability of sufficient funds impacting smooth functioning of day to day operations of the group	High	Low	Arrangement of adequate banking facilities Sound cash position Cash flow planning and monitoring
Credit Risks	Possibility of incurring bad debts due to adverse economic conditions and poor credit management	High	Low	Strong customer credit evaluation process Regular review of credit status/ worthiness Credit facilities to be backed by bank guarantees.
Market & Strategic Risks				
Industry Risks/Sales Market Risks	Low level of residential construction, commercial constructions and public constructions due to stagnating economy Fluctuating weather patterns such as monsoon.	High High	Low High	Product diversification Increased customer focus Development of special products i.e. Tile Bonds Planning based on analytics

Risk	Potential Effect	Impact	Probability	Mitigating Actions
Risks from acquisitions and investments	Adverse impact due to changes to financial structure, failure to integrate employees, processes, technologies & products, and social and political changes	High	Low	Rigorous forecast and analysis of acquisition and investments and methods of financing Low employee turnover and employees with long tenure with the company
Risks from substitution of products	Availability of low quality imported products	High	High	Uncompromising quality standards Strong dealer network Educating of customer/decision influencers such as masons
Political Risks and risks arising from exceptional external incidents	Adverse impact on business due to political uncertainty, and natural disasters	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	High	Low	Regular investment in upgrading technology . In house and overseas training for staff
Quality Risks	Adverse impact due to sales returns and damages due to claims for supply low quality products and decrease in sales volume	High	Low	Strict quality maintenance in terms of ISO 9001 Quality management System and compliance with SLS requirements
Legal & Regulatory Risks	Negative Effect on business on changes to regulations or non compliance with regulations mainly connected with environmental and consumer protection Acts	High	Low	Regular review of compliances with statutory provisions and scrutiny of legal agreements by legal consultants prior to signing.
IT 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.



SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Looking to the future

Tokyo Cement has a long history of actively contributing towards social and public welfare, and environmental conservation in the country, in line with our commitment to wider society as a responsible corporate citizen. Over the past three decades we have initiated dozes of programmes aimed at community development, education of children, improving public health facilities and conserving the environment. One such initiative was the decision to provide midday meals to children in an under served schools for the past 8 years.

Today, we have adopted a new approach towards meeting our social responsibilities in line with our sustainable business model. To start with, our manufacturing process from the point of unloading clinker to the transport and distribution of cement, has been improved to minimise environmental impacts. We continue to improve our business processes for not only greater efficiency and higher productivity, but also to ensure environmental friendliness.

Today, the many short term and one off philanthropic events have been replaced by more meaningful, long term activities that contributes towards social and environmental well-being in a more sustainable fashion. Some of these ventures are explained in this sustainability report.

Giving back to the environment

Tokyo Cement Power: Clean and Constant Energy

We are proud to go on record as a pioneer in biomass power generation in Sri Lanka. Our 10 MW biomass power plant in Trincomalee was successfully operationalised in 2012. In 2014 our second, 5 MW biomass-dendro power plant in Mahiyanganaya was commissioned. The Rs. 2.5 billion power plant has been built in consultation with the CEB and the Sri Lanka Sustainable Energy Authority and is expected to generate electricity for the next 25 years, in an eco-friendly manner.

People in the surrounding areas will also benefit through the supply electricity and also through a new source of income. The power plant requires a daily supply of 200 tonnes of Gliricidia sticks as fuel. We expect to meet this requirement through our own Gliricidia plantation and by purchasing Gliricidia from farmers in many districts, supplemented through an out-grower system. We have already planted 1.5 million trees and have also consulted farming families about the cultivation of Gliricidia. The Gliricidia farming model will be close to nature farming and we hope to eliminate the use of agro chemicals in this cultivation.

Empowering farming communities

K. G. Nandani Manike is a 58 year old woman farmer and a mother of four, who lives in the remote village of Segala, in the Aththanagalla Division of the Mahaweli G System, in

We have already planted 1.5 million trees and have also consulted farming families about the cultivation of Gliricidia.

Bakamoona. With her husband falling ill five years ago, Manike became the main bread winner and faced many hardships in supporting her family. Today however, she and her family are enjoying a change of fortune, thanks to the Tokyo Cement Gliricidia planting project.

The Tokyo Cement Gliricidia planting project is a community based initiative that has partnered with the farming community of Segala, to cultivate Gliricidia trees. Gliricidia sticks are bought as fuel for the Tokyo Cement biomass electricity plant, a ground breaking renewable energy based power project.   In addition to the environmental benefits of supporting the cultivation of trees and reducing the use of fossil fuel, the project has also created a sustainable source of income for farming families in the village of Segala.

To initiate the project, Tokyo Cement distributed a subsidy among the farmers, to plant the Gliricidia trees. The farmers are by now harvesting Gliricidia sticks and selling them as fuel for the Tokyo Cement biomass power plant. Currently 36 families are benefiting from the cultivation of 14,865 Gliricidia trees.

Through the collection of Gliricidia sticks, Manike earns an income of Rs. 15,000 per month. This additional income, has made a significant contribution towards improving her family's welfare. More significantly, the regular income has paved the way for a brighter future for Manike and the other farming families of Segala.

Supporting the Popham Arboretum

As another conservation initiative we are sponsoring the Pomham Arboretum in Dambulla with the Institute of Fundamental Studies. In the current financial year we sponsored an educational tour of the Arboretum for 134 students that got the best A/L results, from across the country. The educational tour was conducted by well known environmentalist, Prof S Kotagama, from the University of Colombo, who explained

- The AYS Gnanam Construction Training Academy offers a 2 month training program for recently graduated high school students for skills development and builder certification, including job placement
- This initiative was awarded best education CSR project 2013

the value of the arboretum to the young people. The visitors enjoyed their day, filled with hands on experiences and Tokyo Cement hosted them at the A Y S Gnanam Construction Training Academy in Dambulla. The Academy provided them with a rest area and refreshments to help them relax, network and enjoy themselves.

Promoting green buildings

Looking to the future, one of our long term goals is to promote and develop green buildings and constructions. We are currently working with the International Finance Corporation on organised a series of workshop on green building and green development, for relevant stakeholders such as architects, developers, hoteliers and builders.

Mangrove Reforestation

Together, with the assistance of the SL Navy's Eastern Command, Tokyo Cement has initiated a project to replant mangroves along the eastern coastline. The mangrove cover once grown will act as a protective barrier against erosion and tsunamis and will support coastal ecosystems.

Planting 15,000 plants a year to reforest mangrove forests essential for rehabilitating marine habitats

- Using concrete waste for the manufacturing of reef balls for the growth and rehabilitation of fast depleting coral reefs
- Funding research and monitoring of coral growth and fish surveys

Coral Rehabilitation

Sri Lanka's coral banks have been gradually destroyed due to coral harvesting and destructive fishing practices. Given the environmental importance of coral, in April 2013, Tokyo Cement started a pilot project in Passekudah bay to restore coral life, in collaboration with the WRTC and a number of other stakeholders. What makes this project unique is the use of cement waste material to encourage coral growth. We hope to expand the reef rehabilitation project to other parts of the coast in the future.

The overall goal of the proposed project is to rehabilitate coral reefs and coastal ecosystems in Passekudah bay, and facilitate development of marine protected areas through an integrated approach involving strategic planning, coastal ecosystem conservation, sustainable use of marine resource and livelihood development, and environmental education

Anticipated benefits of this project include increased ecological integrity of coastal and marine ecosystems, expanding habitat for coral dwelling and coral associated species, empowerment of local resource users, decreased sea erosion, decreased dependency of coral reef smallholders, increased awareness among local community members on the links between ecosystem management and livelihoods, increased capacity among rural smallholders in sustainable use of marine ecosystems and income diversification for local small holders through sea cucumber farming and reef guard eco-tourism training . Another important benefit is to get a comprehensive report on the coral reefs which may help future management and conservation activities in the area.

Giving back to society

The A Y S Gnanam Construction Academy

The A Y S Gnanam Construction Training Academy, a first of its kind by a business in Sri Lanka, was established at a cost of Rs. 34.2 million in Dambulla, to respond to the dearth of skilled construction personnel in the county by ensuring a regular supplying of trained personnel. The institute commenced operations in 2011 and was recognised by the Ceylon Chamber of Commerce, as the best CSR project in 2012, under the category education and training. The institute provides training, for 50 people, free of charge. Currently the courses are accredited and evaluated by the National Apprentices & Industrial Training Authority (NITA)

Changing lives, through education

P. W. Sameera Bandara Wijesundara, of Muwapitiya Rambukkana, joined the A.Y.S. Gnanam Construction Training Academy (AGCTA) in Dambulla, as a student in December 2012, after sitting for his Ordinary Level examination. At the AGCTA Sameera followed the residential Competency Based Training, which is accredited by the Tertiary and Vocational Education Commission (TVEC), as a National Vocational Qualification (NVQ).

"During the 2 month training period, I gained theoretical and practical knowledge from highly competent and well experienced Instructors. In addition to the training in the related trade, I also learned about attitudes, skills, leadership, positive thinking and basic Quantity Surveying," says Sameera speaking of his experience at the Academy.

On completion of the 2 months training period, Sameera joined a Construction Company in Kandy, for on-the-job-training. At the end of this practical training period of 9 months, Sameera successfully faced and completed the NVQ test, which was also held at the Academy.

"Today, I am proud to say that I am a competent Construction Craftsman (masonry), with a Government accredited, NVQ certificate, which is recognized locally and internationally. Therefore, I wish to express my utmost gratitude to the A Y S Gnanam Construction Training Academy, for helping me find a good employment in the construction industry," says a happy Sameera.

Given the environmental importance of coral, in April 2013, Tokyo Cement started a pilot project in Passekudah bay to restore coral life, in collaboration with the WRTC and a number of other stakeholders.

Tokyo Cement All Island Schools' Quiz

Tokyo Cement, in collaboration with Swarnavahini, launched a unique all island televised quiz programme for school children. The programme that is endorsed by the Ministry of Education saw the participation of over 5,000 schools from all parts of the country with Tokyo Cement handing out Rs. 3.2 million in prize money to schools.

- Encouraging academic competition
- Millions donated to participating schools for educational program development

To date the quiz has received rave reviews from educationalists and even students. At the launch of the quiz the Minister of Education, Bandula Guanawardena, noted that the Tokyo Quiz is an educational programme conducted in a never before scale in the country, to highlight and acknowledge the talents and knowledge of Sri Lankan school children.

Leading educationalist, Edwin Ariyadasa, who is the Quiz Master of the Tokyo Quiz called the quiz a blessing for Sri Lanka school children, who should be protected and safeguarded.
Mr Ariyadasa noted that the quiz programme is one of the most important events in the recent past, devised to measure the knowledge of school children and is a credible and high quality programme as it has the backing of the Ministry of Education. He noted that the questions for the quiz are developed by the Ministry of Education, which is the highest educational authority in the country and are then approved by a panel of specialists. Explaining the purpose of the quiz, Mr Ariyadasa said the aim of developing knowledge of children will give the gift of knowledge to children.

Teachers and Principals of schools meanwhile have also been full of prise for the quiz as it allows participation from schools from across the country including rural areas and the North and East.

Supporting sports

Tokyo Cement partnered with Sri Lankan legendary bowler Muttiah Muralitharan's community based-organisation, the Foundation for Goodness, and the Sri Lanka Cricket Board, built 60 pitches in rural areas of the North and East. These pitches will encourage school children to enjoy cricket and develop their talents. We hope our contribution will help see the emergence of many more cricketing stars that make mother Lanka shine in the international sporting arena.

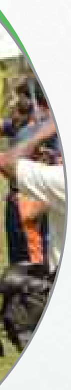
Our people

We believe that our people are a key element of our sustainable business model. Their dedication and commitment has sustained the company through a period of over three decades and we believe they will continue to sustain the company's success into the future. Therefore,

We use our Annual Dealer Convention to recognize and reward our best performing dealers.

This highly anticipated event celebrates and thanks the dealer community for their contribution to maintaining the company's top ranked position in the cement manufacturing industry.

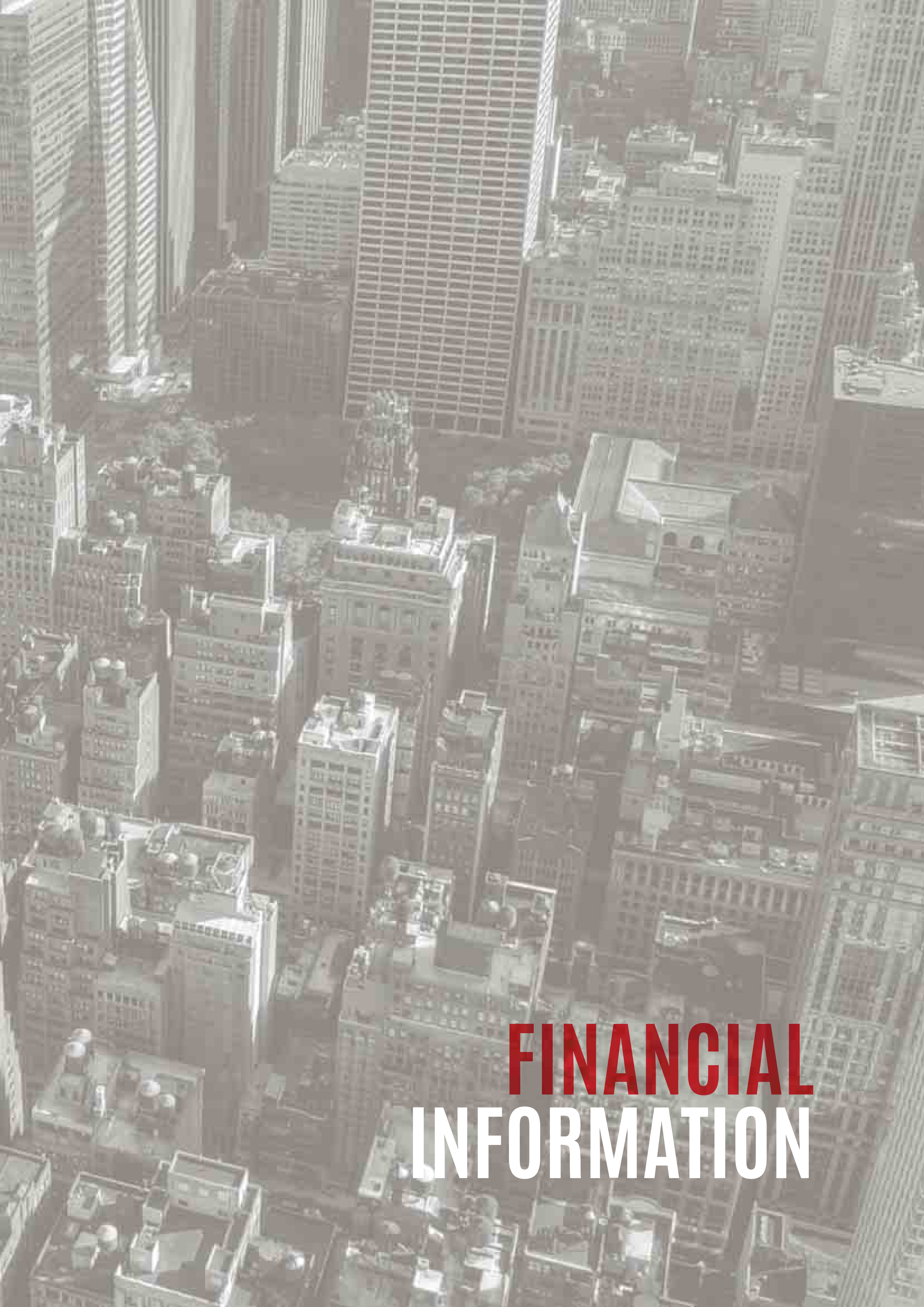
we believe in looking after our employees. We provide them with training and development opportunities and other benefits beyond statutory requirements. All health and safety standards are observed within the factory premises and health and safety training is provided. As a result we enjoy extremely low staff turnover and high retention.



We currently have a total workforce of 947 employees. We provide in house and external training for our staff every year to upgrade their competency levels. This year 04 junior managers were sent to India on training and another 07 staff members participated in different conferences throughout the year. We provide hospitalisation insurance cover for employees with 5 years or more of employment. As part of our employee welfare system, we provide accommodation for senior and junior staff in Trincomalee. To improve productivity and efficiency we have invested in modern management procedures, from advanced software systems to unrestricted communication practices.

Looking after our partners

Tokyo Cement's extensive island wide distribution network comprises a highly effective dealer network of dealers. We consider our dealers as long term partners in our journey. Therefore, we look after their welfare in many different ways.



FINANCIAL INFORMATION

DIRECTORS RESPONSIBILITIES

The responsibility of the directors in relation to the financial statements is set out in the following statement. 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 financial statements comprise of: Income statement and Statement of 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 and a 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.

In terms of Section 150(1),151,152(1) & 153 of the Companies Act No 7 of 2007, 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 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 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 required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The financial statements presented in the Annual Report for the year ended 31st March 2014, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2014 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2014 reflect a true and fair view of the Company and the Group respectively.

The Directors further confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2014 incorporated in this report have been prepared in accordance with the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

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

Compliance Report

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 27 to the financial statements covering contingent liabilities.

By Order of the Board of

Tokyo Cement Company (Lanka) PLC

Seccom (Private) Limited
Company Secretaries,

18th August 2014

AUDIT COMMITTEE REPORT

Terms of Reference

In terms of best corporate governance practices Audit Committee is responsible to the Board of Directors and reports on its activities regularly. It also assists the Board of Directors in its general oversight of financial reporting, Risk Management, internal controls and functions relating to internal and external audit and monitoring of compliance with laws, regulations and best practices.

Composition

The composition requirements, roles and functions of the Committee are set out 'Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange' and 'Code of Best Practice on Corporate Governance' issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Company's Audit Committee Comprises of two Non Executive Independent Directors and one Non-Executive Directors. They are Mr. R. Seevaratnam, Dr. indrajit Coomaraswamy and Mr. E. Gunatunga respectively. One member of the committee is a qualified Chartered Accountants. The other members participating at the Audit Committee deliberations are Mr. S. V. Wanigasekera (Director), Managing Director, Group General Manager, Chief Financial Officer, and Internal Auditor. The Committee also invited representatives from the SJMS Associates assisting in Internal Audit at factory to make presentations on their observations and findings. Members of the Senior Management of the company were also invited to participate in the meetings as and when the necessity arose.

Meetings

The Audit Committee met four times during the year ended 31st March 2014 and proceedings of the meetings are reported to the Board of Directors regularly

Name	Attendance
Mr. R. Seevaratnam - Chairman	4/4
Dr. indrajit Coomaraswamy	4/4
Mr. Edgar Gunatunga	4/4

Financial Reporting

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

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

Internal Control, Internal Audit & Risk Management

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

Transition to New/Revised Sri Lanka Accounting Standards

With effect from January 01, 2012, it is mandatory for the Company to comply with the requirements of new/revised Sri Lanka Accounting Standards (SLFRS/LKAS) which are based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).These standards require substantial changes to some of the accounting treatments adopted by the Company. The Board Audit Committee evaluated the proposals made by the finance team, with the guidance of Messrs BDO Partners, Independent Auditors for the purpose and obtained approval from the Board of Directors for such proposals. The Board Audit Committee would continue to monitor the progress of implementation of new Accounting Standards and keep the Board of Directors informed at regular intervals.

Independent Auditors

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

The Audit Committee recommends the reappointment of Messes BDO Partners for the financial year ending 31st March 2015.

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 policy framework of the group setout by board of directors and that group assets are properly accounted and adequately safeguarded.

R. Seevaratnam

R. Seevaratnam
Chairman - Audit Committee

Colombo
18th August 2014

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee appointed by the Board of Directors comprises Two Non-Executive Independent Directors namely Mr. R Seevaratnam, Dr. Harsha Cabral, and

Mr. S R Gnanam Managing Director attend Committee meetings by invitation.

The Remuneration Committee was established with the objective of recommending the remuneration of Board of Directors.

Terms of reference of the committee is also to make recommendations to the Board, the remuneration and its cost and to determine on behalf of the Board specific remuneration packages for Senior Management Team, and recommend any contract of employment or related contract with Senior Management Team and determine the terms of any compensation package in the event of early termination of the contract of any member of Senior Management Team and make recommendations to the Board regarding the content to be included in the Annual Report on Directors' remuneration.

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

Company has adopted a policy of remuneration to Senior Management Team and Executive Directors based on performance. It is a policy of the company to link remuneration of Senior Management Team with the company's short range and long range business strategies and committee make its best endeavour to maintain remuneration levels sufficient to attract and retain Senior Management Team of the company. The decisions on the matters relating remuneration of Senior Management Team were arrived in consultation with the Chairman and Managing Director. No director is involved in determining his or her own remuneration.

The Minutes of the Remuneration Committee approved by the said committee are circulated and affirmed by the Board of Directors. The Committee also discusses and advises the Directors and Executive Officers on structuring of remuneration packages. The Committee has the authority to seek external independent professional advice on matters within its purview.

Director's emoluments in aggregate for Executive and Non Executive Directors are disclosed in note 5 to the financial statements in page 98.

Dr. Harsha Cabral
Chairman

Remuneration Committee
18th August 2014

NOMINATION COMMITTEE REPORT

The Nomination Committee during the year consisted of the Non Executive Chairman Mr. Edgar Gunatunga, Managing Director Mr. S R Gnanam and Nominee Director Mr. T Naruse (deceased on 31st May 2014) and three Non Executive Independent Directors Mr. R Seevaratnam, Dr. Harsha Cabral and Dr. indrajit Coomaraswamy. The Role and Responsibilities of the Committee are :

- To recommend to the Board the process of selecting the Chairman and Managing Director.
- To identify suitable persons who could be considered for appointment to the Board as Executive and Non Executive Directors.
- To make recommendations on matters referred to by the Board.

During the year under review, the Committee did not meet as there were no referrals and there were no new appointments to the Directorate.

Dr. indrajit Coomaraswamy
Chairman

Nomination Committee
18th August 2014

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE SHAREHOLDERS OF TOKYO CEMENT COMPANY (LANKA) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Tokyo Cement Company (Lanka) PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31st March, 2014, and the statements of comprehensive Income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 77-122.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2014 and the financial statements give a true and fair view of the Company's financial position as at 31st March, 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31st March, 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

BDO Partners

CHARTERED ACCOUNTANTS
18th August, 2014
Colombo
SSR/vl

STATEMENT OF COMPREHENSIVE INCOME

For the year ended	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Continuing Operations					
Turnover		28,907,690,525	27,295,943,705	10,239,408,343	9,398,647,037
Cost of Sales		(21,690,513,982)	(22,006,934,585)	(7,704,844,081)	(7,402,400,968)
Gross Profit		7,217,176,543	5,289,009,120	2,534,564,262	1,996,246,069
Other Income	3	153,837,431	105,328,544	373,818,925	329,938,350
		7,371,013,974	5,394,337,664	2,908,383,187	2,326,184,419
Distribution Expenses		(3,025,465,028)	(2,505,862,011)	(1,054,808,448)	(970,979,029)
Administrative Expenses		(1,173,310,041)	(948,873,843)	(611,649,113)	(497,747,011)
Profit from Operations		3,172,238,905	1,939,601,810	1,241,925,626	857,458,379
Finance Income		13,581,745	15,215,481	8,181,451	8,479,155
Finance Expenses	4	(558,714,346)	(700,113,255)	(142,892,626)	(251,348,278)
Profit Before Taxation	5	2,627,106,304	1,254,704,036	1,107,214,451	614,589,256
Income Tax Expense	6	(452,547,422)	(360,314,818)	(218,751,299)	(252,246,039)
Profit for the Year		2,174,558,882	894,389,218	888,463,152	362,343,217
Other Comprehensive Income					
Actuarial Gains/(Loss) on Defined Benefit Plan		(14,443,537)	(1,871,945)	(9,820,799)	(1,316,434)
Tax Relating to Components of Other Comprehensive Income		(3,822,001)	(99,617)	(2,749,824)	-
Total Other Comprehensive Income, Net of Tax		(18,265,538)	(1,971,562)	(12,570,623)	(1,316,434)
Total Comprehensive Income for the Year		2,156,293,344	892,417,656	875,892,529	361,026,783
Attributable to:					
Equity Holders of the Parent		2,126,597,911	883,614,648	875,892,529	361,026,783
Non Controlling Interest		29,695,433	8,803,008	-	-
Earnings Per Ordinary Share (Rupees per Share)					
- Voting	7	6.51	2.68	2.66	1.08
- Non Voting	7	6.51	2.68	2.66	1.08
Dividend Per Ordinary Share (Rupees per Share)					
- Voting	8	-	-	1.50	1.00
- Non Voting	8	-	-	1.50	1.00

Figures in brackets indicate deductions

The Accounting Policies and Notes from pages 77 to 122 form an integral part of these financial statements.

Colombo

18th August 2014

STATEMENT OF FINANCIAL POSITION

As at 31st March, 2014	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Assets					
Non-Current Assets					
Property, Plant and Equipment	9	9,916,920,986	9,900,812,566	5,976,648,329	5,654,953,060
Capital Work-In-Progress	10	2,502,065,812	701,021,147	86,983,816	173,389,264
Intangible Assets	11	37,354,397	20,075,680	-	-
Investments In Subsidiaries	12	-	-	2,050,831,859	1,880,151,026
Operating Lease Prepayment	13	77,414,941	82,176,263	20,978,435	21,398,487
Total Non-Current Assets		12,533,756,136	10,704,085,656	8,135,442,439	7,729,891,837
Current Assets					
Inventories	14	1,870,023,919	1,792,620,415	639,280,542	715,011,490
Trade & Other Receivables	15	1,933,383,715	1,740,117,802	920,737,861	667,443,680
Tax Receivables		163,183,525	207,068,530	95,230,146	100,580,367
Amount Due from Related Parties	16	-	-	708,409,424	167,246,055
Financial Investments	17	1,413,652,072	3,711,693	36,502,502	1,077,269
Cash and Cash Equivalents		369,689,956	368,795,554	134,983,705	135,910,736
Total Current Assets		5,749,933,187	4,112,313,994	2,535,144,180	1,787,269,597
Total Assets		18,283,689,323	14,816,399,650	10,670,586,619	9,517,161,434
Equity & Liability					
Equity					
Stated Capital	18	2,890,368,837	2,366,750,000	2,890,368,837	2,366,750,000
Reserves	19	150,000,000	150,000,000	-	-
Retained Earnings		5,973,861,023	4,678,019,362	2,919,862,652	2,874,726,373
Equity Attributable to the Equity holders of the Parent		9,014,229,860	7,194,769,362	5,810,231,489	5,241,476,373
Non-Controlling Interest		11,643,710	(17,179,074)	-	-
Total Equity		9,025,873,570	7,177,590,288	5,810,231,489	5,241,476,373

As at 31st March, 2014	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Non-Current Liabilities					
Interest Bearing Borrowings	20	1,866,620,400	1,044,271,592	923,958,000	433,749,991
Deferred Tax Liability	21	1,385,392,547	1,095,139,753	967,064,714	802,597,812
Retirement Benefits Obligation	22	81,168,006	56,887,333	57,048,631	41,148,833
Total Non-Current Liabilities		3,333,180,953	2,196,298,678	1,948,071,345	1,277,496,636
Current Liabilities					
Trade & Other Payables	23	1,955,897,643	1,762,951,451	965,174,356	686,693,046
Amount Due to Related Parties	24	-	-	857,196,757	1,105,083,818
Short Term Borrowings	20	3,478,404,612	3,195,980,225	817,769,599	918,541,218
Current Tax Payable		51,025,738	-	-	-
Bank Overdrafts		439,306,807	483,579,008	272,143,073	287,870,343
Total Current Liabilities		5,924,634,800	5,442,510,684	2,912,283,785	2,998,188,425
Total Equity & Liabilities		18,283,689,323	14,816,399,650	10,670,586,619	9,517,161,434

Figures in brackets indicate deductions

The accounting policies and notes from pages 77 to 122 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. N. Kuruwita
Chief Financial Officer (CFO)

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and Signed for and on behalf of the Board

Mr. Edgar Gunatunga
Chairman

Mr. S. R. Gnanam
Managing Director

Colombo
18th August, 2014

STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to Equity Shareholders					
	Capital Redemption Reserve Fund	Stated Capital	Retained Earnings	Total	Non Controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1st April, 2012	150,000,000	2,366,750,000	4,189,279,714	6,706,029,714	(25,982,082)	6,680,047,632
Profit for the Year	-	-	883,614,648	883,614,648	8,803,008	892,417,656
Dividend Paid	-	-	(394,875,000)	(394,875,000)	-	(394,875,000)
As at 31st March, 2013	150,000,000	2,366,750,000	4,678,019,362	7,194,769,362	(17,179,074)	7,177,590,288
Profit for the Year	-	-	2,126,597,911	2,126,597,911	29,695,433	2,156,293,344
Capitalization of Reserves	-	527,006,250	(527,006,250)	-	-	-
Cost of Capitalization of Reserves	-	(3,387,413)	-	(3,387,413)	-	(3,387,413)
Acquisitions and change in percentages in non controlling interest	-	-	-	-	(872,649)	(872,649)
Dividend Paid	-	-	(303,750,000)	(303,750,000)	-	(303,750,000)
As at 31st March, 2014	150,000,000	2,890,368,837	5,973,861,023	9,014,229,860	11,643,710	9,025,873,570

COMPANY	Stated Capital	Retained Earnings	Total
	Rs.	Rs.	Rs.
As at 1st April, 2012	2,366,750,000	2,908,574,590	5,275,324,590
Profit for the Year	-	361,026,783	361,026,783
Dividend Paid	-	(394,875,000)	(394,875,000)
As at 31st March, 2013	2,366,750,000	2,874,726,373	5,241,476,373
Profit for the Year	-	875,892,529	875,892,529
Capitalization of Reserves	527,006,250	(527,006,250)	-
Cost of Capitalization of Reserves	(3,387,413)	-	(3,387,413)
Dividend Paid	-	(303,750,000)	(303,750,000)
As at 31st March, 2014	2,890,368,837	2,919,862,652	5,810,231,489

Figures in brackets indicate deductions

The accounting policies and notes from pages 77 to 122 form an integral part of these financial statements.

Colombo
18th August, 2014

STATEMENT OF CASH FLOW

	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Cash Flow from Operating Activities					
Net Profit Before Taxation		2,627,106,304	1,254,704,036	1,107,214,451	614,589,256
Adjustments for :					
Depreciation		792,544,701	711,412,018	409,314,961	345,953,246
Amortisation of Intangible Assets		2,529,467	2,423,991	-	-
Retirement Benefit Obligation		14,276,769	10,406,173	10,167,889	7,352,094
Profit on Disposal of Property, Plant and Equipment		(553,542,849)	(9,108,482)	(4,881,000)	(392,182)
Interest Expense		599,002,247	699,227,157	137,721,129	251,348,278
Lease Interest		-	886,097	-	-
Amortization of Operating Lease		4,761,322	4,761,322	420,052	420,052
Interest Income		(13,581,745)	(8,479,155)	(8,181,451)	(8,479,155)
Dividend Income		-	-	(200,000,000)	(214,307,792)
Deffered Revenue		-	(1,198,161)	-	-
Loss of Impairment		-	433,489	-	-
Write Off of Economic Service Charges		21,441,514	31,609,382	-	-
De-recognition Loss on Plant and Machinery		64,918,282	-	64,918,282	-
Capital work in Progress During the Year Charged		6,425,531	-	6,425,531	-
Operating Profit Before Working Capital Changes		4,068,497,973	2,697,077,867	1,523,119,844	996,483,797
(Increase)/Decrease in Inventories		(77,403,504)	(309,663,720)	75,730,948	14,305,987
(Increase)/Decrease in Trade and Other Receivables		(97,596,161)	(57,490,320)	(304,978,181)	23,956,666
Increase/(Decrease) in Trade and Other Payables		42,415,810	191,504,161	278,481,310	214,643,572
Cash Generated From Operation		3,935,914,118	2,521,427,988	1,572,353,921	1,249,390,022
Interest Paid		(599,002,247)	(699,227,157)	(137,721,129)	(251,348,278)
Taxation Paid		(37,786,774)	(68,942,075)	-	-
Retirement Benefit Obligation Paid		(4,439,633)	(834,711)	(4,088,890)	(491,310)
Net Cash Flow from / (Used in) Operating Activities		3,294,685,964	1,752,424,045	1,430,543,902	997,550,434
Cash Flow from/(Used in) Investing Activities					
Purchase of Property, Plant and Equipment	A	(295,793,502)	(840,832,549)	(236,044,837)	(434,657,028)
Intangible Asset Acquired		-	(562,543)	-	-
Dividend Received		-	-	200,000,000	214,307,792
Expenditure Incurred on Capital Work-In-Progress		(2,344,559,818)	(664,424,984)	(473,478,227)	(196,996,564)
Interest Received		13,581,745	8,479,155	8,181,451	8,479,155
Proceeds from Sale of Property, Plant and Equipment		10,238,143	9,098,723	4,881,000	7,045,152
Withdrawal /(investment) in Short-term Deposits		(1,409,940,379)	3,388,503	(35,425,233)	1,037,147
Investment in Shares - Subsidiary		(20,680,833)	-	(170,680,833)	(150,001,000)
Net Cash from / (Used in) Investing Activities		(4,047,157,644)	(1,484,853,695)	(702,566,679)	(550,785,346)
Cost on Capitalization Reserves		(3,387,413)	-	(3,387,413)	-
Repayment of Interest Bearing Loans and Borrowings		(15,805,316,106)	(15,328,643,497)	(4,064,802,543)	(4,818,510,967)
Receipt of Interest Bearing Loans and Borrowings		16,910,089,301	15,403,125,805	4,454,238,933	4,290,726,162
Dividend Paid		(303,750,000)	(394,875,000)	(303,750,000)	(394,875,000)
Lease Rental Paid		-	(18,243,400)	-	-
Advances (to) / from Subsidiary (Net)		-	-	(795,475,961)	466,871,629
Net Cash from / (Used in) Financing Activities		797,635,782	(338,636,092)	(713,176,984)	(455,788,176)
Net Increase / (Decrease) in Cash and Cash Equivalents		45,166,603	(71,065,742)	14,800,239	(9,023,088)
Cash and Cash Equivalents at the Beginning	B	(114,783,454)	(43,717,712)	(151,959,607)	(142,936,519)
Cash and Cash Equivalents at the End	C	(69,616,851)	(114,783,454)	(137,159,368)	(151,959,607)

Figures in brackets indicate deductions

The accounting policies and notes from pages 77 to 122 form an integral part of these financial statements.

Colombo

18th August, 2014

NOTES TO THE CASH FLOW STATEMENT

Note		Group		Company	
		31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
A	**Purchase of Property, Plant and Equipment**				
	Additions During the year	295,793,502	840,832,549	236,044,837	434,657,028
	Transferred from Capital work in Progress	588,974,552	125,800,284	559,883,674	109,191,784
	Additions During the Year	884,768,054	966,632,833	795,928,511	543,848,812
	Less: Transferred from Work-in-Progress Balance	(588,974,552)	(125,800,284)	(559,883,674)	(109,191,784)
		295,793,502	840,832,549	236,044,837	434,657,028
B	**Cash and Cash Equivalents at the Beginning**				
	Bank Balances and Cash	368,795,554	231,961,985	135,910,736	44,987,270
	Bank Overdraft	(483,579,008)	(275,679,697)	(287,870,343)	(187,923,789)
		(114,783,454)	(43,717,712)	(151,959,607)	(142,936,519)
C	**Cash and Cash Equivalents at the End**				
	Bank Balances and Cash	369,689,956	368,795,554	134,983,705	135,910,736
	Bank Overdraft	(439,306,807)	(483,579,008)	(272,143,073)	(287,870,343)
		(69,616,851)	(114,783,454)	(137,159,368)	(151,959,607)

Figures in brackets indicate deductions

The accounting policies and notes from pages 77 to 122 form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Tokyo Cement Company (Lanka) PLC (Company) is a Public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Registered Office and the principal place of business of the Company is located at No.469 - 1/1, Galle Road, Colombo 03. Factory is located at Cod-Bay China bay, Trincomalee.

1.2 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 & Marketing of Cement, value added products, and Ready Mixed Concrete
Tokyo Super Cement Company Lanka (Pvt) Ltd	Manufacturing & Marketing of Cement
Fuji Cement Company (Lanka) Ltd	Manufacturing, Importing & Marketing of Cement
Tokyo Cement Power (Lanka) Ltd	Generation of power
Tokyo Cement Colombo Terminal (Pvt) Ltd	Importing, packaging & marketing of Cement
Tokyo Eastern Cement Company Ltd	Manufacturing & Marketing of Cement (Under Development)

1.3 Parent Enterprise

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

1.4 Date of Authorization for issue

The consolidated financial statements for the year ended 31st March 2014 were authorized for issue by the Board of Directors on 18th of August, 2014.

1.5 Responsibility for Financial Statements

The board of directors is responsible for the preparation and presentation of these financial statements.

The responsibility of the Directors in relation to the financial statements is set out in "The Statement of Director's Responsibility".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Accounting Policies

2.1.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.2 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, available-for sale of financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

2.1.3 Presentation and Functional Currency

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

SIGNIFICANT ACCOUNTING POLICIES

2.1.4 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statements") of the company and the Group as at 31st March 2014 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka.)

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 7 of 2007.

2.1.5 Going Concern

The directors have made an assessment of the Company and its subsidiaries ability to continue as going concern and they do not intend either to liquidate or to cease trading.

The Board of Directors of Fuji Cement Company (Lanka) Limited have passed a Board Resolution on 13th of March 2014 and have decided that Fuji Cement Company (Lanka) Limited be amalgamated with the Tokyo Cement Company (Lanka) PLC in term of section 242 (2) of the Companies Act no 07 of 2007, in the foreseeable future and the name of the amalgamated company will be Tokyo Cement Company (Lanka) PLC .Accordingly all the shares representing the stated capital of the Fuji Cement Company (Lanka) Ltd will be cancelled without payment or any other considerations. Tokyo Cement Company (Lanka) PLC will acquire all assets and liabilities of Fuji Cement Company (Lanka) Limited with effective from the date of amalgamation.

However the directors of the Fuji Cement Company (Lanka) Limited have decided to prepare the company's financial statements on a going concern basis as all such assets and liabilities of the company will be acquired and continued the trading in the name of amalgamated company Tokyo Cement Company (Lanka) PLC.

2.1.6 Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those of the previous year. The previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

2.1.7 Discontinuing Operations

A discontinuing operation is a clearly distinguishable component of the company's business that is abandoned or terminated pursuant to a single plan and which represents a separate major line of industry or geographical area of operations.

As at the reporting date, the company does not have any discontinuing operations.

2.1.8 Foreign Currency Transaction

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year end spot foreign exchange rates, the resulting gains or losses are accounted in the statement of comprehensive income.

Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gain or loss is accounted in the statement of comprehensive income.

2.1.9 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.

2.1.10 Significant Accounting Judgements, Estimates and Assumptions

a) Judgements

In the process of applying the accounting policies, management has made the judgements, apart from those involving estimations, which has most significant effect on the amounts recognized in the financial statements.

b) Estimates and Assumptions

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year have been considered.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2014.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Name of the Subsidiary	Control
Tokyo Super Cement Company Lanka (Pvt) Ltd	100%
Fuji Cement Company (Lanka) Ltd	100%
Tokyo Cement Power (Lanka) Ltd	100%
Tokyo Cement Colombo Terminal (Pvt) Ltd	59.87%
Tokyo Eastern Cement Company Ltd	100%

The total profits and losses for the year of the company and of its subsidiaries included in consolidation and all assets and liabilities of the company and of its subsidiaries included in consolidation are shown in the consolidated statement of comprehensive income and the statement of financial position respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries 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 exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and 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 Interest. The excess of the cost of acquisition over the fair value of the group's identifiable 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 statement of financial position.

SIGNIFICANT ACCOUNTING POLICIES

Related party transactions, balances and unrealized profits or losses between group of companies are eliminated.

b) Non-Controlling Interest
The interest of the outside shareholders in net assets of the Group and proportion of the profit after taxation applicable to outside shareholders are stated separately in the consolidated statement of financial position and the consolidated statement of comprehensive income under the heading Non-Controlling Interest.

c) Transactions Eliminated on Consolidation
All intra group balances, income and expenses and unrealized gains and losses and dividends resulting from Intra group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases.

d) Reporting Date
The financial statements of the subsidiaries are prepared for the common reporting period as the parent company, which is 12 months ending 31 March, using consistent accounting policies.

e) The consolidated cash flow statement includes the cash flows of the company and its subsidiaries.

2.3 ASSETS & BASES OF THEIR VALUATION

2.3.1 Property, Plant & Equipment

a) Property, plant and equipment is stated at cost,excluding the cost of day to day servicing less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, 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. All other repair and maintenance costs are recognized in the profit or loss as incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognised.

The depreciation of an asset begins when it is available for use and ceases at the earlier of the date that 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 life of the assets as disclosed below:,

Category	Years
Factory Buildings	Over the lease period
Generator House	20
Other Buildings	10
Fuel Storage Tanks	20
Plant and Machinery	50
Power Plant	30
Laboratory Equipment and Generators	10
Office Equipment	4 – 8
Factory and Other Equipment	20
Recycling System	8

Category	Years
Furniture and Fittings	8
Vehicles	4 – 5
Cement Silo	60
Tug Boat	10
Railway Platform	10
Barges	10
Computer and Other Electrical Equipment	8
Packer House	20
Landing Jetty	20
Batching Plant	30
Vessel	32
Vessel Dry Docking	2.5
Dry Docking – Special Survey	5
Vessel Equipment	20
Bio Mass Building	30
Bio Mass Plant & Machinery	30

b) Useful Lives of Property, Plant and Equipment

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

c) Restoration Costs

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.

d) De-recognizing

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognizing of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.3.2 Capital Work-in-Progress

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

2.3.3 Intangible Assets

An intangible asset is recognised if it is probable that the future economic benefits will flow to the entity and the cost of the assets can be measured reliably in accordance with LKAS 38 on intangible assets. Intangible assets with finite useful lives are measured a cost, less accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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 Group of cash generating units) is less than the carrying amount of cash generating unit (or Group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to Goodwill cannot be reversed in future periods.

b) Computer Software – Accounting and Related Software

Intangible assets acquired separately are measured on initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment. Whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets

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 statement of comprehensive income when the asset is de-recognized. Computer software is amortized over 4 years.

2.3.4 Leases

a) Finance Leases

Leases in terms of which the Group assumes that substantially of 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 the statement of comprehensive income 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 result 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 comprehensive income over the period of lease on a straight line basis.

c) Leasehold Property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortised 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.

2.3.5. Exploration and Evaluation of Mineral Resources

a) Measurement of exploration and evaluation assets

The asset which satisfy the following condition are recognize as exploration and evaluation asset .

i. Before the exploration for and evaluation of mineral resources, such as expenditures incurred before obtain the legal right to explore a specific area

ii. After the technical feasibility and commercial viability of the extracting a mineral resources are demonstrable

iii. Expenditures 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 the cost model or the revaluation model. If the revaluation model is applied it should consistent with the classification of the assets

c) Classification of exploration and evaluation assets

Exploration and evaluation assets classify as tangible or intangible according to the nature of the asset acquired and apply the classification consistently

d) Impairment 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

2.3.6 Impairment of Non Financial Assets

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

Impairment losses of continuing operations are recognized in the statement of comprehensive income 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 up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date 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 company makes 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 is increased to its recoverable amount.

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

2.3.7 Non-Current Assets (or Disposal Group) Held for Sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

2.3.8 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.8.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge as appropriate. 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the group commits to purchase or sell the asset .

The group's financial assets include trade and other receivables, loans and other receivables and investments made in quoted equity securities.

Subsequent Measurement

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

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the statement of comprehensive income.

The Group's financial assets at fair value through profit or loss include investments made in quoted equity securities.

b) 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 comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income in selling and distribution expenses.

c) 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 Income Statement. The losses arising from impairment are recognized in the Consolidated Income Statement in finance costs.

The Group did not have any held-to-maturity investments as at 31 March 2013 and 31 March 2014.

d) Available-for-Sale Financial Investments

Available-for-sale financial investments include investments made in quoted equity securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is de-recognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of comprehensive income in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future. The group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the group has the intention and ability to hold these assets of the foreseeable future or until maturity. Reclassification to the held-to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

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-recognised when:

- The rights to receive cash flows from the asset have expired,
- 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

i) The group has transferred substantially all the risks and rewards of the asset, or

ii) 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.

2.3.8.2 Impairment of Financial Assets

The Group assesses at each reporting date 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 has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is 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 indicate 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 Amortised Cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows are 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 is 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 comprehensive income. 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 comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has 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 is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

b) Available-for-Sale Financial Investments

For available-for-sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Consolidated statement of comprehensive income is removed from other comprehensive income and recognized in the Consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the Consolidated statement of comprehensive income; increases in their fair value after impairments are recognized directly in other Comprehensive Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Consolidated statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

2.3.8.3 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent Measurement
The measurement of financial liabilities depends on their classification as follows:

a) Financial Liabilities at Fair Value through Profit or Loss
Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the statement of comprehensive income.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

b) 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 Income Statement when the liabilities are de-recognised 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 is an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or 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 amounts is recognized in the statement of comprehensive income.

2.3.8.4 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.

2.3.8.5 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.

Trade and Other Receivables
Trade and other receivables are initially measured

at fair value and, after initial recognition at amortized cost less impairment losses for bad and doubtful debt, if any except for the following receivables.

- Interest free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any

- Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, If any.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Company's Statement of Financial Position.

2.3.9 SLFRS 7 Fair Value Measurement Hierarchy

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

Level3. 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.

2.3.10 Investments

Long Term Investment

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

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

Provision for impairment is made in the Statement of Comprehensive Income 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.

2.3.11 Inventories

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

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

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

2.3.12 Trade and Other Receivables

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

2.3.13 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 & cash equivalent consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

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

2.4 LIABILITIES & PROVISIONS

2.4.1 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 point of time after one year from the date of financial position.

Trade and Other Payables

Trade creditors and other payables are stated at Fair Value.

2.4.2 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when the group has a present obligations (legal & constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the dis-counties recognized as finance cost.

All the contingent liabilities are disclosed as notes to the Financial Statements unless the outflow of resources is made contingent asset if exits are disclosed when inflow of economic benefit is probable.

2.4.2.1 Retirement Benefit Obligations

2.4.2.1.1 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 is 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 & Management Consultants (Pvt) Ltd actuaries. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 22 on page 111. 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.

2.4.2.1.2 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 contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

2.4.2.2 Taxation

Income tax comprises of current tax and deferred tax. This is recognize profit or loss except to the extent that it relate to the items recognized directly in the statement of comprehensive income or statement of changes in equity in which case it is recognized directly in the respective statement.

2.4.2.2.1 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.

The Company has entered into an agreement with Board of Investment of Sri Lanaka Law no 4 of 1978 under which the profit is exempt from income Tax for period of ten years of commencing from 01st July 2013.Accordingly such exemption was expired on 30th June 2013 & hereafter the company is liable for income tax under the Inland Revenue Act No.10 of 2006 at the rate of 28%.

Tokyo Super Cement Company Lanka (Pvt) Ltd a subsidiary of the company has entered into an agreement with Board of Investment of Sri Lanka Law No. 4 of 1978 under which the profit is exempt from Income Tax for a period of ten years of assessment reckoned from the date of commencement of business in April, 2008.

Fuji Cement Company (Lanka) Limited a subsidiary of the company, is liable for income tax under the Inland Revenue Act No. 10 of 2006 at the rate of 28%.

Tokyo Cement Colombo Terminal (Pvt) Ltd a subsidiary of the company is liable to pay income tax under the Inland Revenue Act No.10 of 2006 at the rate of 28%.

Tokyo Cement power(Lanka) Ltd a subsidiary of the company has entered into an agreement with Board of Investment of Sri Lanka Law No. 4 of 1978 under which the profit is exempt from Income Tax for a period of five years of assessment reckoned from the date of commencement of the year of assessment in which the enterprise commences to make profit from transaction entered in to in that year of assessment or from the commencement of the year of year assessment immediately succeeding the year of assessment in which the enterprise commences to carry on commercial operation which ever occur earlier as determine by the commissioner general of department of revenue .After the expiration of the aforesaid tax exemption period referred to in above the income of the enterprise shall be taxable for any year of assessment of at the rate of 12%

Tokyo Eastern Cement Company Ltd a subsidiary of the company has entered into an agreement with Board of Investment of Sri Lanka Law No. 4 of 1978 under which the profit is exempt from Income Tax for a period of five years of assessment reckoned from the date of commencement of the year of assessment in which the enterprise commences to make profit from transaction entered in to in that year of assessment or from the commencement of the year of year assessment immediately succeeding the year of assessment in which the enterprise commences to carry on commercial operation which ever occur earlier as determined by the commissioner general of department of revenue .After the expiration of the aforesaid tax exemption period referred to the income of the enterprise shall be taxable for any year of assessment of at the rate of 12%.

2.4.2.2.2 Deferred Taxation

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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. Unrecognised deferred tax assets are reassessed at each date of the financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity.

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

Deferred Tax for Tax Holiday Companies

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

2.4.3 Commitment

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

2.5 STATEMENT OF COMPREHENSIVE INCOME

2.5.1 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 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, the associated costs and possible return of goods can be estimated reliably.

b) Interest

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

c) Dividend

Dividend income is recognized when the share holder's right to receive payment has been established.

d) Others

Other income is recognized on an accrual basis.

e) Gains and Losses

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other non current assets including investments have been accounted for in the income statement 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).

2.5.2 Expenditure Recognition

2.5.2.1 Expenses are recognized in the statement of comprehensive income 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 has been charged to income in arriving at the profit for the year.

2.5.2.2 For the purpose of presentation of the statement of comprehensive income, the directors are of the opinion that function of expenses method presents fairly the elements of the company's and group's performance and hence, such presentation method is adopted.

2.5.2.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily takes 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 cost are recognized in profit or loss in the period in which they are incurred.

2.6 Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk

- Interest rate risk
- Currency risk
- Market risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

2.6.1 Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows:

Instrument	Risk(s)
• Trade receivables	Credit risk
• Cash and cash equivalents	Liquidity risk
• Investments	Interest rate risk
• Trade and other payables	Currency risk
• Bank overdrafts	Liquidity risk
• Bank loans	Interest rate risk/ Liquidity risk

2.6.2 General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensures the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company's Chief Financial Officer (CFO) through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

2.6.2.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Steps taken by the Company to minimize the Credit Risk;

- Credit policy , which analyses the customer credit worthiness
- Credit limits
- Bank guarantees

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A/AA/AAA" are accepted.

2.6.2.2 Liquidity Risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The group's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet it liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

2.6.2.3 Interest Rate Risk

Interest rate risk is the risk that the entity's financial position will be adversely effected by movements in floating interest and this risk is minimised by investing excess funds in diversified entities, effective decision making by group finance division etc. The group manages interest rate risk on borrowings by using a combination of fixed and floating interest rates.

2.6.2.4 Currency Risk

The Group is exposed to currency risk on purchases that are dominated in a currency other than the respective functional currencies of group entities. The currency in which these transactions primarily the denominated in US Dollars. The currency risk is limited by the short term nature of the period between the dates of the purchase and the settlements of the related liability.

2.6.2.5 Market Risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

2.7 GENERAL

2.7.1 Events Occurring after the Date of the Financial Position

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.

2.7.2 Related Party Transactions

Disclosures are made in respect of the transactions in which the company 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.

2.7.3 Earnings Per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the company by the number of voting or non voting ordinary shares.

2.7.4 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

2.7.5 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to the current year's presentation.

2.7.6 Cash Flow Statements

The cash flow statement has been prepared using the 'indirect method'.

2.7.7 Effect of Sri Lanka Accounting Standards Issued but not yet Effective

The standards and interpretations that are issued but not yet effective upto the date of issuance of the Group financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

SIGNIFICANT ACCOUNTING POLICIES

a) **SLFRS 9 - Financial Instruments : Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 9. The Group will quantify the effect in due course.

b) **SLFRS 10 - Consolidated Financial Statements**

SLFRS 10 replaces the portion of LKAS 27 - Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 – Consolidation Special Purpose Entities. SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. SLFRS 10 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2014. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 10. The Group will quantify the effect in due course.

C) **SLFRS 11 - Joint Arrangements**

SLFRS 11 replaces LKAS 31- interest in joint ventures and SIC - 13 jointly - control entities - Non - monetary contributions by ventures. SLFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) loosing proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The company does not have any joint venture arrangements presently recognized under proportionate consolidation method.

d) **SLFRS 12 - Disclosure of Interests in Other Entities**

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The number of new disclosures are also required, but has no impact on the Group's financial position or performance. SLFRS 12 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2014. Accordingly, the financial statements for the year ending 31 March 2015 will adopt the SLFRS 12.

e) **SLFRS 13 - Fair Value Measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. This standard is effective for annual periods beginning on or after 1 January 2014. Accordingly, the financial statements for the year ending 31 March 2015 will adopt the SLFRS 13. Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

NOTES TO THE FINANCIAL STATEMENTS

3. OTHER INCOME

		Group		Company	
		31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Biomass Power Income (Net)		19,825,986	40,272,373	101,720,326	99,378,200
Profit on Disposal of Property, Plant & Equipment		5,467,021	9,108,482	4,881,000	392,182
Sale of Carbon Credit		57,693,813	6,240,655	57,693,813	6,240,655
Exchange Gain from import bills		12,207,227	39,065,836	4,864,407	7,404,603
Amortization of Deferred Income - Lease Back of Motor Vehicle		-	1,198,161	-	-
Dividend Received from Subsidiaries		-	-	200,000,000	214,307,792
Handling Charges		3,502,675	-	-	-
Sundry Income		4,756,288	7,228,119	4,659,379	-
Reversal of Impairment of Trade Debtors		-	2,214,918	-	2,214,918
Freight Income		50,384,421	-	-	-
		153,837,431	105,328,544	373,818,925	329,938,350

4. FINANCE EXPENSES

		Group 2014	Group 2013	Company 2014	Company 2013
Interest Expenses on Borrowings		599,002,247	698,833,468	137,721,129	250,954,588
Less: Borrowing cost Capitalized during the Year	4.1(a)	(45,459,398)	-	-	-
Interest on Lease		-	1,099,906	-	213,809
Bank Guarantee Commissions		5,171,497	179,881	5,171,497	179,881
		558,714,346	700,113,255	142,892,626	251,348,278

4.1 (a) Borrowing Cost Capitalized During the Year

This amount is related to borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that are being constructed and developed in Mahiyangana Power Plant and shown in the note number 10.A capital work in progress. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably as per the LKAS 23.

4.1(b) Rate of Capitalization

As the borrowing cost that directly relate to qualifying asset 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 power plant, 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.

NOTES TO THE FINANCIAL STATEMENTS

		Group		Company	
		31st March 2014 Rs.	31st March 2013 Rs.	31st March 2014 Rs.	31st March 2013 Rs.
5.	**PROFIT BEFORE TAXATION**				
A	Profit Before Taxation	2,627,106,304	1,254,704,036	1,107,214,451	614,589,256
B	Profit before taxation is stated after charging all expenses including the following:				
	Depreciation on Property, Plant, and Equipment	792,544,701	711,412,018	409,314,961	345,953,246
	Directors Emoluments	32,080,000	26,281,222	32,080,000	26,281,222
	Auditors Remuneration				
	- Audit Services	4,073,478	3,834,250	2,094,382	1,725,000
	Charity and Donations	7,465,863	5,910,739	4,477,986	5,616,622
	Staff Cost Including All Benefits	519,864,262	405,732,089	418,784,202	309,214,636
	Defined Benefits Cost - Retirement Benefit Obligation	14,276,769	10,406,173	10,167,889	7,352,094
	Defined Contribution Plan Cost - E.P.F. & E.T.F.	42,532,213	32,449,714	32,820,459	23,479,839
	Amortization of Operating Lease	4,761,332	4,761,332	420,052	420,052
	Research and Development Cost	599,657	1,491,868	595,766	1,471,638
	Legal Expenses & Professional Fee	35,618,784	26,323,532	21,385,317	16,327,942
	Repairs and Maintenance	668,209,704	612,151,095	554,014,317	508,328,372
	Reimbursement of Vessel Operational Expenses	570,880,040	566,372,140	173,665,832	172,160,570
	Sales Commission	688,285,349	682,789,775	217,901,156	235,515,398
	NBT Expenses	530,050,886	484,510,685	202,522,788	169,898,082
	Advertisements	115,818,614	63,520,250	74,313,941	51,930,916
	Asset derecognition loss	64,918,282	-	64,918,282	-
	Disallowed VAT	6,435,299	14,549,023	357,014	14,549,023

6. INCOME TAX EXPENSE

		Group		Company	
		31st March 2014 Rs.	31st March 2013 Rs.	31st March 2014 Rs.	31st March 2013 Rs.
Current Income Tax Provision	6 A	162,294,628	52,808,716	54,284,397	17,733,909
Deferred Taxation	6 B	290,252,794	307,506,102	164,466,902	234,512,130
		452,547,422	360,314,818	218,751,299	252,246,039

6. INCOME TAX EXPENSE (Contd.)

		Group		Company	
		31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
6 A INCOME TAX					
Reconciliation between Current Tax Expense / Income and the Product of Accounting Profit.					
Operating Profit Before Taxation		2,627,106,304	1,254,704,036	1,107,214,451	614,589,256
Other comprehensive Income		(14,443,537)	(1,871,945)	(9,820,799)	(1,316,434)
Less : Income Considered Separately		(13,536,695)	(235,472,031)	(208,181,451)	(231,634,702)
Effect of SLFRS/LKAS Convergence			-		-
Profit from Trade or Business		2,599,126,072	1,017,360,060	889.212,201	381,638,120
Less: Exempt Profit	6A.2	(1,146,492,210)	(674,351,151)	(74,509,159)	(381,638,120)
Taxable Profit from Trade or Business	a	1,452,633,862	343,008,909	814,703,042	-
Income Considered Separately		13,536,695	359,674,676	208,181,451	352,938,350
Exempt Other Income	6A.2	-	(214,307,792)	(200,000,000)	(214,307,792)
Liable Other Income	b	13,536,695	145,366,884	8,181,451	138,630,558
Accounting Profit /(Loss) Chargeable to Income Taxes	(a+b)	1,466,170,557	488,375,793	822,884,493	138,630,558
Tax Rate for the Year		28%	28%	28%	28%
Tax Effect on Chargeable Profits		410,527,756	136,745,222	230,407,658	38,816,556
Add : Tax Effect of Disallowable Expenses in Determining Taxable Income/(loss)		213,799,183	99,838,483	159,392,663	40,790,614
Tax Effect of Allowable Expenses in Determining Taxable Income/(loss)		(436,530,445)	(166,991,072)	(333,606,466)	(61,873,261)
Group Tax Effect of on Intercompany Taxable Income		22,222,222	-	-	-
		210,018,716	69,592,633	56,193,855	17,733,909
Tax Effect on Deduction Under Section 32		(47,724,087)	(16,783,917)	(1,909,458)	-
Tax @ 28% Before Adjustments on Tax Credits		162,294,628	52,808,716	54,284,397	17,733,909
Income Tax Provision for the Year		162,294,628	52,808,716	54,284,397	17,733,909
Less /Add: Income Tax Under/(Over Provision) for Previous Years		-	-	-	-
Current Tax Charged to the Statement of Comprehensive Income		162,294,628	52,808,716	54,284,397	17,733,909
Tax Loss Carried Forward to the Y/A 2014/2015		995,013,676	1,099,555,221	-	-
6A.1 Current Tax Attributable to Comprehensive Income/(Loss) and Other Comprehensive Income/(Loss)					
Tax Attributable to Operating Profit		162,294,628	52,808,716	54,284,397	17,733,909
Tax Attributable to Other Comprehensive Income		3,822,001	99,617	2,749,824	-
		166,116,629	52,908,333	57,034,221	17,733,909

6A.2 Exempt Profits

As per the agreement entered into with the Board Of Investment of Sri Lanka, the profit and income of the business was exempt from income tax for a period of 10 years commencing from 01st July, 2003. Accordingly such exemption expired on 30th June, 2013. Therefore a profit of Rs. 74,509,159/- exempted for taxation.

The Dividend income included under other income has been already taxed and exempted for income tax.

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

NOTES TO THE FINANCIAL STATEMENTS

		Group		Company	
		31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
6 B	**Deferred Tax Expenses**				
	Deferred Tax Expense Arising from;				
	- Accelerated Depreciation for Tax Purposes on Freehold Property	498,274,512	309,935,634	180,440,519	236,801,751
	- Retirement Benefit Liabilities	(21,243,585)	(2,429,532)	(15,973,617)	(2,289,621)
	Tax Effect Arising from Tax Losses	(186,778,133)	-	-	-
		290,252,794	307,506,102	164,466,902	234,512,130

6B.1 Deferred tax has been calculated at 28% that is expected to apply after the tax exemption period, assuming that tax rate will not be changed over the specified period.

7. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the a bonus issue.

	Group		Company	
	31st March 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Amount Used as the Numerator:				
Profit Attributable to Ordinary Equity Holders of the Parent for Basic Earnings	2,174,558,882	894,389,218	888,463,152	362,343,217
	2,174,558,882	894,389,218	888,463,152	362,343,217
Number of Ordinary Shares Used as the Denominator:	**Nos.**	**Nos. Resated**	**Nos.**	**Nos. Restaed**
Weighted Average Number of Ordinary Shares as at 1st April, 2013	303,750,000	303,750,000	303,750,000	303,750,000
Effect of Capitalization of reserves on Ordinary Voting Shares	20,250,000	20,250,000	20,250,000	20,250,000
Effect of Capitalization of reserves on Ordinary Non-Voting Shares	10,125,000	10,125,000	10,125,000	10,125,000
Weighted Average Number of Ordinary Shares as at 31st March, 2014	334,125,000	334,125,000	334,125,000	334,125,000
- Ordinary Voting Shares	222,750,000	222,750,000	222,750,000	222,750,000
- Ordinary Non-Voting Shares	111,375,000	111,375,000	111,375,000	111,375,000
Basic Earnings Per Share (Rupee per share)				
- Ordinary Voting Shares	6.51	2.68	2.66	1.08
- Ordinary Non-Voting Shares	6.51	2.68	2.66	1.08

7.2 Diluted Earnings Per Share

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

8. DIVIDEND PER SHARE (Rupee per share)

Final Dividends	- Ordinary Voting Shares	-	-	-	1.00
	- Ordinary Non Voting Shares	-	-	-	1.00
Interim Dividends	- Ordinary Voting Shares	-	-	1.50	-
	- Ordinary Non Voting Shares	-	-	1.50	-

9. PROPERTY, PLANT AND EQUIPMENT

9 A. Group

	COST/VALUATION				DEPRECIATION				WDV	
Item	As at 01.04.2013 Rs.	Group Additions Rs.	Group Disposals Rs.	As at 31.03.2014 Rs.	As at 01.04.2013 Rs.	charged for the Year Rs.	On Disposals Rs.	As at 31.03.2014 Rs.	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
Freehold Land	264,580,367	-	-	264,580,367	-	-	-	-	264,580,367	264,580,367
Factory Buildings	1,023,354,737	-	-	1,023,354,737	247,208,865	7,010,676	-	254,219,541	769,135,196	776,145,872
Generator House	22,558,795	-	-	22,558,795	18,043,604	1,127,940	-	19,171,544	3,387,251	4,515,191
Other Buildings	421,895,895	23,338,353	-	445,234,248	234,652,878	41,668,770	-	276,321,648	168,912,600	187,243,017
Fuel Storage Tanks	4,940,759	-	-	4,940,759	4,586,665	247,038	-	4,833,703	107,056	354,094
Plant & Machinery	3,357,870,069	288,072,232	99,526,285	3,546,416,016	1,068,430,801	60,352,066	34,608,004	1,094,174,863	2,452,241,153	2,289,439,268
Power Plant	221,083,463	-	-	221,083,463	141,235,207	5,939,692	-	147,174,899	73,908,564	79,848,256
Factory and Other Equipment	525,391,039	32,147,802	-	557,538,841	196,717,282	21,635,695	-	218,352,977	339,185,864	328,673,757
Laboratory Equipment	40,553,617	5,273,641	-	45,827,258	19,761,158	3,609,604	-	23,370,762	22,456,496	20,792,459
Office Equipment	16,388,399	4,556,428	-	20,944,827	11,641,709	907,083	-	12,548,792	8,396,035	4,746,690
Generators	59,235,761	9,101,629	-	68,337,390	13,398,711	3,712,448	-	17,111,159	51,226,231	45,837,050
Recycling System	785,895	-	-	785,895	785,895	-	-	785,895	-	-
Furniture & Fittings	19,046,849	4,176,866	-	23,223,715	10,644,089	1,898,481	-	12,542,570	10,681,145	8,402,760
Vehicles	962,552,155	207,655,519	10,920,930	1,159,286,744	600,604,385	121,472,888	6,149,808	715,927,465	443,359,279	361,947,770
Bulk Cement Carriers	12,637,344	-	-	12,637,344	12,637,344	-	-	12,637,344	-	-
Cement Silos	477,698,536	-	-	477,698,536	164,117,360	14,905,329	-	179,022,680	298,675,856	313,581,176
Cement Silos - Steel	27,322,920	-	-	27,322,920	22,760,925	4,561,995	-	27,322,920	-	4,561,995
Tug Boat	8,940,227	-	-	8,940,227	2,847,044	731,182	-	3,578,226	5,362,001	6,093,183
Railway Platform	7,263,915	-	-	7,263,915	7,263,915	-	-	7,263,915	-	-
Barges	11,812,085	-	-	11,812,085	10,031,100	-	-	10,031,100	1,780,985	1,780,985
Computer & Other Electronic Equipment	71,754,390	8,341,163	-	80,095,553	46,766,068	9,079,034	-	55,845,102	24,250,451	24,988,322
Packer House	171,738,244	-	-	171,738,244	32,429,806	5,024,520	-	37,454,326	134,283,918	139,308,438
Landing Jetty	66,420,752	3,416,398	-	69,837,150	43,012,668	3,646,141	-	46,658,809	23,178,341	23,408,084
Batching Plant & Pumper Truck	354,280,476	292,262,493	-	646,542,969	69,773,045	13,826,526	-	83,599,571	562,943,398	284,507,431
Vessel	3,338,058,349	-	-	3,338,058,349	1,134,901,918	251,537,879	-	1,386,439,797	1,951,618,552	2,203,156,431
Vessel Dry Docking	516,085,694	-	-	516,085,694	284,533,063	123,151,375	-	407,684,438	108,401,256	231,552,631
Bio Mass Building	220,637,920	-	-	220,637,920	41,861,263	7,291,495	-	49,152,758	171,485,162	178,776,657
Bio Mass Plant & Machinery	2,418,697,758	-	-	2,418,697,758	363,444,470	82,515,894	-	445,960,364	1,972,737,394	2,055,253,288
Bag Storage Warehouse - Dambulla	64,711,746	-	-	64,711,746	6,053,196	6,471,180	-	12,524,376	52,187,370	58,658,550
	14,708,298,156	878,342,524	110,447,215	15,476,193,465	4,810,144,434	792,324,922	40,757,812	5,561,711,544	9,914,481,921	9,898,153,722
Leasehold Assets-Motor Vehicles	7,303,079	-	-	7,303,079	4,644,235	219,779	-	4,864,014	2,439,065	2,658,844
	14,715,601,235	878,342,524	110,447,215	15,483,496,544	4,814,788,669	792,544,701	40,757,812	5,566,575,558	9,916,920,986	9,900,812,566

9. PROPERTY, PLANT AND EQUIPMENT (Contd.)

9 B. COMPANY

Item	COST/VALUATION				DEPRECIATION				WDV	
	As at 01.04.2013 Rs.	Addition Rs.	Disposals Rs.	As at 31.03.2014 Rs.	As at 01.04.2013 Rs.	Charged For the Year Rs.	Transfer to On Disposal Rs.	As at 31.03.2014 Rs.	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
Freehold Land	236,566,673	-	-	236,566,673	-	-	-	-	236,566,673	236,566,673
Factory Buildings	224,504,223	-	-	224,504,223	106,158,580	1,715,155	-	107,873,735	116,630,488	118,345,643
Generator House	22,558,795	-	-	22,558,795	18,043,604	1,127,940	-	19,171,544	3,387,251	4,515,191
Other Buildings	370,408,234	21,204,570	-	391,612,804	230,510,680	37,869,252	-	268,379,932	123,232,872	139,897,554
Fuel Storage Tanks	4,940,759		-	4,940,759	3,952,608	247,038	-	4,199,646	741,113	988,151
Plant & Machinery	1,065,299,669	265,332,327	99,526,285	1,231,105,711	634,395,366	17,459,378	34,608,004	617,246,740	613,858,971	430,904,303
Power Plant	210,267,852	-	-	210,267,852	140,723,159	5,901,111	-	146,624,270	63,643,582	69,544,693
Factory and Other Equipment	495,236,398	9,770,890	-	505,007,288	171,096,134	20,380,351	-	191,476,485	313,530,803	324,140,264
Laboratory Equipment	40,553,617	5,238,772	-	45,792,389	19,761,158	3,608,442	-	23,369,600	22,422,789	20,792,459
Office Equipment	10,929,615	3,236,000	-	14,165,615	7,580,353	669,358	-	8,249,711	5,915,904	3,349,262
Generators	55,116,311	-	-	55,116,311	11,375,533	2,755,817	-	14,131,350	40,984,961	43,740,778
Recycling System	785,895	-	-	785,895	785,895	-	-	785,895	-	-
Furniture & Fittings	16,143,634	3,198,608	-	19,342,242	8,428,078	1,683,230	-	10,111,308	9,230,934	7,715,556
Vehicles	843,481,204	186,016,826	6,149,808	1,023,348,222	526,428,023	101,466,110	6,149,808	621,744,325	401,603,897	317,053,181
Bulk Cement Carriers	12,637,344	-	-	12,637,344	12,637,344	-	-	12,637,344	-	-
Cement Silos	148,173,254	-	-	148,173,254	26,831,094	2,324,419	-	29,155,513	119,017,741	121,342,160
Tug Boat	8,940,227	-	-	8,940,227	2,847,044	731,182	-	3,578,226	5,362,001	6,093,183
Railway Platform	7,263,915	-	-	7,263,915	7,263,915	-	-	7,263,915	-	-
Barges	10,031,100	-	-	10,031,100	10,031,100	-	-	10,031,100	-	-
Computer & Other Electronic Equipment	45,005,524	6,251,627	-	51,257,151	22,521,167	4,538,707	-	27,059,874	24,197,277	22,484,357
Packer House	82,233,323	-	-	82,233,323	22,338,577	4,111,666	-	26,450,243	55,783,080	59,894,746
Landing Jetty	66,420,752	3,416,398	-	69,837,150	43,173,490	3,646,141	-	46,819,631	23,017,519	23,247,262
Batching Plant & Pumper Truck	354,280,476	292,262,493	-	646,542,969	69,612,222	13,826,526	-	83,438,748	563,104,221	284,668,254
Vessel Dry Docking	53,807,523	-	-	53,807,523	19,030,523	21,523,009	-	40,553,532	13,253,991	34,777,000
Bio Mass Building	220,637,920	-	-	220,637,920	41,861,262	7,291,495	-	49,152,757	171,485,163	178,776,658
Bio Mass Plant & Machinery	2,418,697,758	-	-	2,418,697,758	363,444,467	82,515,894	-	445,960,361	1,972,737,397	2,055,253,291
New Vessel	1,255,284,464	-	-	1,255,284,464	104,422,023	73,922,740	-	178,344,763	1,076,939,701	1,150,862,441
Grand Total	8,280,206,459	795,928,511	105,676,093	8,970,458,877	2,625,253,399	409,314,961	40,757,812	2,993,810,548	5,976,648,329	5,654,953,060

9. PROPERTY, PLANT AND EQUIPMENT (Contd.)

9.C Value of Land and Ownership

	Company	Location	Land Extent	Number of Building	Building Cost Rs.	Land Cost Rs.
a)	Tokyo Cement Company (Lanka) PLC	Cod Bay, China Bay, Trincomalee (Leasehold)	Acres 44.00	7	1,021,054,153	-
		Elpitiya	Acres 7.50	3	111,344,366	17,906,600
		Jaffna	Acres 6.50	2	29,323,996	8,495,843
		Colombo	Perches 40.90	-	-	180,982,714
		Peliyagoda (Leasehold)	Acres 1.90	5	28,011,803	25,815,502
		Negombo Land	Acres 1.97	1	23,120,689	28,935,510
b)	Tokyo Super Cement Company Lanka (Pvt) Ltd	Cod Bay, China Bay, Trincomalee (Leasehold)		2	655,271,169	-
		Dambulla	Acres 5.00	2	85,378,803	14,675,000
c)	Tokyo Cement Power (Lanka) Ltd	Mahiyanganaya	Acres 19.00	-	-	13,338,695

The directors are of the opinion that the market value of the above lands are not substantially differ from it's book values as at the reporting date.

10. CAPITAL WORK-IN-PROGRESS

10.A Group

Description	Balance As at 01.04.2013 Rs.	Expenses Incurred During the Year Rs.	Capitalized/ Charged During the Year Rs.	Balance As at 31.03.2014 Rs.	Balance As at 31.03.2013 Rs.
Mill Upgrading	38,732,073	-	38,732,073	-	38,732,073
O'Sepa Separator Project	-	141,385,850	141,385,850	-	-
Packing Plant Upgrading	1,100,000	-	1,100,000	-	1,100,000
Raw Material Unloading System	931,577	-	931,577	-	931,577
ERP Implementation	45,252,369	15,736,510	-	60,988,879	45,252,369
Mahiyangana Power Plant	504,966,537	1,909,873,888	6,425,530	2,408,414,895	504,966,537
Cement unloading Pipe Line	22,665,347	-	22,665,347	-	22,665,347
Engineers Quaters & Canteen Buildings	6,142,383	9,453,370	15,595,753	-	6,142,383
Batching Plant Jaffna-Engineers Quaters	-	1,531,599	1,531,599	-	-
Resource Planning Project	12,813,870	13,181,067	-	25,994,937	12,813,870
Weigh Bridge	2,646,255	5,091,476	7,737,731	-	2,646,255
Batching Plants-Kadawata and Negombo	65,770,736	287,098,355	352,869,091	-	65,770,736
Landing jetty	-	6,667,101	-	6,667,101	-
TOTAL	701,021,147	2,390,019,216	588,974,551	2,502,065,812	701,021,147

NOTES TO THE FINANCIAL STATEMENTS

10. CAPITAL WORK-IN-PROGRESS (Contd.)

10.B COMPANY

Description	Balance As at 01.04.2013 the year Rs.	Expenses Incurred During Rs.	Capitalized/ Charged During the Year Rs.	Balance As at 31.03.2014 Rs.	Balance As at 31.03.2013 Rs.
Mill Upgrading	38,732,073	-	38,732,073	-	38,732,073
O'Sepa Separator Project		141,385,850	141,385,850		
New Packing Plant	1,100,000	-	1,100,000	-	1,100,000
Raw Material unloading System	931,577	-	931,577	-	931,577
ERP Implementation	45,252,370	15,736,510		60,988,879	45,252,370
Engineers Quaters & Canteen Buildings	6,142,383	9,453,370	15,595,753	-	6,142,383
Batching Plant Jaffna-Engineers Quaters	-	1,531,599	1,531,599	-	-
Resource Planning Project	12,813,870	13,181,067	-	25,994,937	12,813,870
Weigh Bridge	2,646,255	5,091,476	7,737,731	-	2,646,255
Batching Plants					
Negombo	18,099,585	119,787,403	137,886,988	-	18,099,585
Kadawatha	47,671,151	167,310,952	214,982,103	-	47,671,151
	173,389,264	473,478,227	559,883,674	86,983,816	173,389,264

11. INTANGIBLE ASSETS

Item	Note	WDV 31.03.2014 Rs.	31.03.2013 Rs.
Goodwill	11.1	32,995,007	13,186,823
Accounting & Related Software	11.2	4,359,390	6,888,857
		37,354,397	20,075,680

11.1 Goodwill

11.1a Movement of Goodwill

	31.03.2014 Rs.	31.03.2013 Rs.
Balance as at Beginning of the Year	13,186,823	13,186,823
Add : Goodwill Arisen on Acquisition during the Year	19,808,184	-
Balance as at End of the Year	32,995,007	13,186,823

11.1b In compliance with SLFRS 3-Business Combinations upon acquiring controlling interest , the accounted Goodwill reflect 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. Unamortised balance of Goodwill as at 01st April 2006 as well as goodwill generated from subsequent acquisition which was made up to 31st March 2014 recorded as a permanent asset.

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 are based on the present value of the future cash flows of the forecasted business operations of the Tokyo Cement Colombo Terminal (Pvt) Ltd for next five years using the key assumptions made considering past experience or if appropriate consistent with external source of information and which is approved by the Board of Directors of the company .

Key Assumptions Used in Value in Use (VIU) Calculations

Discount Rate

Discount rate is used at 19.08% per annum, which is the rate for the bank facilities over the weighted average cost of capital of the company.

Inflation and General Price

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate, based on projected economic conditions and assumed that general expenses will be increased at the rate of 10%. per annum.

Exchange Rate

Rupee rate fluctuation against USD has been considered from Rs. 131 to Rs. 133 throughout the period.

11.2 Accounting and Related Software

	Cost/Valuation		Amortization			WDV	
Item	**01.04.2013**	**31.03.2014**	**01.04.2013**	**For the Year**	**31.03.2014**	**31.03.2014**	**31.03.2013**
	Rs.	**Rs.**	**Rs.**	**Rs**	**Rs.**	**Rs.**	**Rs.**
ABAS ERP Solution System	9,080,327	9,080,327	2,837,602	2,270,082	5,107,684	3,972,643	6,242,725
H Senid HRM-Payroll Enterprise System	475,000	475,000	356,250	118,750	475,000	-	118,750
Weigh Bridge Integration Software	562,541	562,541	35,159	140,635	175,794	386,747	527,382
	10,117,868	10,117,868	3,229,011	2,529,467	5,758,478	4,359,390	6,888,857

12. INVESTMENTS

	Group		Company	
	31st March, 2014 Rs.	**31st March, 2013 Rs.**	**31st March, 2014 Rs.**	**31st March, 2013 Rs.**
12.1 Investments In Subsidiaries - Unquoted - At Cost;				
Fuji Cement Company (Lanka) Ltd.				
Ordinary Shares (9,000,000 shares)	-	-	90,000,000	90,000,000
10% Convertible Preference Shares (6,000,000 Shares)	-	-	60,000,000	60,000,000
Tokyo Cement Colombo Terminal (Pvt.) Ltd.				
Ordinary Shares (20,459,559 Shares)	-	-	255,730,843	235,050,010
Tokyo Super Cement Company Lanka (Pvt) Ltd.				
Ordinary Shares (48,388,380 Shares)	-	-	1,345,100,006	1,345,100,006
Tokyo Cement Power (Lanka) Ltd				
Ordinary Shares (300,000,010 Shares)	-	-	300,000,010	150,000,010
Tokyo Eastern Cement Company Ltd.				
Ordinary Shares of Rs. 1/- each 1,000 Shares	-	-	1,000	1,000
	-	-	2,050,831,859	1,880,151,026
13. OPERATING LEASE PREPAYMENT				
At the beginning of the Year	82,176,263	86,937,585	21,398,487	21,818,539
Amortization during the Year	(4,761,322)	(4,761,322)	(420,052)	(420,052)
At the end of the Year	77,414,941	82,176,263	20,978,435	21,398,487

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

14. INVENTORIES

	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Raw Materials	906,297,777	720,006,054	312,871,494	383,856,349
Finished Goods - Manufactured	431,956,720	376,503,672	190,042,955	141,956,532
Packing Materials	303,183,315	568,488,763	41,187,067	92,664,201
Spares and Consumables	76,896,858	81,023,658	38,993,153	55,407,741
Grinding Media	56,185,873	46,598,268	56,185,873	41,126,667
Goods - in - Transit	95,503,376	-	-	-
	1,870,023,919	1,792,620,415	639,280,542	715,011,490

The inventories have been pledged against borrowings-Refer Note No 28.

15. TRADE & OTHER RECEIVABLES

	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Trade Debtors-Related Parties	Note 15.1	174,241,263	144,524,667	711,633	5,007,529
Others		1,409,817,920	1,016,654,376	703,018,696	386,423,969
		1,584,059,183	1,161,179,043	703,730,329	391,431,498
Less: Impairment Provision		(8,315,639)	(7,380,294)	(8,315,639)	(7,380,294)
		1,575,743,544	1,153,798,749	695,414,690	384,051,204
Deposits, Advances and Pre-payments		61,259,713	77,522,155	42,173,047	42,420,903
Other Receivables		296,380,458	508,796,898	183,150,124	240,971,573
		1,933,383,715	1,740,117,802	920,737,861	667,443,680

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

15.1 Trade Debtors-Related Parties

Name of the Related Party	Nature of the Relationship	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Tokyo Cement Colombo Terminal (Pvt) Ltd	Subsidiary	-	128,149	-	128,149
Rhino Roofing Products Ltd	Significance influence in terms of common Directors	130,741,133	97,768,918	711,633	2,896,860
Rhino Products Ltd		43,500,130	44,619,280	-	
Sascon Property Development (Pvt) Ltd		-	594,448	-	594,448
St Anthony's Property Development (Pvt) Ltd		-	1,388,072	-	1,388,072
St Anthony's Industries Group (Pvt) Ltd		-	25,800	-	
		174,241,263	144,524,667	711,633	5,007,529

15.2 The Age Analysis of Trade Receivables as Follows

Year Ended 31st March, 2014	Less than 60 Days Rs.	60 to 90 Days Rs.	90 to 180 Days Rs.	More than 180 Days Rs.	Total Rs.
Group					
Trade Receivables	1,219,612,240	191,321,520	94,236,359	78,889,064	1,584,059,183
	1,219,612,240	191,321,520	94,236,359	78,889,064	1,584,059,183
Company					
Trade Receivables	569,610,904	43,423,946	48,195,988	42,499,491	703,730,329
	569,610,904	43,423,946	48,195,988	42,499,491	703,730,329

15.3 Mitigation of Credit Risk Exposure

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

16. AMOUNT DUE FROM RELATED PARTIES

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Tokyo Cement Colombo Terminal (Pvt) Ltd.	-	-	4,558,055	10,195,764
Tokyo Cement Power (Lanka) Ltd	-	-	664,801,555	156,462,022
Tokyo Eastern Cement Company Ltd	-	-	39,049,814	588,269
	-	-	708,409,424	167,246,055

17. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Investments on Treasury Bills	-	15,031	-	15,031
Money Market Deposits	64,633,749	3,678,339	36,484,179	1,043,915
Investment on Fixed Deposits	1,349,000,000	-	-	-
Savings at Banks	18,323	18,323	18,323	18,323
	1,413,652,072	3,711,693	36,502,502	1,077,269

NOTES TO THE FINANCIAL STATEMENTS

18. STATED CAPITAL

	Group			
Description	At the Beginning of the Year 01.04.2013 Rs.	Issued During the Year (Net) Rs.	At the End of the Year 31.03.2014 Rs.	At the End of the Year 31.03.2013 Rs.
Value of Ordinary Shares	2,366,750,000	523,618,837	2,890,368,837	2,366,750,000
	2,366,750,000	523,618,837	2,890,368,837	2,366,750,000

	Company			
Description	At the Beginning of the Year 01.04.2013 Rs.	Issued During the Year (Net) Rs.	At the End of the Year 31.03.2014 Rs.	At the End of the Year 31.03.2013 Rs.
Value of Ordinary Shares	2,366,750,000	523,618,837	2,890,368,837	2,366,750,000
	2,366,750,000	523,618,837	2,890,368,837	2,366,750,000

In accordance with Section 58 of the Companies Act No.07 of 2007 which became effective from 3rd May, 2007, share capital and share premium have been classified as stated capital.

18.1 Movement in Number of Ordinary Shares

	Group			
Description	At the Beginning of the Year 01.04.2013 Rs.	Issued During the Year Rs.	At the End of the Year 31.03.2014 Rs.	At the End of the Year 31.03.2013 Rs.
Ordinary Shares				
- Voting	202,500,000	20,250,000	222,750,000	202,500,000
- Non Voting	101,250,000	10,125,000	111,375,000	101,250,000
	303,750,000	30,375,000	334,125,000	303,750,000

	Company			
Description	At the Beginning of the Year 01.04.2013 Rs.	Issued During the Year Rs.	At the End of the Year 31.03.2014 Rs.	At the End of the Year 31.03.2013 Rs.
Ordinary Shares				
- Voting	202,500,000	20,250,000	222,750,000	202,500,000
- Non Voting	101,250,000	10,125,000	111,375,000	101,250,000
	303,750,000	30,375,000	334,125,000	303,750,000

The above shares are quoted in the Colombo Stock Exchange. The non-voting shares rank pari passu in respect of all rights with the ordinary voting shares of the Company except voting rights on resolutions passed at general meetings.

19. RESERVES

Description	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
Capital Redemption Reserve Fund	19.1	150,000,000	150,000,000	-	-
		150,000,000	150,000,000	-	-

19.1 This fund was created under section 57 (1) (d) of the Companies Act No. 17 of 1982 when the redeemable preference shares issued by Fuji Cement Company (Lanka) Ltd were redeemed in the year 2005 and previous years according to the term of the issue.

20. INTEREST BEARING BORROWINGS

20.1 Long Term Interest Bearing Borrowings

	Note	Group 31st March, 2014 Rs.	Group 31st March, 2013 Rs.	Company 31st March, 2014 Rs.	Company 31st March, 2013 Rs.
At the Beginning of the Year		1,679,614,114	2,750,305,318	727,499,995	1,202,911,999
Add: Loans Obtained during the Year		1,638,000,000	348,789,075	800,000,000	348,789,075
		3,317,614,114	3,099,094,393	1,527,499,995	1,551,701,074
Less: Settlements during the Year		(634,780,923)	(1,419,480,279)	(293,750,004)	(824,201,079)
At the End of the Year		2,682,833,191	1,679,614,114	1,233,749,991	727,499,995
Current Maturity Portion	20.2	816,212,791	635,342,522	309,791,991	293,750,004
Non-Current Maturity Portion	20.2	1,866,620,400	1,044,271,592	923,958,000	433,749,991
		2,682,833,191	1,679,614,114	1,233,749,991	727,499,995
20.2 Short Term Interest Bearing Borrowings					
Import Demand Loan	20.2.1	2,010,205,724	2,310,637,703	387,270,965	624,791,214
Working Capital Loan	20.2.2	651,986,097	250,000,000	120,706,643	-
Current Maturity Portion of Long Term Loan		816,212,791	635,342,522	309,791,991	293,750,004
Repayable within One Year		3,478,404,612	3,195,980,225	817,769,599	918,541,218
Repayable between One and Five Years		1,866,620,400	1,044,271,592	923,958,000	433,749,991
Repayable After Five Years		-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

20.2.1 Import Demand Loan

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
At the Beginning of the Year	2,310,637,703	1,415,464,191	624,791,214	677,164,015
Add: Loans Obtained during the Year	13,928,603,104	14,804,336,730	3,533,532,290	3,941,937,087
Less: Settlements During the Year	(14,229,035,083)	(13,909,163,218)	(3,771,052,539)	(3,994,309,888)
At the End of the Year	2,010,205,724	2,310,637,703	387,270,965	624,791,214

20.2.2 Working Capital Loans

At the Beginning of the Year	250,000,000	-	-	-
Add: Loans Obtained During the Year	1,343,486,197	250,000,000	120,706,643	-
Less: Settlements During the Year	(941,500,100)	-	-	-
At the End of the Year	651,986,097	250,000,000	120,706,643	-

21. DEFERRED TAX

		Group		Company	
	Note	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
At the Beginning of the Year		1,095,139,753	787,633,651	802,597,812	568,085,682
Charge to / (from) Statement of Comprehensive Income	6.B	290,252,794	307,506,102	164,466,902	234,512,130
At the End of the Year		1,385,392,547	1,095,139,753	967,064,714	802,597,812

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
21.1 Tax effect on Temporary Difference on Property, Plant & Equipment	1,593,414,265	1,344,962,532	983,038,331	811,829,864
Tax effect on Temporary Difference on Retirement Benefit Obligations	(21,243,585)	(15,931,291)	(15,973,617)	(9,232,052)
	1,572,170,680	1,329,031,241	967,064,714	802,597,812
Less: Unused Tax Losses	(186,778,133)	(233,891,488)	-	-
Probable Deferred Tax Liability	1,385,392,547	1,095,139,753	967,064,714	802,597,812

21.2 Deferred tax assets amounting to Rs. 41,150,046/- for the group has not been recognized for the year, since the subsidiary companies do not expect these assets to reverse in the foreseeable future. The deferred tax asset in the subsidiary has arisen as a result of carried forward losses.

21.3 Deferred Tax for Tax Holiday Companies

For group 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.

22. RETIREMENT BENEFITS OBLIGATION

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
At the Beginning of the Year	56,887,333	45,443,928	41,148,833	32,971,615
Actuarial Gain or Loss	14,443,537	1,871,945	9,820,799	1,316,434
Current Service Cost	8,019,162	5,407,338	5,641,517	3,725,216
Interest Cost	6,257,607	4,998,832	4,526,372	3,626,878
Provision for the Year	28,720,306	12,278,115	19,988,688	8,668,528
	85,607,639	57,722,043	61,137,521	41,640,143
Payment Made During the Year	(4,439,633)	(834,710)	(4,088,890)	(491,310)
At the End of the Year	81,168,006	56,887,333	57,048,631	41,148,833

The retirement benefit obligation of Tokyo Cement Company (Lanka) PLC and its subsidiaries with more than 100 employees 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;

		2013/2014	2012/2013
a)	Discount Rate	10%	11%
b)	Salary Increment	10%	10%
c)	Retirement Age	55 Years	55 Years
d)	Employee Turnover Ratio	2%	2%

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

23. TRADE & OTHER PAYABLES

			Group		Company	
			31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Bills Payable			472,212,435	398,902,000	191,748,223	128,916,428
Expense Creditors	- Related Parties	Note 23.1	56,526,801	39,846,308	201,420,358	20,333,593
	- Others		1,131,661,452	868,321,037	406,278,492	459,522,690
Other Creditors			295,496,955	455,882,106	165,727,283	77,920,335
			1,955,897,643	1,762,951,451	965,174,356	686,693,046

23.1 Payable to Related Parties

		Group		Company	
Name of the Related Party	Nature of the Relationship	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
St. Anthony's Consolidated (Pvt) Ltd	Significance influence in term of common Directors (Note 29.1)	51,580,311	15,435,346	16,440,710	20,333,593
South Asian Investment (Pvt) Ltd		4,946,490	24,410,962	-	-
Fuji Cement Company (Lanka) Ltd	Subsidiary	-	-	184,979,648	-
		56,526,801	39,846,308	201,420,358	20,333,593

24. AMOUNT DUE TO RELATED PARTIES

	Group		Company	
	31st March, 2014 Rs.	31st March, 2013 Rs.	31st March, 2014 Rs.	31st March, 2013 Rs.
Fuji Cement Company (Lanka) Ltd	-	-	313,923,667	1,060,794,001
Tokyo Super Cement Company Lanka (Pvt) Ltd	-	-	543,273,090	44,289,817
	-	-	857,196,757	1,105,083,818

25. CAPITAL MANAGEMENT

The Board of Directors reviews the capital structure of the Companies of the Group on regular basis .The intention of Board of Directors is to maintain an optimum capital structure while minimizing cost of financing and safeguarding key stakeholders' interest.

26. CAPITAL AND OTHER COMMITMENTS

26.1 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 new Enterprise Resource Planning (ERP) System with an estimated cost of Rs.70 Mn. Total cost of project completed as at 31st March, 2014 is Rs. 60.98 Mn. Remaining modules are expected to be completed within next 12 to 18 months.

b) Purchase of Land to construct a depot cellular light weight concrete building block manufacturing plant at Negambo at a cost of Rs. 13.4 Mn and purchase of brand new pump car for amounting Rs. 45 Mn.

c) Purchase of 3 nos truck loaders for amounting Rs. 22.92 Mn.

26.2 Other Commitments

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

b) The company has entered into an agreement with Ceylon Electricity Board (CEB) to purchase Coal Ash from Norochchola Power Plant for a period of 5 years.

26.3 Subsidiary Companies

a) Subsidiary Company - Tokyo Cement Power (Lanka) Ltd

Establishment of Dendro Power Plant under Ceylon Electricity Board (CEB) medium voltage development plan amounting to Rs.1.5Bn. Total cost of work completed as at 31st March, 2014 is Rs. 2.4 Bn with the additional approval for cost over run.

b) Subsidiary Company - Tokyo Eastern Cement Company Ltd

Company has announced an investment of USD 50 Mn under newly incorporated subsidiary Tokyo Eastern Cement Company Ltd. This investment is estimated to take place within next two financial years.

c) Subsidiary Company - Tokyo Cement Colombo Terminal (Pvt) Ltd

Company has approved funding of construction of Cement silo in TCCT premises at Colombo port.

27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

27.1 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 to the court of appeal on question of law under section 141 (1) of the Inland Revenue Act. Lawyers have informed that the question of law is very much in favour of the company to overturn the board of review determination. The case is yet to be listed.

27.2 Contingent Assets

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

NOTES TO THE FINANCIAL STATEMENTS

28. ASSETS PLEDGED

Name of the Company		Nature of Liabilities The Name of Bank	Loan/Facility Granted Rs.	Balance Outstanding as at 31.03.2014 Rs.	Balance Outstanding as at 31.03.2013 Rs.	Repayment	Security Pledged
Tokyo Cement Colombo Terminal (Pvt) Ltd	a.	Term Loans i. Sampath Bank PLC	623,000,000	272,540	441,280,000	Repayable in 48 equal monthly installments of Rs.12,980,000	Loan agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC.
	b.	Trust Receipts Loans i. Sampath Bank PLC.	150,000,000	-	109,000,000	On demand	Hypothecation Bond for Rs. 125 mn over inventory at Port premises, Colombo book debts and Leasehold Land and Buildings.
		ii Sampath Bank PLC	525,000,000	284,878,090	488,892,319	On demand	Primary mortgage bond over cement plant and machinery at Port premises - Colombo for Rs.150 Mn. Secondary mortgage bond over cement plant and machinery at Port Premises - Colombo for Rs. 36 Mn.
		iii. Commercial Bank of Ceylon PLC	750,000,000	192,105,614	40,000,000	On demand	Corporate guarantee of Fuji Cement Company Lanka Ltd of Rs.609 Mn and 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.

28. ASSETS PLEDGED (Contd.)

Name of the Company		Nature of Liabilities The Name of Bank	Loan/Facility Granted Rs.	Balance Outstanding as at 31.03.2014 Rs.	Balance Outstanding as at 31.03.2013 Rs.	Repayment	Security Pledged
Tokyo Cement Company (Lanka) PLC	a.	Term Loans					
	i.	Commercial Bank of Ceylon PLC	800,000,000	800,000,000	-	Repayable in 47 equal monthly installments of Rs.16,667,000/- an final installment of Rs.16,651,000.	On Demand Loan Agreement.
	ii	Sampath Bank PLC.	1,125,000,000	421,875,000	703,125,000	In 48 equal monthly installments of Rs.23,437,500	An Undertaking to Mortgage over the Vessel "ID Symphony" (Tabernacle Star ii)
	iii	Bank of Ceylon,	40,000,000	11,874,991	24,374,996	Repayment will commence after 24 months from first disbursement of the loan, there after repayable in 48 equal monthly installments.	On Demand Loan Agreement.
	b.	Working capital Loans					
	i	Citi Bank	US$ 7.5 Mn	120,706,643	-		On Demand Loan Agreement.

NOTES TO THE FINANCIAL STATEMENTS

28. ASSETS PLEDGED (Contd..)

Name of the Company		Nature of Liabilities The Name of Bank	Loan/Facility Granted Rs.	Balance Outstanding as at 31.03.2014 Rs.	Balance Outstanding as at 31.03.2013 Rs.	Repayment	Security Pledged
Tokyo Super Cement Company Lanka (Pvt) Ltd.	a. i	Term Loans DFCC Bank	850,000,000	-	23,333,318	"Repayable in 60 equal monthly installments "	(a) Primary mortgaged over proposed machinery and equipments (b) Corporate Guarantee from Tokyo Cement Company (Lanka) PLC.
	i	Short Term Loans Citi Bank	US$ 7.5 Mn	-	435,622,069	Repayable within 90 days from the date of grant	Unconditional Corporate Guarantee from Tokyo Cement Company (Lanka) PLC
	iii	Sampath Bank PLC	500,000,000	681,447,160	272,359,295	Repayable within 90 days from the date of grant	(a) Short Term Import Loan Agreement for Rs.500 Mn (b) Existing Hypothecation Bond for Rs.520 Mn over stock and book debts of the company
	b. I.	Trust Receipts Loans Commercial Bank of Ceylon PLC	100,000,000	176,370,000	-	Repayable within 90 days from the date of grant	(a) Corporate Guarantee of Tokyo Cement Company (Lanka) PLC for Rs.350 Mn
							(b) Lien Over documents of Title to the goods under import
Fuji Cement Company (Lanka) Ltd	a. i	Term Loans Sampath Bank	650,000,000	338,543,200	487,500,800	Repayable in 48 equal monthly installments	(a) An undertaking to mortgage over the vessel " Terbancle Prince" (b) Corporate Guarantee of TCCL for Rs.650 Mn

Name of the Company	Nature of Liabilities The Name of Bank		Loan/Facility Granted Rs.	Balance Outstanding as at 31.03.2014 Rs.	Balance Outstanding as at 31.03.2013 Rs.	Repayment	Security Pledged
	ii	Import Demand Loans Sampath Bank	500,000,000	288,133,896	339,972,806	Each Loan to be paid within 90 days	(a) General Terms and Condition documents relating to IDL. (b) Lien over documents of Title of the goods under import (c) Corporate Guarantee of TCCL for Rs.800 Mn
Tokyo Cement Power (Lanka)Ltd	a. i	Term Loans Sampath Bank PLC	500,000,000	488,000,000	-	In 47 equal monthly installments of Rs.10,500,000/- & one final installment of Rs.6,500,000/-	(a) Loan Agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC for Rs.500 Mn. (b) Undertaking to mortgage for Rs. 500 Mn over the allotment of land market lots 1 & 2 in plan No. 558 dated 20.09.2001 made by 1 kotagama L.S and Lots 43 & 44 in Plan No Topo 59 made by the surveyor general together with civil structure, plant, machinery & equipment fixed / to be fixed therein at Bathalaya, Mahiyanganaya together with deposit of title deed & power Attorney in favour of the bank.

NOTES TO THE FINANCIAL STATEMENTS

28. ASSETS PLEDGED (Contd..)

Name of the Company		Nature of Liabilities The Name of Bank	Loan/Facility Granted Rs.	Balance Outstanding as at 31.03.2014 Rs.	Balance Outstanding as at 31.03.2013 Rs.	Repayment	Security Pledged
	ii	Sampath Bank PLC	350,000,000	350,000,000	-	In 47 equal monthly installments of Rs.7,300,000/- & a final installment of Rs.6,900,000/-	(a) Loan Agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC . (b) Undertaking to an additional mortgage for Rs 350 Mn over same property mentioned above together with power Attorney in favour of the bank.
	b. i	Short Term Loan Citi Bank	US $ 6 Mn	531,279,454	250,000,000	Repayable with in 90 days from the date of grant	Unconditional Corporate Guarantee from Tokyo Cement Company(Lanka) PLC

29. RELATED PARTY TRANSACTIONS

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

	Fuji Cement Co (Lanka) Ltd	Tokyo Super Cement Co Lanka (Pvt) Ltd	Tokyo Cement Colombo Terminal (Pvt) Ltd	St. Anthony's Consolidated (Pvt) Ltd	St. Anthony's Hardware (Pvt) Ltd	South Asian Investments (Pvt) Ltd	Rhino Roofing Products Ltd	Providence Network & Solutions (Pvt) Ltd	Tokyo Eastern Cement Company Ltd	Tokyo Cement Power (Lanka) Ltd
Mr. E. Gunatunga	X	X	X	-	-	-	-	-	X	X
Mr. S.R. Gnanam	X	X	X	X	X	X	X	-	X	X
Mr. Tatsuro Naruse (Late)	X	X	X	-	-	-	-	-	-	X
Mr. S.V. Wanigasekera	X	X	-	-	-	-	-	-	-	-
Mr. A.S.G. Gnanam	X	X	-	X	X	X	X	X	-	-
Mr. E.J. Gnanam	X	X	X	X	X	X	X	-	-	-
Mr. R. Seevaratnam	X	X	-	-	-	-	-	-	-	-
Mr. H. Tsukigawa	-	-	-	-	-	-	-	-	-	-
Dr. Harsha Cabral	X	X	-	-	-	-	-	-	-	-
Dr. I.Coomaraswamy	X	X	-	-	-	-	-	-	-	-

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

29.1.1 Mr. T. Naruse (late), Mr. H. Tsukigawa and Mr. S.V. Wanigasekera were appointed as nominee directors of the company and Mr. T. Naruse (late) is a Director of the Fuji Cement Co (Lanka) Ltd , Tokyo Super Cement Co Lanka (Pvt) Ltd and Tokyo Cement Colombo Terminal (Pvt) Ltd as well.

29.1.2 Mr. W.C. Fernando, Group General Manager is a Director of the Fuji Cement Co. (Lanka) Ltd, Tokyo Super Cement Co. Lanka (Pvt) Ltd, Tokyo Cement Colombo Terminal (Pvt) Ltd and Tokyo Eastern Cement Company (Lanka) Ltd.

29. RELATED PARTY TRANSACTIONS (Contd..)

29.2 The Company had the following transactions entered during the year in the ordinary course of business with related entities at Commercial rates.

	Nature of the Relationship	Group 2014 (Rs.)	Group 2013 (Rs.)	Company 2014 (Rs.)	Company 2013 (Rs.)
Subsidiary Companies					
(a) Tokyo Cement Colombo Terminal (Pvt) Ltd	Subsidiary				
i. Handling & Bagging Income	Company	232,662,225	249,366,060	-	-
ii. Cement Purchases including Transport Charges		102,902,793	-	102,902,793	-
iii. Additional Share Investment		-	-	20,680,833	-
(b) Tokyo Super Cement Company Lanka (Pvt) Ltd	Subsidiary				
i. Fund Transfers from /(to)	Company	496,281,340	229,314,841	-	449,145,952
ii. Purchase of Bio-Mass Power		55,999,308	35,361,615	55,999,308	35,361,615
iii. Packing Plant Hiring Expenses		17,147,524	-	-	-
(c) Fuji Cement Company (Lanka) Ltd	Subsidiary				
i. Cement Purchases including Transport Charges	Company	-	-	-	-
ii. Cement Sales including Transport Charges		374,910,028	268,653,961	374,910,028	268,653,961
iii. Purchase of Bio-Mass Power		30,895,032	23,862,569	30,895,032	23,862,569
iv. Fund Transfers from/(to)		1,071,371,521	708,263,759	1,071,371,521	708,263,759
v. Corporate Guarantee for Term loan		650,000,000	-	-	-
vi. Corporate Guarantee for Import loan		800,000,000	-	800,000,000	-
(d) Tokyo Cement Power (Lanka) Ltd	Subsidiary				
i. Investment in Stated Capital	Company	-	150,000,000	150,000,000	150,000,000
ii. Fund Transfers from		125,607,294	41,624,000	-	41,624,000
iii. Sale of Cement		4,809,454	-	-	-
(e) Tokyo Eastern Cement Company (Lanka) Ltd	Subsidiary				
i. Investment In Stated Capital	Company	-	1,000	-	1,000

29. RELATED PARTY TRANSACTIONS (Contd..)

29.2 (Contd..)

	Nature of the Relationship	Group 2014 (Rs.)	Group 2013 (Rs.)	Company 2014 (Rs.)	Company 2013 (Rs.)
Other Related Companies					
(a) St. Anthony's Consolidated (Pvt) Ltd	Significance influence in term of common directors (29.1)				
i. Sales Commission		613,131,018	646,450,652	215,401,406	225,555,123
iii Payable as at 31st March 2014		59,797,453	59,797,453	20,333,593	20,333,593
(b) St. Anthony's Hardware (Pvt) Ltd	Significance influence in term of common directors (29.1)				
i. Purchase of Chemicals		62,085,578	56,491,277	62,085,578	56,491,277
ii Sale of Ready Mix Concrete		-	495,320	-	495,320
(c) South Asian Investment (Pvt) Ltd	Significance influence in term of common directors (29.1)				
i. Sales Commission Paid		72,654,581	26,378,848	-	-
(e) Rhino Roofing Products Ltd	Significance influence in term of common directors (29.1)				
i. Sale of Cement		1,241,633,290	1,651,490,264	-	7,363,369

29.3 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 28.

29.4 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties as it was not considered necessary (2013 - Nil, 2012 - Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

29.5 Transactions with Key Management Personnel of the Company or its Parent

29.5.1 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, direct or indirectly.

a) **Compensation of Key Management Personnel**

	2013/2014 Rs.	2012/2013 Rs.
Directors' Emoluments & Other Key Personal Remuneration	41,473,221	34,552,722
Non-cash Benefits	-	-
Total Compensation paid to Key Management Personnel	41,473,221	34,552,722

29.5.2 The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel which can be classified as follows.

a) Short-term Employee Benefits	40,633,221	33,935,222
b) Post - Employment Benefits	840,000	617,500
c) Other Long-term Benefits	Nil	Nil
d) Termination Benefits	Nil	Nil
e) Share-based Payments	Nil	Nil
	41,473,221	34,552,722

29.5.2 Purchase/Disposal of the Company's Shares

The following interest recognized in acquisition of shares issued by the company to the Board.

Transaction	Name of the Director/KMP	Class of Shares	No of Shares	Nature of Transaction	Date of Acquisition	Consideration Paid per share
Shares Acquired by South Asian Investment (Pvt) Ltd	Mr. S.R. Gnanam Mr. A.S.G. Gnanam Mr. E.J. Gnanam	Voting	1,113,750	Directors and substantial share holders	28th March 2013 & 13th April 2013	Rs. 23.5 & Rs. 24
Disposal of Shares by Nippon Coke & engineering	Mr. S.V. Wanigasekera Mr. Tatsuro Naruse Mr. H. Tsukigawa	Voting	1,113,750	Joint Venture collaborator of Tokyo Cement Company (Lanka) PLC	28th March 2013 & 13th April 2013	Rs. 23.5 & Rs. 24

30. SUBSIDIARY COMPANIES

Company	Holding
Fuji Cement Company (Lanka) Ltd	100%
Tokyo Super Cement Company Lanka (Pvt) Ltd	100%
Tokyo Cement Power (Lanka) Ltd	100%
Tokyo Eastern Cement Company Ltd	100%
Tokyo Cement Colombo Terminal (Pvt) Ltd	59.87%

NOTES TO THE FINANCIAL STATEMENTS

31. EVENTS OCCURRING AFTER THE REPORTING DATE

To declare, tax free interim dividend of Rs. 1.50 per voting share amounting to Rs. 334.12 Mn and Rs. 1.50 per non voting shares amounting to Rs. 167.08 Mn paid on 27th June 2014 to be the final dividends for the year 2013/14. The total dividends paid for the year 2013/14 is Rs. 501.2 Mn. which requires the approval of the share holders at the Annual General Meeting to be held on 16th September, 2014. in accordance with Sri Lanka Accounting Standards 12 (Revised 2005) "Events Occurring After Statement of Financial Position". this dividend has not being recognized as a liability in the financial statements under review.

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed, that the company satisfy the solvency test in accordance with Section 57 of the Company's Act No. 7 of 2007 and obtained the certificate from the auditors prior to payment of the dividend of Rs. 1.50 per Ordinary Voting Shares and Rs. 1.50 per Ordinary Non Voting Shares for the financial year under review.

There have been no material events after reporting date that require disclosure in the financial statement.

32. COMPARATIVE INFORMATION

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

SHAREHOLDER & INVESTOR INFORMATION

DISTRIBUTION OF VOTING ORDINARY SHARES AS AT 31st March 2014

Category			No of Holders Nos	Share Holdings Shares	% Holding
1	-	250	789	70,614	0.03%
251	-	500	205	80,874	0.04%
501	-	1,000	318	224,442	0.10%
1,001	-	2,000	515	713,006	0.32%
2,001	-	5,000	525	1,672,870	0.75%
5,001	-	10,000	246	1,730,047	0.78%
10,001	-	20,000	191	2,729,322	1.23%
20,001	-	30,000	92	2,310,204	1.04%
30,001	-	40,000	38	1,343,893	0.60%
40,001	-	50,000	33	1,518,128	0.68%
50,001	-	100,000	67	4,670,505	2.10%
100,001	-	1,000,000	85	20,945,160	9.40%
1,000,001	-	99,999,999	14	184,740,935	82.94%
TOTAL			3,118	222,750,000	100.00%

DISTRIBUTION OF NON-VOTING ORDINARY SHARES AS AT 31st March 2014

Category			No of Holders Nos	Share Holdings Shares	% Holding
1	-	250	1,079	102,610	0.09%
251	-	500	275	104,844	0.09%
501	-	1,000	391	266,010	0.24%
1,001	-	2,000	542	707,633	0.64%
2,001	-	5,000	501	1,579,971	1.42%
5,001	-	10,000	278	1,929,888	1.73%
10,001	-	20,000	193	2,615,414	2.35%
20,001	-	30,000	82	2,067,766	1.86%
30,001	-	40,000	51	1,763,535	1.58%
40,001	-	50,000	24	1,079,988	0.97%
50,001	-	100,000	63	4,451,964	4.00%
100,001	-	1,000,000	93	28,877,345	25.93%
1,000,001	-	99,999,999	18	65,828,032	59.10%
TOTAL			3,590	111,375,000	100.00%

Market Price per share (Rs.)

	Voting Odinary Shares		Non Voting Odinary Shares	
	31st March 2014	31st March 2013	31st March 2014	31st March 2013
Highest for the period	38.00	28.90	30.30	19.90
Lowest for the period	28.30	22.90	23.40	17.50
Last Traded for the period	36.20	23.50	29.00	17.50

SHAREHOLDER & INVESTOR INFORMATION

Voting /Non Voting Ordinary Shares

As at 31st March 2014

Percentage of Public Shareholding

	31st March 14 Voting	31st March 13 Voting	31st March 14 Non Voting	31st March 13 Non Voting
The percentage of shares held by public	25.5%	25.5%	100%	100%

Directors and CEO Shareholding

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held As at 31/3/14	No of Shares Held As at 31/3/13	No of Shares Held As at 31/3/14	No of Shares Held As at 31/3/13
Local Joint Venture Partner - St Anthony's Consolidated (Private) Limited	61,255,977	55,687,252	0	0
Gnanam A S G	12	11	0	0
Gnanam S R - Jt Managing Director/CEO	12	11	0	0
Gnanam E J	12	11	0	0
Edgar Gunatunga - Chairman	2,433	2,212	1,100	1,000
Foreign Joint Venture Partner - Nippon Coke Engineering Co Limited, Japan	52,680,300	49,004,932	0	0
Nominee Directors of Foreign Collaborator				
Mr. Wanigasekera S V	5,940	5,400	15,935	14,487
Mr. H. Tsukigawa	0	0	0	0
Independant Directors				
Mr. Ranjeevan Seevaratnam	0	0	0	0
Dr. Harsha Cabral	0	0	0	0
Dr. indrajit Coomaraswamy	0	0	0	0
	113,944,686	104,699,829	17,035	15,487
Total Shares in Issue	222,750,000	202,500,000	111,375,000	101,250,000

Twenty Largest Shareholders as at 31st March 2014

Voting	31st March 14	%	31st March 13	%
St. Anthony's Consolidated (Pvt) Limited	61,255,977		55,687,252	
Nippon Coke & Engineering Co. Limited	52,680,300		49,004,932	
South Asian Investment (Pvt) Limited	44,850,630		39,659,550	
Capital City Holdings (Private) Limited	6,682,806		6,075,279	
J.B. Cocoshell (Pvt) Limited	3,304,995		Not in Top 20 List	
Employees Trust Fund Board	2,941,006		2,673,642	
Late Mr. Radhakrishnan M (Former Director)	2,742,349		2,493,045	
Associated Electrical Corporation Limited	2,053,980		1,857,106	
Deutsche Bank Ag-National Equity Fund	1,974,309		Not in Top 20 List	
Commercial Bank Of Ceylon PLC/Capital Trust Holding (Pvt) Limited	1,692,326		Not in Top 20 List	
National Savings Bank	1,334,520		1,213,200	
Hsbc Intl Nom Ltd-Ssbt-Global Macro Capital Opportunities Portfolio	1,116,000		Not in Top 20 List	
Waldock Mackenzie Limited / M. T. Moosajee	1,100,000		Not in Top 20 List	
Deutsche Bank Ag As Trustee For Namal Acuity Value	1,011,737		Not in Top 20 List	
Hamish Winston Mcdonald Woodward	887,346		1,411,091	
Kenneth Rudy Kamon	762,740		693,400	
Scallon Shirley Fonseka	700,000		Not in Top 20 List	
Otara Del Gunewardene	688,672		Not in Top 20 List	
Union Assurance PLC/No - 01 A/C	640,777		582,525	
Gajendrakumar Gangaser Ponnambalam	594,000		Not in Top 20 List	
TOTAL	189,014,470	85%	161,351,022	80%

Twenty Largest Shareholders as at 31st March 2014

NON Voting	31st March 14	%	31st March 13	%
Hinl-Jpmcb-Butterfield Trust (Bermuda) Limited	12,642,062		7,401,875	
Employees Provident Fund	10,961,062		9,739,241	
Associated Electrical Corporation Limited	7,929,020		7,208,200	
J.B. Cocoshell (Pvt) Limited	5,929,055		2,853,313	
Mas Capital (Private) Limited	4,019,950		3,654,500	
Waldock Mackenzie Limited/Hi-Line Trading (Pvt) Limited	3,675,552		3,787,224	
Union Assurance PLC/ No-01 A/C	2,658,150		2,416,500	
Deutsche Bank Ag-National Equity Fund	2,591,100		1,401,000	
National Savings Bank	2,568,500		2,335,000	
Deutsche Bank Ag As Trustee For Jb Vantage Value Equity Fund	2,474,720		1,773,747	
Dfcc Bank A/C 1	2,471,700		2,247,000	
Bank Of Ceylon-No2 A/C	1,921,009		1,746,372	
Deutsche Bank Ag As Trustee For Namal Acuity Value Fund	1,754,450		1,026,600	
Bank Of Ceylon A/C Ceybank Century Growth Fund	1,134,711		878,038	
Hsbc Intl Nominees Limited-Credit Suisse Ag Zurich	1,065,447		1,125,000	
Abdulhusen Hassenally Rajkotwala	1,019,590		926,900	
Employees Trust Fund Board	1,011,954		2,271,525	
Askold (Private) Limited	1,000,000		Not in Top 20 List	
Husein Nuruddin Esufally	927,055		Not in Top 20 List	
Yunus Abdulhusen Rajkotwala	911,439		810,763	
TOTAL	68,666,526	61.7%	53,602,798	52.9%

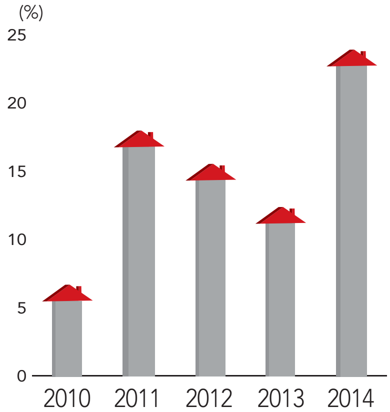
FIVE YEAR SUMMARY - GROUP

Rs. Mn. Year ended March 31	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
OPERATING RESULTS					
Turnover	28,908	27,296	22,927	16,495	14,738
Gross profit	7,217	5,289	4,242	3,219	2,295
Profit Before Taxation	2,609	1,252	1,272	1,163	347
Taxation	(453)	(360)	(231)	(115)	4
Profit After Taxation	2,156	892	1,041	1,048	351
Non Controlling Interest	(30)	(9)	129	37	18
Profit Attributable to Ordinary Shareholder	2,126	883	1,170	1,085	369
BALANCE SHEET					
Assets					
Non Current Assets					
Propery, Plant & Equipment	9,917	9,901	9,681	8,870	9,055
Capital Work - in - Progress	2,502	701	162	53	93
Goodwill	37	20	22	13	13
Fixed Deposit	-	-	-	3	3
Operating Lease Prepayment	78	82	87	92	74
Total Non Current Assets	12,534	10,704	9,952	9,031	9,238
Current Assets					
Inventories	1,870	1,793	1,483	1,122	688
Trade & Other Receivable	3,510	1,950	1,871	1,437	1,572
Cash & Cash Equivalent	370	369	232	199	911
Total Current Assets	5,750	4,112	3,586	2,758	3,171
Total Assets	18,284	14,816	13,538	11,789	12,409
Equity & Liabilities					
Capital & Reserves					
Stated Capital	2,890	2,367	2,367	2,367	1,793
Reserves	150	150	150	150	150
Retained Earnings	5,974	4,678	4,189	3,322	3,304
Total Equity and Liabilities	9,014	7,195	6,706	5,839	5,247
Non Controlling Interest	12	(17)	(26)	103	140
Total Capital & Reserves	9,026	7,178	6,680	5,942	5,387

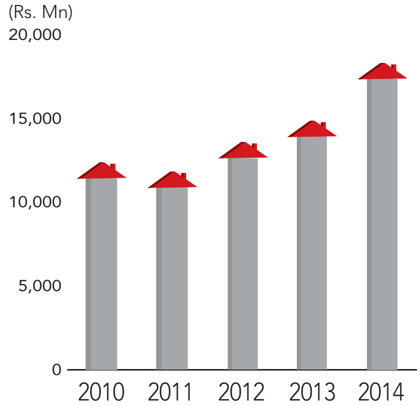
Rs. Mn. Year ended March 31	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
Non Current Liabilities					
Interest Bearing Borrowing	1,867	1,044	1,553	940	1,387
Deferred Tax	1,385	1,095	788	599	498
Retirement Benefit Obligations	81	57	45	37	30
Deferred Revenue	-	-	-	4	7
Lease Creditors	-	-	3	17	53
Total Non Current Liabilities	3,333	2,196	2,389	1,597	1,975
Current Liabilities					
Trade & Other Liabilities	2,007	1,763	1,565	1,054	2,220
Short Term Borrowings	3,479	3,196	2,613	2,895	2,357
Lease Creditors	-	-	14	40	48
Deferred Revenue - Current Maturity Portion	-	-	1	-	-
Bank Overdraft	439	483	276	261	422
Total Current Liabilities	5,925	5,442	4,469	4,250	5,047
Total Equity and Liabilities	18,284	14,816	13,538	11,789	12,409
INVESTOR INFORMATION					
Earnings Per Share - Voting Ordinary Share (Rs.)	6.51	2.68	3.44	3.45	1.37
Earnings Per Share - Non Voting Ordinary Share (Rs.)	6.51	2.68	3.44	3.45	1.37
Dividend Per Share - Voting Ordinary Share (Rs.)	1.50	1.00	1.30	1.65	1.65
Dividend Per Share - Non Voting Ordinary Share (Rs.)	1.50	1.00	1.30	1.65	1.65
Retun on Equity (%)	23.92	12.40	15.52	17.95	6.70
Interest Cover (Time)	5.70	2.79	3.93	3.39	1.42
Market Price Per Share (Rs.) - Voting	36.20	23.50	37.00	60.80	28.00
Market Price Per Share (Rs.) - Non Voting	29.00	17.50	27.00	44.00	18.25
Price Earnings Ratio (Times)	5.57	7.99	10.76	17.62	20.44
Assets Turnover Ratio (Times)	1.58	1.84	1.69	1.40	1.19
Net Asset Per Share (Rs.)	27.01	23.63	21.99	19.56	19.95

FIVE YEAR SUMMARY GRAPHICAL REVIEW

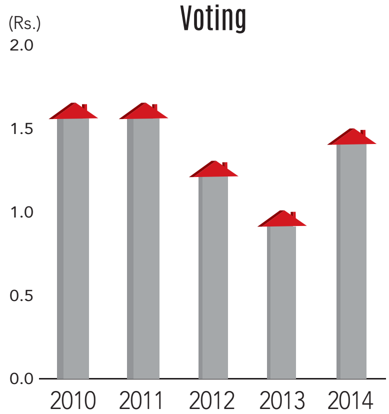
Return on Equity



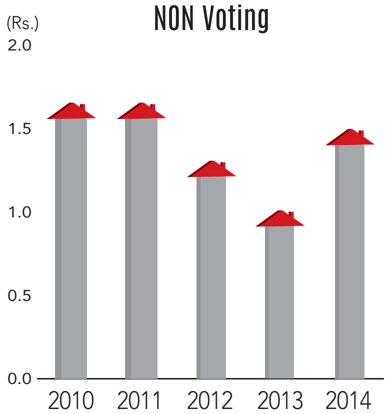
Total Assets



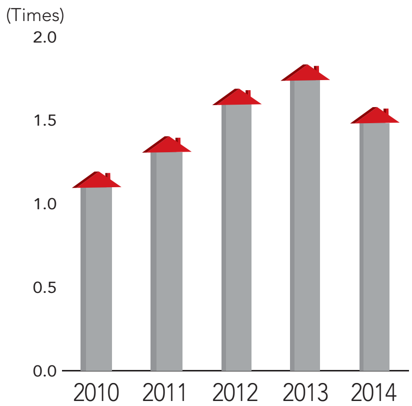
Dividend per share Voting



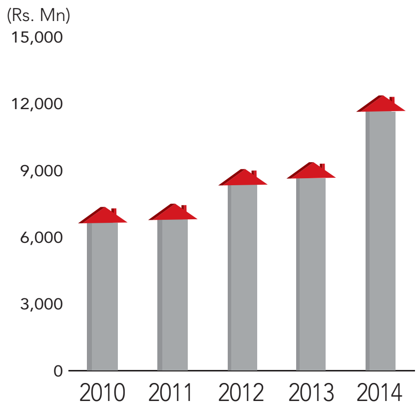
Dividend per share NON Voting



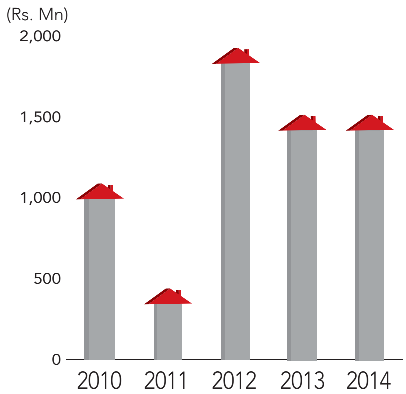
Asset Turnover



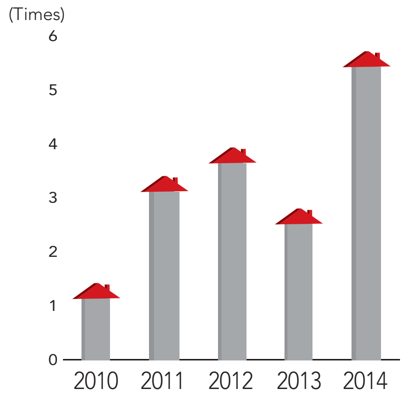
Capital Employed

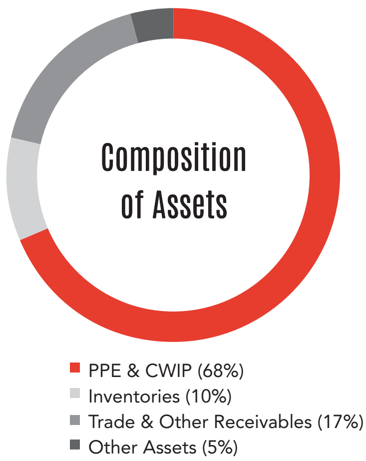


Capital Investments

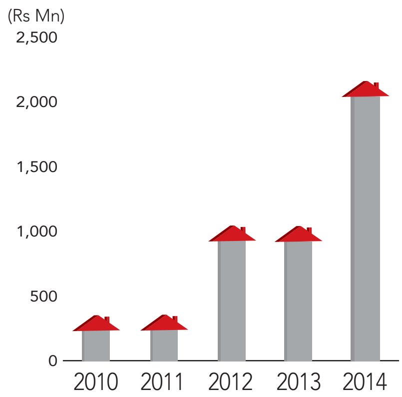


Interest Cover

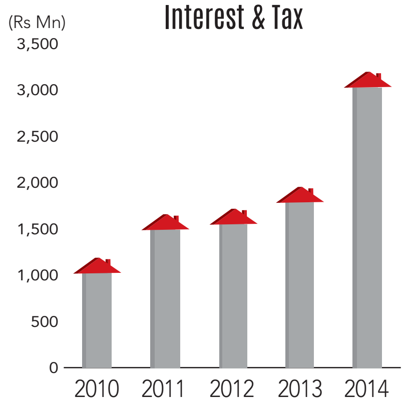




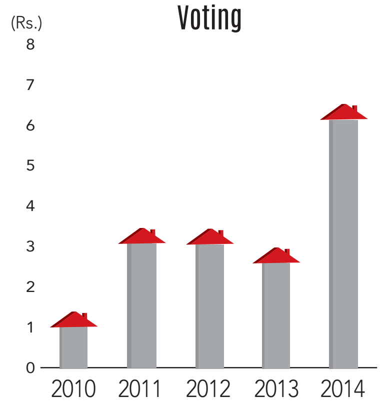
Earnings after tax & interest



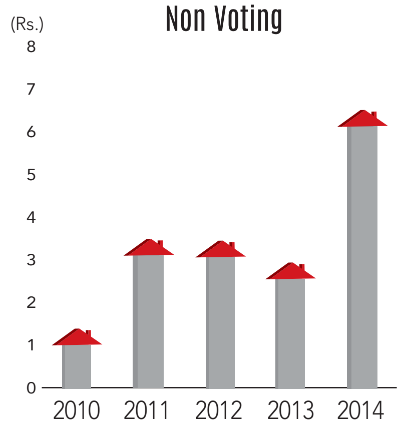
Earnings before Interest & Tax



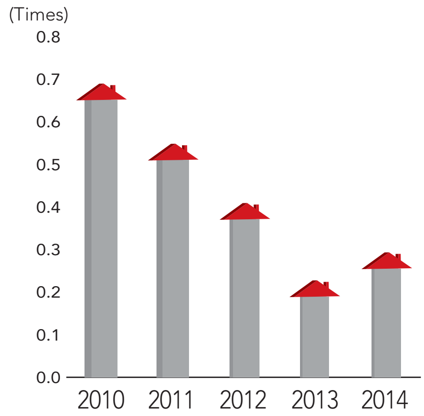
Earning per share Voting



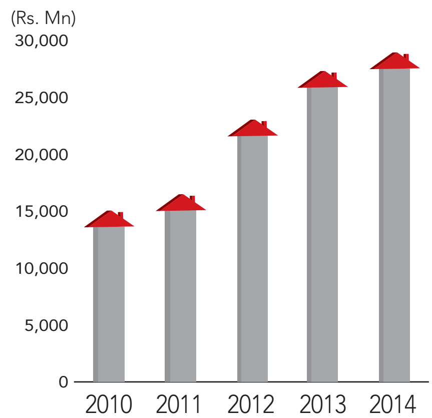
Earning per share Non Voting



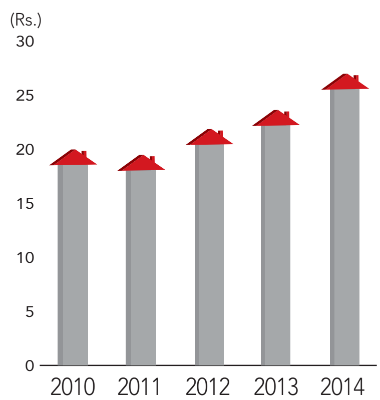
Gearing Ratio

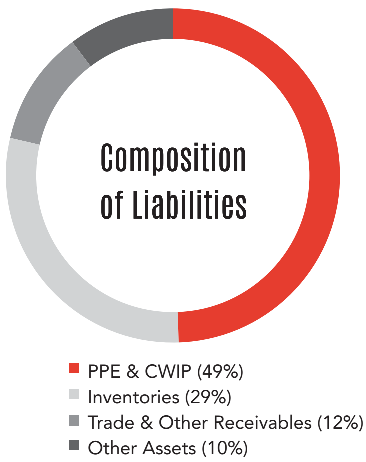


Group Revenue



Net Assets per share





NOTE

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held on Tuesday 16th September 2014 at 4.30 p.m. (After the Extra Ordinary General Meeting) at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7. The business to be brought before the Meeting to transact will be :

Agenda

Normal Business

1. To receive and adopt the Report of the Directors, the statement of Audited Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.

2. To declare that the interim dividend of Rs. 1/50 per share (voting and non voting) paid on 27th June 2014 to be the final dividends for the year 2013/14. (i.e. Total Dividends for the year 2013/14 is Rs. 1/50 per share)

3. To re-elect Mr. Elijah Jeyaseelan Gnanam who retires by rotation in terms of Article 113 of the Articles of Association.

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

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

5 To authorize the Directors to determine contributions to charities

6 **Special Business**

   6.1 To re-elect as a director Mr. Edgar Gunatunga 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. Edgar Gunatunga who is 81 years and that he be re-elected a Director of the Company

   6.2 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 70 years and that he be re-elected a Director of the Company

7. 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
18th August 2014

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.

3. A form of proxy accompanies this notice .

4. 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.

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

NOTICE OF MEETING

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 2014 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 Dividends
RESOLVED THAT The interim dividend of Rs. 1/50 per share (voting and Non Voting) paid on 27th June 2014 to be the final dividends for the year 2013/14. (i.e. Total Dividends for the year 2013/14 is Rs. 1/50 per share)

Resolution 3 Re-election of Directors
THAT Mr Elijah Jeyaseelan Gnanam be and is hereby re-appointed a Director of the Company.

Resolution 4 RE- Appointment of Auditors
Directors are authorized to fix the remuneration payable to the Auditors BDO Partners, (Chartered Accountants) or determining the manner in which such remuneration is to be given.

Resolution 5 Donations
That the directors are hereby authorised to make donations for good cause and as a corporate responsibility to the society.

Special Business

Resolution 6 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 Edgar Gunatunga who is 81 years and that he be re-elected a Director of the Company

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 70 years and that he be re-elected a Director of the Company

FORM OF PROXY

VOTING ORDINARY SHARES

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

I/We ....

of ....

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

....

Mr. Edgar Gunatunga	of Colombo	or failing him
Mr. Simon Rajaseelan Gnanam	of Colombo	or failing him
Mr. Stanley Vincent Wanigasekera	of Colombo	or failing him
Mr. Arul Selvaraj Gunaseelan Gnanam	of Colombo	or failing him
Mr. Elijah Jeyaseelan Gnanam	of Colombo	or failing him
Mr. Hiroki Tsukigawa	of Japan	or failing him
Mr. Ranjeevan Seevaratnam	of Colombo	or failing him
Dr. Harsha Cabral	of Colombo	or failing him
Dr. I Coomraswamy	of Colombo	or failing him

as my /our Proxy to represent me/us and * .... / to vote for me/us on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held on Tuesday 16th September 2014 at 4.30 p.m. (After the Extra Ordinary General Meeting) at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

		For	**Against**
1	To receive and adopt the Report of the Directors, the statement of Audited Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.		
2	To declare that the interim dividend of Rs. 1/50 per share (voting and non voting) paid on 27th June 2014 to be the final dividends for the year 2013/14. (i.e. Total Dividends for the year 2013/14 is Rs. 1/50 per share)		
3	To re-elect Mr Elijah Jeyaseelan Gnanam as a Director of the Company.		
4	To authorize the Directors to fix the remuneration payable to the Auditors		
5	To authorize the Directors to determine contributions to charities		
6.1	To re-elect as a director Mr. Edgar Gunatunga and being over the age of 70 years for which special notice has been received from a member for the purpose		
6.2	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 For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided therefore and handover the attendance slip at the place of meeting. The proxy of a member should mark on the attendance slip as " Proxy"
5 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
6 If you maintain an account with Central Depository Systems (Private) Limited, we advice you to inform them directly through your broker with regard to your change of address and dividend mandate

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this form of proxy must be deposited at the Registered Office, 469 1/1 Galle Road, Colombo 3 not later than 48 hours before the time appointed for holding the meeting.
2. In perfecting the form of proxy please ensure that all details are legible.
3. Please indicate with an 'X' in the relevant space given against each resolution how your proxy is to vote on the resolution. If no indication is given the proxy in his discretion will vote as he thinks fit.
4. In the case of a Company/Corporation, the Form of Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association
5. In the case of a proxy signed by an attorney, the power of attorney must be deposited at the Registered Office for Registration.
6. In the case of non-resident Shareholders, the stamping, if necessary, will be attended to, on return of the completed form of proxy to the Registered Office of the Company in Sri Lanka.

FORM OF PROXY

NON VOTING ORDINARY SHARES

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

I/We ....

of ....

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

....

Mr. Edgar Gunatunga	of Colombo	or failing him
Mr. Simon Rajaseelan Gnanam	of Colombo	or failing him
Mr. Stanley Vincent Wanigasekera	of Colombo	or failing him
Mr. Arul Selvaraj Gunaseelan Gnanam	of Colombo	or failing him
Mr. Elijah Jeyaseelan Gnanam	of Colombo	or failing him
Mr. Hiroki Tsukigawa	of Japan	or failing him
Mr. Ranjeevan Seevaratnam	of Colombo	or failing him
Dr. Harsha Cabral	of Colombo	or failing him
Dr. indrajit Coomraswamy	of Colombo	or failing him

as my /our Proxy to represent me/us and * .... on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held on Tuesday 16th September 2014 at 4.30 p.m. (After the Extra Ordinary General Meeting) at the Auditorium, Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7 and at any adjournment thereof

....
Signature of Shareholder/s   Date

Notes :

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

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

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

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INSTRUCTIONS AS TO COMPLETION

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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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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

CORPORATE INFORMATION

NAME OF THE COMPANY
Tokyo Cement Company (Lanka) PLC

COMPANY REGISTRATION NO
PQ 115 - 17th March 1982

LEGAL FORM
A public Quoted Company with Limited Liability listed with the Colombo Stock Exchange on 1st January 1984

BOARD OF DIRECTORS
Mr. Edgar Gunatunga
Chairman Non Executive Director

Mr. S. R. Gnanam
Managing Director

Mr. A.S.G. Gnanam
Non Executive Director

Mr. E. J. Gnanam
Non Executive Director

Mr. Tatsuro Naruse
Nominee Director of Nippon Coke & Engineering Company Limited, Japan (Deceased on 31st May 2014)

Mr. S.V. Wanigasekera
Nominee Director of Nippon Coke & Engineering Co Limited, Japan

Mr. Hiroki Tsukigawa
Nominee Director of Nippon Coke & Engineering Co Limited, Japan

Mr. R Seevaratnam
Non Executive Independent Director

Dr. Harsha Cabral
Non Executive Independent Director

Dr. Indrajit Coomaraswamy
Non Executive Independent Director

COMPANY SECRETARY
Seccom (Private) Limited, (Company Secretaries)
Second Floor, 1E - 2/1, De Fonseka Place, Colombo 5
2590 176 (G) 2581 618 (F) 2589 679 (D)
Email: kmaahamed@hotmail.com

HEAD OFFICE
469 - 1/1 Galle Road, Colombo 3
Phone: 2587619 Fax: 2500 897
Website: www.tokyocement.lk

SUBSIDIARY COMPANIES
Fuji Cement Company (Lanka) Limited
Tokyo Super Cement Company Lanka (Private) Limited
Tokyo Cement Power (Lanka) Limited
Tokyo Eastern Cement Company Limited (initial stages)
Tokyo Cement Colombo Terminal (Private) Limited

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

LEGAL ADVISORS
Murugesu & Neelakandan (Attorney at Law)
2, Deal Place, Colombo 3

BANKERS
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
Citi Bank

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