



TOKYO CEMENT COMPANY (LANKA) PLC

ANNUAL REPORT 2021/22

RESURGENCE

Cover image:

Despite being situated in one of the world's harshest climates, the Nile is an agent of growth and progress, surrounded by lush greenery, and supporting the environment and surrounding communities.

RESURGENCE

the act or fact of rising again or returning; revival.

For over 40 years, Tokyo Cement has continued to rise above challenges, chaos and adversity - joining hands with our nation and its people to shape our collective journey through initiatives and strategies with impactful outcomes designed to endure.

This spirit of resilience remains true even today. In one of the most challenging periods in Sri Lanka's history, we continued to rise up against all odds with a renewed purpose; to do the right thing by our stakeholders, while building up a nation in more ways than one.

Ours is an undying spirit of resurgence that will take us into the future, regardless of what it may hold.

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RECONFIGURE



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RE-ENGINEER



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ABOUT US



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.

“THE CEMENT INDUSTRY IS SOMETIMES REFERRED TO AS A BAROMETER TO GAUGE THE COUNTRY’S ECONOMIC MARCH TO PROGRESS AND PROSPERITY. SINCE OUR INCEPTION IN 1982, TOKYO CEMENT GROUP HAS BEEN INTRINSICALLY LINKED WITH THE GROWTH OF SRI LANKA, LAYING DOWN SOLID FOUNDATIONS FOR DEVELOPMENT. TODAY, WE HAVE GROWN FROM BEING THE NATION’S LARGEST, LOCALLY-OWNED CEMENT MANUFACTURER TO BECOME THE MARKET LEADER IN READY MIX CONCRETE, AND VALUE ADDED DRY MORTAR PRODUCTS.”

A pioneer in every sense of the word, Tokyo Cement lays claim to a number of industry firsts, including the setting up of Sri Lanka’s first automated cement factory. We also operate the country’s only ISO certified cement and concrete testing lab. Other pioneering feats include, becoming the first local corporate to achieve the ISO:14001 Environment Management Systems Certification, and the first cement manufacturer to achieve the ISO:9000 Quality Management Systems Certification. We pioneered renewable energy generation in the local corporate sector with the setting up of Sri Lanka’s first-of-its-kind biomass power plant. With the addition of Sri Lanka’s first and only large scale dendro power plant and our second biomass power plant, Tokyo Cement Group became the single largest contributor of renewable biomass energy in Sri Lanka.

Our purpose is to help our consumers build stronger, faster and smarter; cementing the trust they have placed in Tokyo Cement Group for generations.



Scan the QR code or visit
www.tokyocement.lk

PERFORMANCE HIGHLIGHTS

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
PERFORMANCE (Rs. Mn)				
Turnover	52,477	42,962	32,157	22,069
Cost of sales	(41,065)	(30,505)	(27,193)	(17,967)
Gross profit	11,412	12,457	4,964	4,102
Profit/(loss) before tax	(289)	5,209	(630)	1,168
Profit/(loss) after tax	(358)	5,411	(616)	1,527
Total comprehensive income	(285)	5,399	(571)	1,517
INFORMATION TO SHAREHOLDERS (Rs.)				
Earnings per share - Voting	(0.94)	13.57	(1.54)	3.81
Earnings per share - Non Voting	(0.94)	13.57	(1.54)	3.81
Dividend per share - Voting	-	-	-	2.10
Dividend per share - Non Voting	-	-	-	2.10
Net assets value per share	51.97	54.83	37.58	41.11
Market value per share - Voting	33.90	66.70	33.90	66.70
Market value per share - Non Voting	26.30	60.60	26.30	60.60
KEY FINANCIAL INDICATORS				
Gross profit margin (%)	21.75	29.00	15.44	18.59
Return on capital employed (ROCE) (%)	1.03	21.80	(0.38)	9.82
Interest cover (Times)	0.47	5.67	(0.13)	2.26
Price earnings ratio - Voting (Times)	(36.06)	4.92	(22.01)	17.51
Price earnings ratio - Non Voting (Times)	(27.98)	4.47	(17.08)	15.91
Current ratio	0.76:1	0.92:1	0.61:1	0.51:1
Quick assets ratio	0.52:1	0.60:1	0.41:1	0.32:1
Dividend payout ratio (%)	-	-	-	55.12

TURNOVER
(GROUP)

Rs. 52.5 Bn

(2020/21 Rs. 42.9 Bn)

GROSS PROFIT
(GROUP)

Rs. 11.4 Bn

(2020/21 Rs. 12.5 Bn)

GROSS PROFIT MARGIN
(GROUP)

21.75%

(2020/21 29.00%)

TURNOVER
(COMPANY)

Rs. 32.2 Bn

(2020/21 Rs. 22.1 Bn)

GROSS PROFIT
(COMPANY)

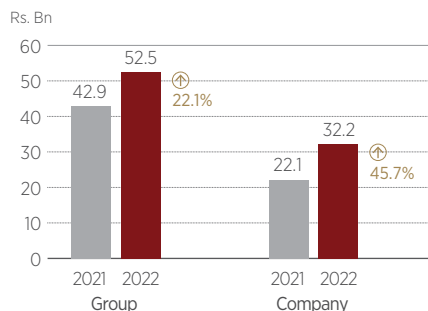
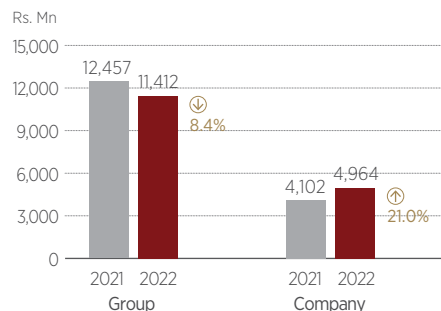
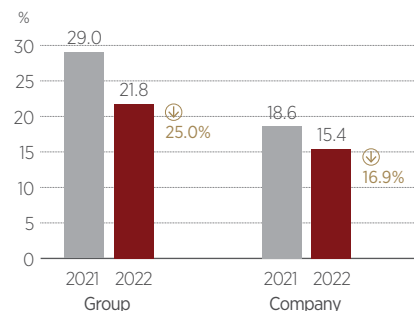
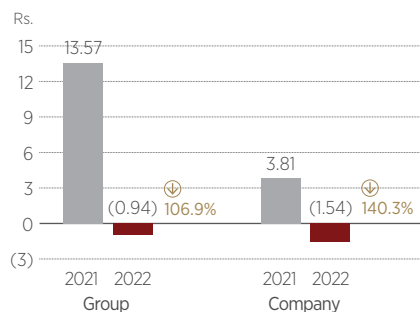
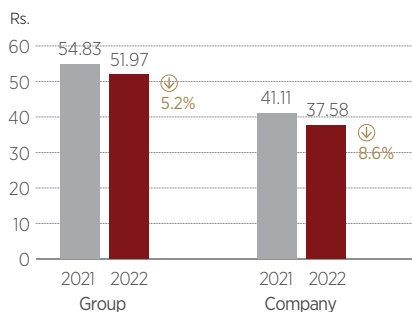
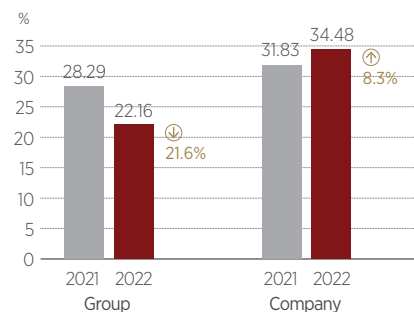
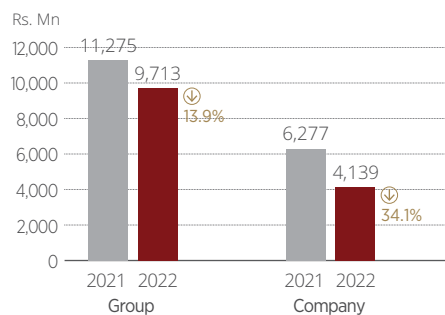
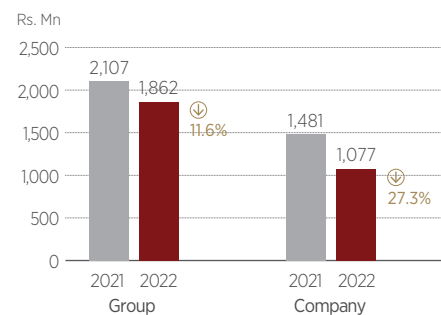
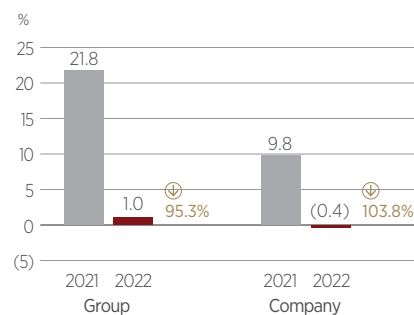
Rs. 5.0 Bn

(2020/21 Rs. 4.1 Bn)

GROSS PROFIT MARGIN
(COMPANY)

15.44%

(2020/21 18.59%)

REVENUE**GROSS PROFIT****GROSS PROFIT MARGIN****EARNINGS PER SHARE****NAV PER SHARE****GEARING RATIO****CASH GENERATED FROM OPERATIONS****CAPITAL EXPENDITURE****ROCE****NAV PER SHARE
(GROUP)****Rs. 51.97**

(2020/21 Rs. 54.83)

**CAPITAL EXPENDITURE
(GROUP)****Rs. 1.9 Bn**

(2020/21 Rs. 2.1 Bn)

**CASH GENERATED FROM OPERATIONS
(GROUP)****Rs. 9.7 Bn**

(2020/21 Rs. 11.3 Bn)



OUR PRODUCTS

The largest portfolio of Cement, Concrete and Cement-based Products, that have become trusted household names in every part of Sri Lanka.

This portfolio of products are used from foundations to finishes in iconic structures gracing city skylines, to landmark bridges and highway networks that have transformed the country's construction landscape.

OUR PRODUCTS



TOKYO SUPER



BLENDED HYDRAULIC CEMENT

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

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



OUR PRODUCTS



TOKYO SUPER



ORDINARY PORTLAND CEMENT

TOKYO SUPER brand Ordinary Portland Cement is a general purpose cement which can be used in the production of all types of concrete used in structural and non-structural applications. TOKYO SUPER OPC meets the stringent quality requirement specified by Sri Lanka Standard SLS 107:2015 Strength Class 42.5 R for Ordinary Portland Cement.

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

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



FOR
HOUSES



DRIVEWAYS
AND WALKWAYS



FOR
STRUCTURES



BRICK &
BLOCK



PRECAST
CONCRETE



FOR READY
MIX CONCRETE



BLENDED HYDRAULIC CEMENT

NIPPON CEMENT BHC is the premium brand of blended hydraulic cement manufactured by the Tokyo Cement Group, which confirms to SLS 1247:2015 strength class 42.5 R standard specifications.

The unique blend of NIPPON CEMENT BHC results in a blended cement that gains more strength over time, making it ideal for mega constructions and mass concreting. The fine blend creates more refined pores in the concrete, which makes it denser and compact, making it ideal for high-rises. This also reduces the rise of temperature in the concrete mix and prevents thermal cracking in mass concreting. Other benefits include sulphate resistance, and long-term protection of steel reinforcements against chemical attacks, assuring durable constructions in harsh environments (Marine, Marshy Lands, High-Sulphate Soils etc).

Furthermore NIPPON CEMENT BHC one of the most sustainable and greenest cements in the market.



OUR PRODUCTS



ORDINARY PORTLAND CEMENT

NIPPON CEMENT ORDINARY PORTLAND CEMENT is the premium brand of Ordinary Portland Cement (OPC) manufactured by Tokyo Cement Group. NIPPON CEMENT OPC meets the stringent quality requirement specified by Sri Lanka Standard SLS 107:2015 Strength Class 42.5 R for Ordinary Portland Cement.

The Cement is suitable for structural and pre-cast concrete requiring high compressive strength.

Furthermore, as an R type cement, NIPPON CEMENT OPC can develop strength rapidly. It can be used as a general purpose cement as well.

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





THE NATION'S HIGHEST GRADE CEMENT

The bulk cement brand of Tokyo Cement Group, NIPPON CEMENT PRO is a high performance cement specially formulated for skyscrapers, super structures and large-scale projects that require high quality and ultra-strong concrete.

With the boom in demand for residential and commercial space in an already bustling metropolitan with limited land, the answer has been to build vertically and create architectural marvels that can house growing economic activities. With buildings that rise beyond 30 floors becoming the norm, NIPPON CEMENT PRO offers contractors, real estate developers and consultants, a high-strength concrete (exceeding C103) for condominiums, hotels and city centers that reach in excess of 50 floors. Because the concrete produced using NIPPON CEMENT PRO delivers a higher strength, it reduces the need for thicker columns, allowing for more open spaces that maintain the aesthetic appeal of built environments.

Another advantage of using NIPPON CEMENT PRO is its ability to maintain a stable temperature, which helps prevent thermal cracking and reduce the amount of water required to cool the concrete, two critical success factors in mass concreting.



HIGHER
STRENGTH



AVAILABLE
IN BULK



COMPATIBLE
WITH ADMIXTURES



FOR HIGH RISE
BUILDINGS



FOR
BRIDGES



PRE CAST
CONCRETE



FOR READY
MIX CONCRETE

OUR PRODUCTS



MASONRY CEMENT

ATLAS Masonry Cement is specially formulated for Masonry Work with greater ease. The Easy-To-Work Mortar mix achieved with ATLAS Masonry Cement will give you a finer finish while offering you a greater construction efficiency by reducing cost as well as construction time. The guaranteed quality and high consistency of ATLAS Masonry Cement assures a superior adhesive power that offers high strength & durability when used for block laying and plastering.

ATLAS Masonry Cement is manufactured by Tokyo Cement Group and confirms to SLS 515:2018 Standard Specification and can be highly recommended for DPC's, Pointing, Plastering work & Bonding of all types of masonry units such as Bricks, Stone, Cement Blocks, and Special Cement Blocks (E.g. CLC, AAC).



EXCELLENT
WORKABILITY



MORE ADHESIVE
POWER



GOOD STRENGTH &
BETTER DURABILITY



MORE
COVERAGE



LESS COST



SAVES TIME



STANDARD SET

TOKYO SUPERBOND TILE ADHESIVE (STANDARD SET) is a thin set cement based tile adhesive, which can be used for fixing tiles such as ceramic, porcelain, terracotta etc. on mortar screed or concrete base.

TOKYO SUPERBOND TILE ADHESIVE (STANDARD SET) can be used for fixing tiles on walls and floors. It is a highly workable mix with a high water retention capability resulting in a high bonding strength and making it easier and economical to fix tiles on floors and walls.

COVERAGE AREA
50ft²
3mm thickness



NATION'S
TILE ADHESIVE **No 1**

MAX. TILE SIZE
2FTX2FT

INDOOR
ONLY

NEWLY LAID
FLOOR ONLY

WALLS &
FLOORS

ANTI
SLIP

OUR PRODUCTS



HIGH PERFORMANCE

TOKYO SUPERBOND HIGH PERFORMANCE tile adhesive is specially formulated to result in high bonding strength. In addition to using this adhesive for fixing all types of tiles, it is highly recommended for fixing large format tiles as much as 6ft x 3ft porcelain or fully vitrified tiles on floors and walls.

This adhesive is suitable for fixing tiles on an existing tiled or cemented floor without breaking it. Suitable for tiling kitchens and bathrooms where hot water is used frequently.

COVERAGE AREA
50ft²
3mm thickness



JUST ADD
WATER



25KG




MAX. TILE SIZE
6FTX3FT


INDOOR &
OUTDOOR


OVER OLD
FLOORS


WALLS &
FLOORS


BATHROOMS
& KITCHENS



TOKYO SUPERBOND



PREMIUM

TOKYO SUPERBOND PREMIUM is a specially formulated tile adhesive which is recommended for fixing extra-large tiles as much as 6ft x 3ft or 10ft x 4ft. It can be used to lay large tile materials such as ceramic, porcelain, vitrified, terracotta etc.

This tile adhesive is suitable for fixing any floor and wall tiles on new or existing tiled or cemented surfaces. TOKYO SUPERBOND PREMIUM tile adhesive is specially formulated to result in a high bonding strength which makes it a trusted method for fixing large tile formats.

COVERAGE AREA
25ft²
3mm thickness



JUST ADD
WATER



25KG

NATION'S
TILE ADHESIVE **No 1**



HIGH
FLEXIBILITY



MAX. TILE SIZE
10FTX4FT



INDOOR &
OUTDOOR

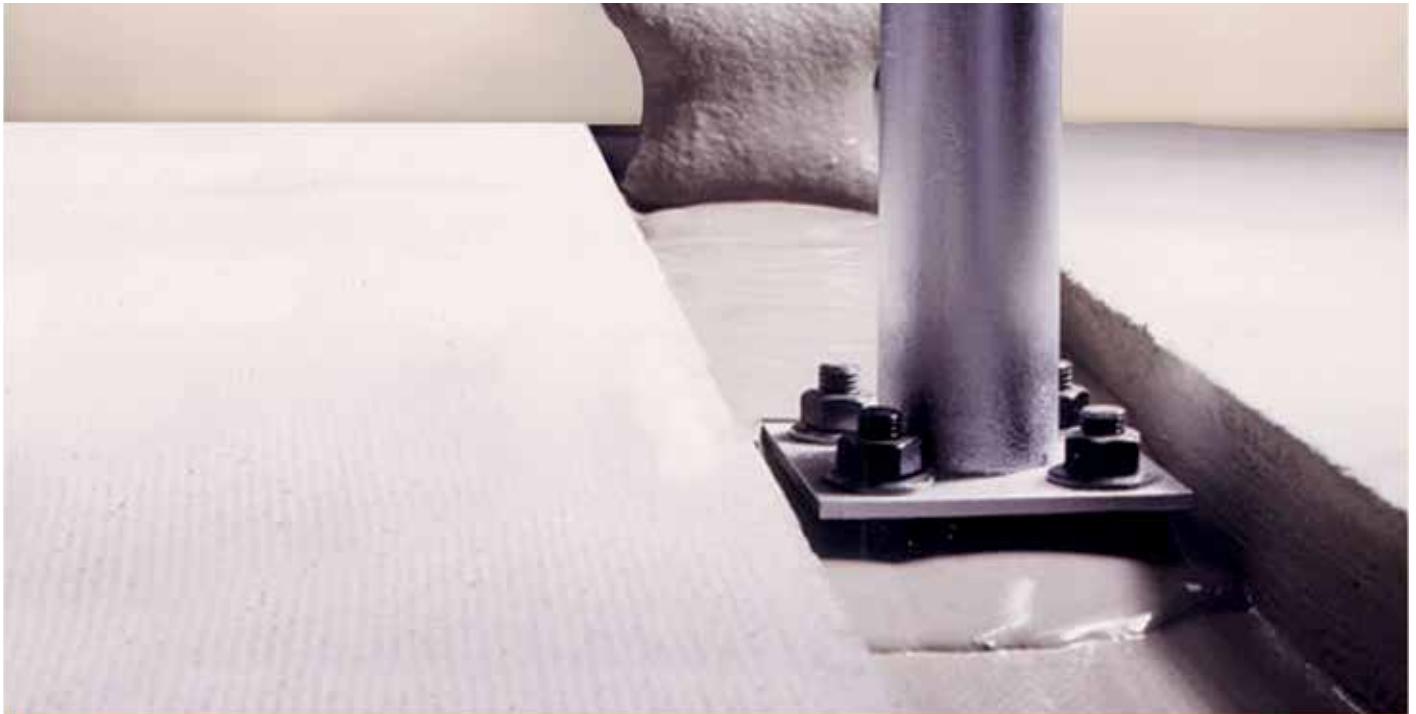


OVER OLD
FLOORS



WALLS &
FLOORS

OUR PRODUCTS



CONSTRUCTION REPAIR GROUT

TOKYO SUPERFIX is a NON-SHRINKING CONSTRUCTION REPAIR GROUT specially formulated for general civil engineering work. Consisting of cement, graded aggregate and special chemical additives blended to provide high early strength, this Non-Shrinking Construction Repair Grout is recommended for anchor bolting, repair work and basic mortar work.

The unique non-shrink feature of TOKYO SUPERFIX CONSTRUCTION REPAIR GROUT makes it ideal to use when completely filling any voids between a base plate and a substrate, such as the grouting of a stanchions and machinery base plates.



JUST ADD
WATER



25KG



NON-SHRINKING



GOOD
FLOWABILITY



HIGH EARLY
STRENGTH



FIXES CRACKS AND
CONCRETE DAMAGE



BEST FOR
ANCHOR BOLTING





GENERAL PLASTER

Just add water, mix and apply. Good workability, no dropping of mortar during plaster, easy to spread resulting in a high strength plaster with no hairline cracks. The smooth surface of the Tokyo Supercast plaster requires hardly any skim coating before painting.

Can add mineral pigments to make coloured plaster surfaces that do not require painting.

COVERAGE AREA
14ft²
12.5mm thickness



JUST ADD
WATER



25KG

**PLASTER
MASTER**



ADD
PIGMENT



BETTER
FINISH



DIRECT ON
CONCRETE



INDOOR &
OUTDOOR



EASY
APPLICATION

OUR PRODUCTS



WEATHERSHIELD

Specially formulated for external applications. Waterproofing capability of this product prevents dampness of external walls resulting from wind driven rain.

Economical and easy to apply. Can be mixed with colour pigments that are UV-resistant, maintaining the colour longer than traditional painting.

COVERAGE AREA
14ft²
12.5mm thickness



JUST ADD
WATER



25KG

**PLASTER
MASTER**



ADD
PIGMENT



BETTER
FINISH



DIRECT ON
CONCRETE



WATERPROOF



WEATHERPROOF



WATERPROOFER 1K

TOKYO SUPERSEAL WATERPROOFER is a cement based material suitable for interior or exterior surfaces where water proofing is required.

TOKYO SUPERSEAL WATERPROOFER is highly resistant to standing water or wind driven rain water and is intended to be used on vertical, horizontal and overhead surfaces. Typical uses of this product include sealing bathrooms, overhead slabs, walls, joints etc.

COVERAGE AREA
80ft²
3mm thickness
2 coats



JUST ADD
WATER



25KG



OUR PRODUCTS



WATERPROOFER 2K

TOKYO SUPERSEAL 2K WATERPROOFER is an advanced water sealing solution, comprised of a cementitious base with graded aggregates and a specially formulated acrylic additive. Just two coats of TOKYO SUPERSEAL 2K WATERPROOFER applied on a concrete or mortar structure will completely prevent water seepage and protect against corrosion from chloride attacks.

Rigorously tested for Zero Water Penetration TOKYO SUPERSEAL 2K WATERPROOFER comes to you with the Quality Assurance of Tokyo Cement Group.

COVERAGE AREA
25-30ft²
0.8mm thickness





SCREED MORTAR

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

The recommended thickness is 5-20 mm and product coverage is 15 sq. ft with 12.5 mm thickness per 25kg. Immediately drying the screed after it has been laid will result in shrinkage cracks. Excess water will result in lower strength.

COVERAGE AREA
14ft²
3mm thickness



JUST ADD
WATER



25KG



OUR PRODUCTS



FLOORING COMPOUND

TOKYO SUPERFLOW FLOORING COMPOUND is a self leveling cementitious flooring compound which can be applied manually or by pump to achieve a rapid, flat leveled substrate prior to the application of the final floor finish. Typical uses are in warehouses, factories, manufacturing facilities, hospitals, commercial buildings, residential and domestic properties etc. Apply two coats of primer before laying the product. Recommended thickness of coating for a floor is between 5-10 mm.

Water addition levels for mixing, temperature of floor and surrounding, covering the area quickly after laying and application of hardener are the critical areas to be considered before application.

COVERAGE AREA
40ft²
5mm thickness



JUST ADD
WATER



25KG



ADD
PIGMENT



INDOOR
USE



POLISHED
FINISH



NON-SHRINKING



HEAVY
TRAFFIC



CELLULAR LIGHTWEIGHT CONCRETE BLOCK



TOKYO SUPERLIGHT is a product made by homogeneously mixing Cement, Fly Ash and Sand. Close pore porous structure of this block was created by using an IP protected Foaming Compound and a green processing technology. Special type of fibre and curing compounds are added to minimize drying shrinkage and achieve a high strength with dimensional stability.

Blocks of variety of dry densities ranging from 700 kg/m³ to 1500 kg/m³ can be produced, whilst maintaining stringent quality control procedures.

TOKYO SUPERLIGHT blocks are a better thermal and sound insulation product with high fire rating in comparison to traditional clay brick, cement/sand mortar block and concrete block. The usage of these blocks in construction contributes to reduce the carbon footprint.



**BUILD
FASTER**



**ENERGY
SAVING**



**LIGHT
WEIGHT**



**HIGH COMPRESSIVE
STRENGTH**



**SOUND
INSULATION**

OUR PRODUCTS



BLOCK BOND

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

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

TOKYO SUPER BLOCK BOND is the most suitable masonry mortar for laying AAC, CLC and cement/sand blocks. It is premixed. Just add water and it's ready to use. TOKYO SUPER BLOCK BOND is to be used 5 mm thick over conventional jointing mortar of 12-18 mm thickness.





PRE MIX CONCRETE

Consists of a mix of river sand, metal aggregate (5-20mm) by weight basis and cement in separate bags. Only necessary to add required quantity of water to make a workable concrete mix.

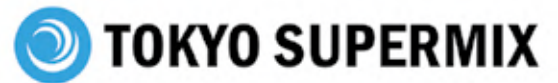
Equivalent concrete grade is G20. TOKYO SUPERMIX PREMIX CONCRETE can be used for slabs, driveways, pavements etc. Available in 50kg bag. 30 bags can cover an area of 10ft x 10ft x 0.25ft.

Other strength grades of concrete can be supplied upon request.

COVERAGE AREA
100ft²
0.25FT THICKNESS



OUR PRODUCTS



READY MIX CONCRETE

TOKYO SUPERMIX is about building confidence. What we offer is not just a concrete mix, but the concrete confidence that your finished project, be it residential or commercial in nature, will reach its fullest potential. What sets us apart is our commitment to maintaining consistent quality across our products coupled with exceptional customer service in all aspects. By cultivating the right quality in concrete, we guarantee our consumers the peace of mind and confidence to expand further and reach greater heights.

TOKYO SUPERMIX, the nation's most trusted brand of Ready Mix Concrete is produced by the TOKYO CEMENT GROUP: the leading manufacturer of high quality cement. Unlike any other ready-mix manufacturer in Sri Lanka, this allows for unprecedented vertical integration and total control over our entire production process.



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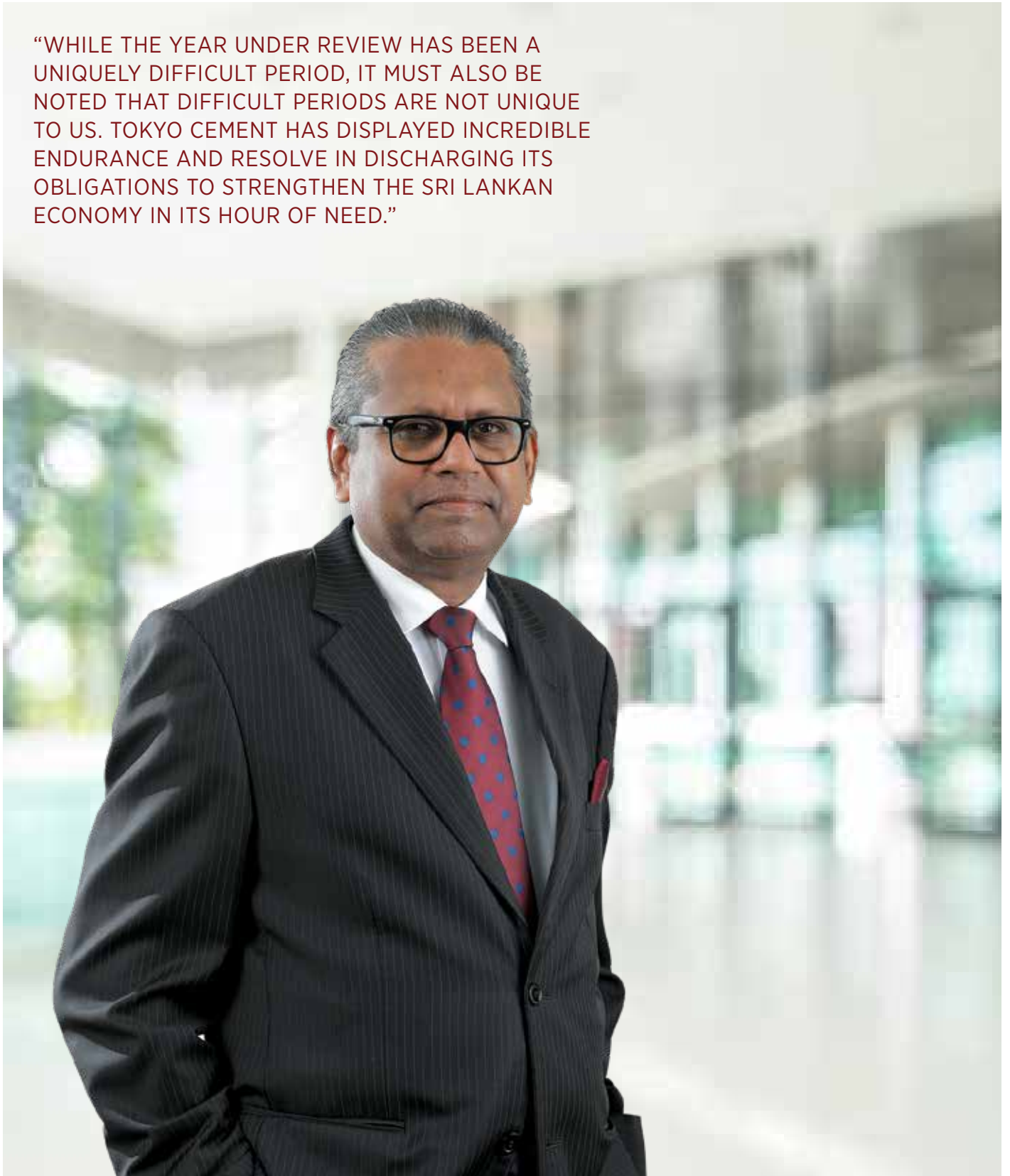
RESTORE

We continue to strive towards re-establishing growth and prosperity; rising from the ashes with a spirit of hope and positivity to become better and stronger than ever before.

Many plants and trees possess regenerative capabilities through years of adaptation - able to leverage on newly fertilized soil, and grow with a renewed purpose even following the debilitating impacts of a forest fire.

CHAIRMAN'S STATEMENT

“WHILE THE YEAR UNDER REVIEW HAS BEEN A UNIQUELY DIFFICULT PERIOD, IT MUST ALSO BE NOTED THAT DIFFICULT PERIODS ARE NOT UNIQUE TO US. TOKYO CEMENT HAS DISPLAYED INCREDIBLE ENDURANCE AND RESOLVE IN DISCHARGING ITS OBLIGATIONS TO STRENGTHEN THE SRI LANKAN ECONOMY IN ITS HOUR OF NEED.”



On behalf of the Board of Directors, I warmly welcome our shareholders to the 40th Annual General Meeting of Tokyo Cement Company (Lanka) PLC. It is my privilege to present the audited financial statements and the Annual Report of the Company for the Financial Year 2021/22.

First, allow me to wish the Tokyo Cement Group a Happy 40th Anniversary. We started our journey in 1982, as a joint venture between Sri Lanka's St. Anthony's Consolidated and Japan's Mitsui Mining Corporation to become Sri Lanka's only publicly owned cement manufacturer. Under the visionary leadership of Founder-Chairman Deshamanya A.Y.S. Gnanam, the Tokyo Cement Group strived to be a pillar of strength to the country's growth and development. Today, when we look back on these 40 years, we can proudly see the contribution that we have made in the transformation of Sri Lanka's construction landscape.

It was no easy journey, but with strategic foresight and unwavering fortitude we were able to overcome many challenges to live up to our promise of being the leading partner in nation-building. We were able to establish a legacy of excellence over four decades upon the strong foundations laid forth by my predecessors, my colleagues on the Board, the Tokyo Cement team, and our Dealers and Customers. Tokyo Cement stands ready to help Sri Lanka build a better future, stronger than ever before.

The financial year 2021/22 was a year of challenges, in which Tokyo Cement has displayed incredible endurance and resolve in discharging its obligations to strengthen the Sri Lankan economy in its hour of need. While the year under review has been a uniquely difficult period, it must also be noted that difficult periods are not unique to us. We have surmounted conflicts and political upheavals in the past, and in more recent times, overcame the unprecedented levels of economic disruption brought on by the COVID-19 pandemic. During the year under review, we continued to invest in enhancing domestic production capacity to support economic recovery.

Despite cement consumption recording a growth of 16% to 7 Mn MT during the calendar year 2021, the cement manufacturing industry experienced many supply chain shortfalls which impeded local production from reaching forecasted numbers. Tokyo Cement had to contend with numerous challenges, from transportation restrictions to curfews due to COVID-19 outbreaks, and a severe dollar shortage which hampered supply of raw materials and cement imports. Meanwhile, production costs spiralled upwards due to rising freight rates, increases in global raw material and fuel prices, further intensified by the Rupee depreciation. Despite the rise in demand for our products, difficulty in procuring raw materials in a timely manner, made it unviable to optimise production to meet targets.

Whilst the country started queuing up for fuel, gas, pharmaceuticals, and basic necessities, reflecting the shortages appearing in all sectors, our distribution network was severely affected as a result of the breakdown of island-wide transportation infrastructure. In addition, we faced a plant breakdown at one of our mills that lasted from December 2021 to end-January 2022, which curtailed our production in a period of high demand. The elimination of the Maximum Retail Price imposed on cement in October 2021, placed the cement market on a new competitive footing, in which importers and manufacturers could adjust the pricing to reflect market dynamics. However, due to the highly volatile environment, some cement importers downsized importation operations whilst others exited the market, giving rise to an acute shortage of cement.

Despite the many supply and distribution constraints, the Group achieved a revenue growth of 22% for FY 2021/22, taking the total revenue to Rs. 52.47 Bn, from Rs. 42.96 Bn recorded in FY 2020/21. Despite this growth in revenue, we suffered losses during FY 2021/22 due to the exchange loss recorded as a result of unprecedented currency depreciation. Although the official exchange rate was artificially maintained at Rs. 203/- per Dollar by the Central Bank of Sri Lanka (CBSL), the rapidly depleting forex reserves caused the Rupee to depreciate well

“DESPITE RECORDING A GROWTH IN REVENUE, TOKYO CEMENT GROUP SUFFERED LOSSES DURING THE FINANCIAL YEAR 2021/22 DUE TO THE SUBSTANTIAL EXCHANGE LOSS INCURRED AS A RESULT OF SHARP RUPEE DEPRECIATION.”



TURNOVER (GROUP)

Rs. 52.5 Bn
(2020/21 Rs. 42.9 Bn)



GROSS PROFIT (GROUP)

Rs. 11.4 Bn
(2020/21 Rs. 12.5 Bn)

below this level in real terms. Following the CBSL decision to float the currency on 7th March 2022, the Rupee immediately fell to Rs. 230/- against the US Dollar within one day, and plummeted to Rs. 299/- by 31st March 2022. To make matters worse, because the cement industry operates on a 180-day credit period for all imported inputs including raw material as directed by CBSL, the sharp Rupee depreciation within the payment period resulted in a substantial Exchange Loss. Hence, the Group's profitability was hard hit by the close of the Financial Year 2021/22 with a loss of Rs. 357.78 Mn, against the profit of Rs. 5.41 Bn recorded in FY 2020/21.

Regardless of the exceptionally difficult market conditions we faced during the year, we did not forgo our social obligations. The Fountain of Life drinking water project, which installs water purification plants in selected rural villages that lack access to potable

CHAIRMAN'S STATEMENT

“WHILE THIS YEAR HAS BEEN A SETBACK IN PROFITABILITY FOR TOKYO CEMENT GROUP, AND THE FUTURE IS FRAUGHT WITH UNCERTAINTY, WE ARE HOPEFUL OF MAINTAINING STABILITY IN THE NEW FINANCIAL YEAR BY MINIMISING THE IMPACT OF EMERGING RISKS.”

water was continued during the year. The project has touched the lives of more than 4,000 people by supplying a cumulative capacity of 36,500 litres of purified drinking water per day. Further, Tokyo Cement was able to engage with nearly 900 beneficiaries in the Dambulla-Kandalama areas through the A.Y.S. Gnanam Village Heartbeat Empowerment Centre, established in partnership with the Foundation of Goodness. This facility offers free educational support for children from low-income families in subjects such as maths, IT, English, arts and sciences, and vocational training courses for youth, to nurture their entrepreneurial spirit and open up better employment opportunities. The Company also reached several significant milestones in and through the environmental conservation initiatives that have always been an innate part of Tokyo Cement's commitment to our country.

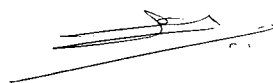
As a highly ethical corporate entity, we continued to maintain the highest standards of governance to safeguard shareholder interests within the high-risk environment that prevailed. All regulatory obligations were met on time and the Company did not face any penalties and / or fines due to non-compliance with any applicable regulations.

While the year under review has been a setback in profitability for Tokyo Cement Group, and the future is fraught with uncertainty, we are hopeful of maintaining stability in the new financial year. We have already initiated urgent action to minimise impacts of emerging risks and deployed new operational strategies to position the

Company on a recovery trajectory. Therefore, our shareholders may rest assured that their best interests remain foremost in our sights at all times.

I extend my deep appreciation to the Managing Director and the Board for their learned counsel as always in navigating the Company, and I am indebted to the Tokyo Cement team for their commitment and hard work during this difficult period. I also thank our business partners, including our dealer network and suppliers, for their continued confidence in us amidst such challenging market conditions. As always, I am grateful to all our shareholders for their steadfast confidence in the company during this uncertain period. Together we will face the future with the same poise that got us through difficult times in the past and look forward to continuing our journey with a stronger spirit of resurgence.

Sincerely,



Dr. Harsha Cabral, PC
Chairman

18th August 2022

MESSAGE FROM THE JOINT VENTURE PARTNER

“WE ARE FULLY AWARE OF THE CHALLENGING TIMES THAT AWAIT TOKYO CEMENT IN THE UPCOMING FINANCIAL YEAR. HOWEVER, WE ARE CONFIDENT TOKYO CEMENT WILL SAIL THROUGH THESE CHALLENGING TIMES WITH CAREFUL CONSIDERATION. MUCC WILL REMAIN CLOSELY ENGAGED WITH TOKYO CEMENT TO STRENGTHEN THE PARTNERSHIP BETWEEN THE TWO ORGANISATIONS.”



We would like to extend our congratulations to Tokyo Cement Company (Lanka) PLC for their resilient performance in the midst of an extremely challenging year. This kind of robust results despite a shrinking market, can only be achieved through efficient operational management and strong business foresight. For that I must thank Tokyo Cement management and staff for their commitment.

2022 is a milestone year for our company as well. Last year, on April 14, Ube Industries, Ltd. (Ube Industries) and Mitsubishi Materials Corporation (Mitsubishi Materials) announced the establishment of a Successor Company for the integration of the respective cement

businesses and related businesses of Ube Industries and Mitsubishi Materials. The new successor company Mitsubishi UBE Cement Corporation (MUCC) started operations on April 1, 2022. With the integration of cement businesses and related businesses, MUCC looks forward to becoming an ever-evolving global company with the true fusion of the strengths and capabilities of the ‘Mitsubishi’ and ‘UBE’ brands.

We are fully aware of the challenging times that await Tokyo Cement in the upcoming financial year. We can expect global fuel and raw material prices to continue to surge in the foreseeable future. The downward economic

trend experienced worldwide will be even more difficult for many local businesses engaged in the value-added manufacturing sector. However, we are confident Tokyo Cement will sail through these challenging times with careful consideration.

MUCC will remain closely engaged with Tokyo Cement to strengthen the partnership between the two organisations. We are indeed very proud of their determination to continue the many socio-environmental responsibility projects that create greater value for the country and its people, in addition to its contribution to boost the local economy. MUCC extends our fullest cooperation towards the growth of Tokyo Cement despite the economic uncertainties, and support their efforts to bring superior products that exceed customer expectations.

We recognise the unprecedented challenges faced by the Sri Lankan people and the obstacles which companies will have to overcome in order to survive, let alone prosper. However, we have full confidence in the entire team at Tokyo Cement to demonstrate their innate spirit of resilience in the face of adversity and to build upon the solid foundations established over the last 40 years.

Sincerely,

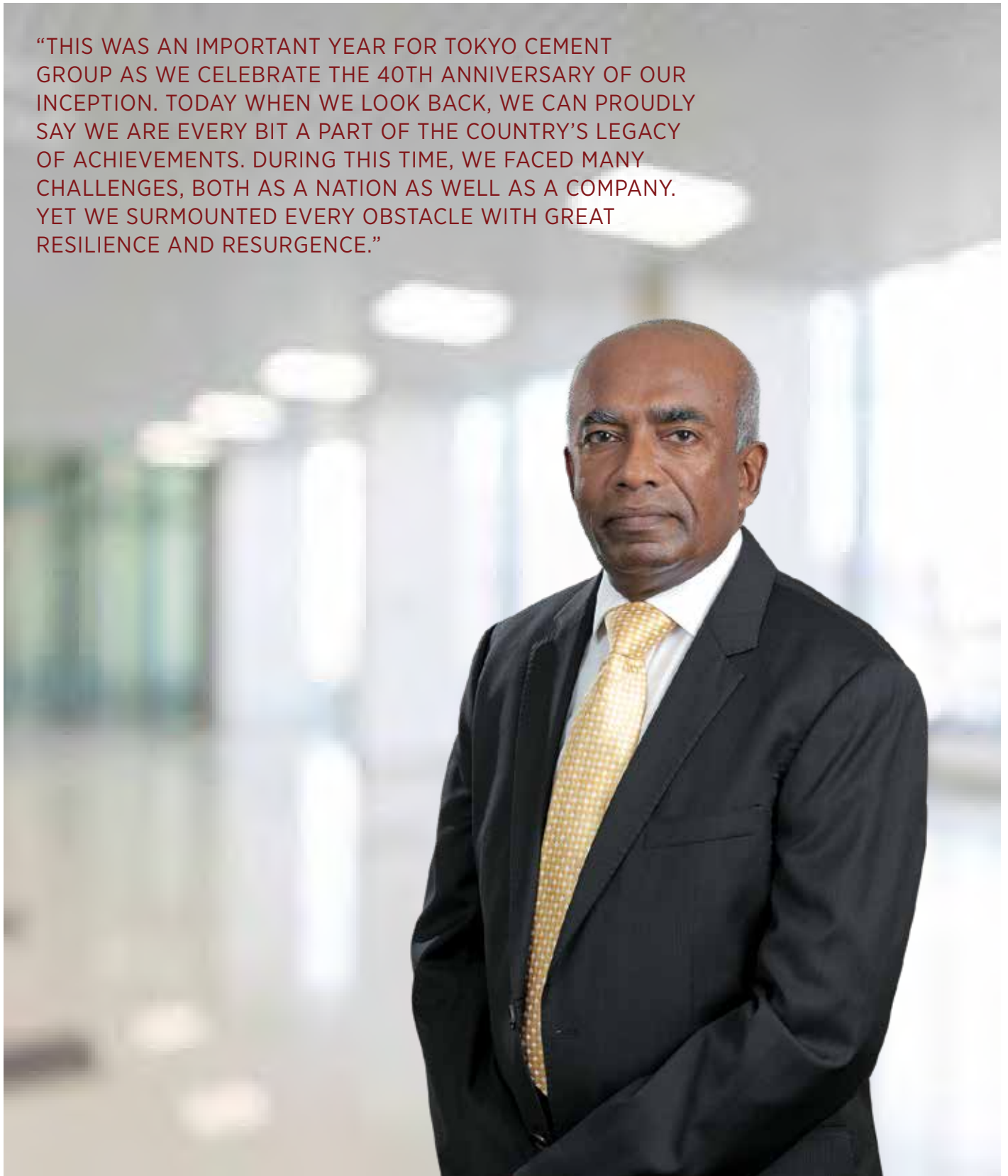
Makoto KOYOMA

Representative Director & President -
Mitsubishi UBE Cement Corporation

18th August 2022

MANAGING DIRECTOR'S REVIEW

“THIS WAS AN IMPORTANT YEAR FOR TOKYO CEMENT GROUP AS WE CELEBRATE THE 40TH ANNIVERSARY OF OUR INCEPTION. TODAY WHEN WE LOOK BACK, WE CAN PROUDLY SAY WE ARE EVERY BIT A PART OF THE COUNTRY'S LEGACY OF ACHIEVEMENTS. DURING THIS TIME, WE FACED MANY CHALLENGES, BOTH AS A NATION AS WELL AS A COMPANY. YET WE SURMOUNTED EVERY OBSTACLE WITH GREAT RESILIENCE AND RESURGENCE.”



THE FINANCIAL YEAR 2021/22 HERALDED AN ECONOMIC DECLINE AT A SCALE HITHERTO NEVER EXPERIENCED IN SRI LANKA. REGRETTABLE FISCAL POLICY AND THE ECONOMIC DISRUPTIONS FROM THE COVID-19 PANDEMIC INTENSIFIED THE FOREIGN EXCHANGE CRISIS. AS A NATION HEAVILY DEPENDENT ON IMPORTS FOR MANUFACTURING, OUR COMPANY'S FINANCIAL PERFORMANCE WAS UNAVOIDABLY MARRED BY THESE DEVELOPMENTS.



PROFIT FROM OPERATIONS

Rs. 4.8 Bn

(2020/21 Rs. 6.3 Bn)

This was an important year for Tokyo Cement Group as we celebrate the 40th Anniversary of our inception. When our Founder-Chairman, Deshamanya A.Y.S. Gnanam ventured into the cement industry, he did so with a very daring vision that most entrepreneurs at the time thought was impossible. At a time when Sri Lanka began opening its economy, Tokyo Cement Company was set up to become an integral component of national development.

We can clearly map Tokyo Cement Group's historic milestones against the most significant landmarks of the nation's growth. Today when we look back, we can proudly say we are every bit a part of the country's legacy of achievements. During this time, we faced many challenges, both as a Nation as well as a company. Yet we surmounted every obstacle with great resilience and resurgence. Therefore, I want to take this opportunity to thank every member of Tokyo Cement Family who helped make our vision a reality over the past four decades. Whilst celebrating the 40th Anniversary, we renew our pledge to help our country grow from strength to strength.

As our shareholders are aware, the financial year 2021/22 heralded an economic decline at a scale hitherto never experienced in Sri Lanka. Regrettable fiscal policy and the economic disruptions from the COVID-19 pandemic intensified the foreign exchange crisis in Sri Lanka, causing the country's first debt default in post-independence history. As the Nation depended heavily on imports for manufacturing, our Company's financial performance was unavoidably marred by these developments, resulting in a net loss for the financial year. However, I can assure our shareholders that your Company has demonstrated exceptional resilience against a plethora of local and global impediments. We are well-equipped in terms of financial stability, to weather the impending economic turbulences.

The financial year commenced with an outbreak of a new variant of COVID-19 that lead to repeated price increases of raw materials such as clinker, paper for bags, and chemicals globally, compounded upon by the rising freight costs. On the local front, we were faced with challenges that started with pandemic-induced lockdowns that disrupted market activity, and rising fuel prices which increased distribution costs, topped off by long and frequent power cuts that lowered productivity. Despite cement consumption increasing by 16% in 2021, demand still outstripped supply as many small-scale cement importers exited the market unable to obtain foreign exchange for imports. Furthermore, the entry of a new cement manufacturer failed to contribute to the market, as they were unable to run their operations continuously. Price controls on essential items including cement were lifted in October 2021, allowing the cement industry to set the market price in accordance with actual costs.

I would like to highlight that, amidst the combined impact of these macro environmental developments, we maintained profitability for the first three quarters of the year. While we faced difficulties in timely imports of raw material due to foreign exchange illiquidity, our local manufacturing operations were utilised at highest possible levels with available raw materials. Despite a

breakdown at one of our mills that lasted more than six weeks slowing us down temporarily, we were able to increase our cement output to 2.38 Mn MT during the year, compared to the 2.36 Mn MT in the previous year.

Unfortunately, this positive momentum was lost in the 4th quarter due to the drastic fiscal restrictions imposed by the government aimed at foreign exchange conservation and inflation control. The Central Bank of Sri Lanka commenced increasing interest rates from October 2021, which significantly increased the cost of capital during the second half of the year. What broke the proverbial camel's back, however, was the delayed decision and ad hoc manner in which the Rupee was floated in March 2022. Given the highly volatile fiscal environment, and depletion of foreign exchange reserves, long delays were experienced while trying to open Letters of Credit (LCs) at banks, whilst not being permitted to do traditional forward booking of foreign exchange. Therefore, the Company was fully exposed to unrestrained impacts of the Rupee depreciation on imports. Consequently, exchange loss for the financial year 2021/22 cumulated to Rs. 5.06 Bn, reversing gains of the entire year.

Nevertheless, we completed the expansion of the Tokyo Cement Terminal inside the Port of Colombo, which would boost our cement storage, bagging and distribution capacity to ensure an uninterrupted supply. We also laid the foundation to expand the Trincomalee factory, which once completed will add another 1 Mn MT to Tokyo Cement's cement manufacturing capacity, bringing our total installed capacity to 4 Mn MT. However, given the heightened macro-economic instability since the beginning of the new financial year, we were compelled to put this project on hold. Our sand manufacturing operation slowed down during the year as a result of the shortage of imported explosives. Our dendro power plant in Mahiyangana supplied 36.6 Mn kWh of energy to the national grid. However, this income will be realised only in the new financial year, as there are delays in payments by the Ceylon Electricity Board to independent renewable power generators by as much as nine months.

MANAGING DIRECTOR'S REVIEW

We continued to honour our commitments on community welfare and environmental conservation with the support of our project partners. Marking another step in this endeavour on the 5th of May 2022, we laid the foundation stone for a new Village Heartbeat Centre in Trincomalee, to commemorate the 100th birth anniversary of Tokyo Cement Group's Founder-Chairman, Deshamanya A.Y.S. Gnanam. We also made headway with the Fountain of Life drinking water project and many other social responsibility projects that are intrinsic to Tokyo Cement's corporate identity. I request our shareholders to please refer the CSR section of this report for details on these activities.

FINANCIAL REVIEW

It is noteworthy that despite the continuous market and production disruptions, the Tokyo Cement Group achieved a revenue growth of 22% year-on-year at Rs. 52.47 Bn, from Rs. 42.96 Bn in the 2020/21 financial year. Having absorbed a 35% increase in the cost of sales, the Group's gross profit for the year fell by 8%, to Rs. 11.41 Bn, from Rs. 12.46 Bn. Reflecting the increase in distribution and administration expenses, the operating profit declined by 24%, to Rs. 4.76 Bn, from Rs. 6.25 Bn. Following the exchange loss of the Group of Rs. 5.06 Bn, the profit before tax declined by 106%. The Tokyo Cement Group recorded a net loss of Rs. 357.78 Mn for the financial year 2021/22, compared to the profit of Rs. 5.41 Bn in the previous financial year.

Total assets of the Group increased to Rs. 47.21 Bn, from Rs. 39.13 Bn one year ago, with current assets growing to Rs. 17.18 Bn, from Rs. 9.29 Bn mainly due to the increase in inventories, receivables, and cash. The current liabilities of the Group more than doubled, to Rs. 22.47 Bn from Rs. 10.12 Bn, due to the growth in value and duration of borrowings and trade payments. Borrowings increased due to rising interest rates and inflation, which is reflected in the expansion of the bank overdraft from Rs. 436.67 Mn one year ago, to Rs. 982.47 Mn during the current year. The Rupee depreciation and rising costs caused payments to suppliers to balloon, from Rs. 5.36 Bn, to Rs. 17.06 Bn. However, we

continued to reduce our long-term interest-bearing borrowings from Rs. 7.58 Bn to Rs. 4.30 Bn during the year.

Given the highly volatile financial market conditions, we enacted stringent controls over our cashflows to manage the financial risks that emerged during the year and maintained liquidity. We closed the year on a positive cash balance of Rs. 5.37 Bn.

Our shareholder's funds declined to Rs. 20.84 Bn from Rs. 21.98 Bn last year. However, our shareholders benefitted from interim and final dividend payments for the financial year 2020/21, in July and August 2021 at Rs. 2.10 per share with a total payout of Rs. 842 Mn.

Meanwhile, the Tokyo Cement Company (Lanka) PLC grew its turnover by 46% year-on-year, to record a revenue of Rs. 32.16 Bn, from Rs. 22.07 Bn in the financial year 2020/21. Despite a staggering 51% increase in the cost of sales, the Company achieved a gross profit growth of 21% reaching Rs. 4.96 Bn this year, compared to Rs. 4.10 Bn in the previous year. The Company maintained a commendable 42% growth in operating profits despite increases in all operating expenses. The operating profit for 2021/22 was Rs. 811.86 Mn, compared to Rs. 570.64 Mn last year. The Rs. 3.40 Bn exchange loss caused a 154% reduction in the before tax profit, resulting in a loss of Rs. 630.14 Mn compared to the profit of Rs. 1.17 Bn one year ago. The Company reported a disappointing net loss of Rs. 615.57 Mn for 2021/22, compared to the profit of Rs. 1.53 Bn in 2020/21.

OUTLOOK AND PLANS

Globally, the financial year 2021/22 is not viewed favourably against the backdrop of the Russian-Ukraine war, rising energy prices, growing inflation, with many large economies expected to enter a recession. In our own country, we cannot realistically expect economic conditions to reverse in the short to medium term, although we do anticipate some easing of pressures following the intervention of the International Monetary Fund. By July 2022, the country has entered a phase of hyper-inflation. With taxes, interest

rates and energy costs set to increase further, domestic manufacturers can anticipate unprecedented cost increases, which will put tremendous pressure on the Company's bottom line. The rising cost of construction materials and surging housing loan rates will also discourage construction activities in a scenario where many government infrastructure projects have also been halted.

In view of further economic contraction and market downturns, we have reforecasted demand, rescheduled sourcing and production plans, and adjusted cashflows accordingly. The Company has also deployed drastic cost saving measures, streamlined operations, and postponed capital expenditure. Tokyo Cement will closely monitor market conditions and adopt flexible and responsive strategies to navigate this period with greater resilience.

I would like to thank the Board and the Chairman for their valuable input provided to me and my executive management team to successfully guide the company. I also want to convey my deepest gratitude to the Tokyo Cement team for their hard work and dedication to overcome the many challenges faced during the year. I am thankful to our distributors, dealers, and retail partners, who together with our loyal customers helped us weather tough market challenges amidst highly unpredictable conditions. None of this would have been possible if not for the unswerving trust of our shareholders, who believed in our ability to take the Company forward despite the turbulent economic environment. Upon these steady foundations built over the last four decades, Tokyo Cement stands ready to face the challenges of the future with unwavering resilience and determination.

Sincerely



Mr. S.R. Gnanam
Managing Director

18th August 2022

BOARD OF DIRECTORS



DR. HARSHA CABRAL, PC
Chairman

Dr. Cabral is a President's Counsel in Sri Lanka with thirty-five (35) years' of experience in the field of Commercial Arbitration, Company Law, Intellectual Property Law, Commercial Law, Securities Laws, International Trade Law covering both civil and criminal aspect of the said areas of law. He has been a President's Counsel for sixteen (16) years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka and has fifteen (15) Attorneys-at-Law working in his Chambers. He holds a doctorate in Corporate Law from the University of Canberra, Australia.

He is a former member of the Board of Investment (BOI) of Sri Lanka. He is also a former sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris and a Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT). Dr. Cabral is a director of the CCC-ICLP (Ceylon Chamber of Commerce and the Institute for the Development of Commercial Law and Practice) International ADR Centre, a member of the Council of Management of ICLP, and a member of the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka. He was the Founder Board Member of the Sri Lanka International Arbitration Centre and was involved in the drafting of the Arbitration Act, No. 11 of 1995, the current Act. At the request of the Government of Sri Lanka he was part of a two-member delegation sent to create awareness on commercial arbitration to the official & unofficial bars of the Republic of Maldives.

Dr. Cabral is also a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka and the Chairman of the Intellectual

Property Law Reform Project of the Ministry of Justice, a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, a member of the Council of Legal Education in Sri Lanka and University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM). As a member of the Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No. 7 of 2007, the current Act. Dr. Cabral is also a Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, a Senior Advisor to the Ministry of Justice on the new House of Justice Project (Chairman) and a Senior Advisor to the Ministry of Justice on Commercial Law Reform.

Dr. Cabral serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was also the immediate past Acting Chairman of Hatton National Bank PLC (HNB). In addition, Dr. Cabral was a senior Director of the Union Bank of Sri Lanka. Dr. Cabral currently serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited, Darley Property Holdings (Private) Limited, CCC-ICLP Alternative Dispute Resolution Centre (Guarantee) Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, and he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, Chairing most of them.

Dr. Cabral is a senior visiting lecturer at several Universities here and abroad, a regular speaker at public seminars and an author of several books. He has also presented several papers on Commercial Arbitration, Corporate Law, Intellectual Property Law, International Trade Law here and abroad. In addition to his active practice in courts and lecturing, he has been a counsel in many a Arbitration and has served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.



MR. S. R. GNANAM
Managing Director

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

BOARD OF DIRECTORS



MR. A.S.G. GNANAM
Non-Executive Director

Mr. A.S.G. Gnanam graduated from the Illinois Institute of Technology in Industrial and Mechanical Engineering in 1973. He has been on the Board since 1999. He is the Chairman & the Managing Director of St. Anthony's Industries Group (Pvt) Ltd, Chairman Rhino Roofing Products Ltd and Director of many private companies. He is also a Director of WaterTec India (Pte) Ltd. He has experience in leading manufacturing organisations which are considered pioneers in the local industry.



MR. E.J. GNANAM
Non-Executive Director

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



MR. R. SEEVARATNAM
Independent Non-Executive Director

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



MR. A.D.B. TALWATTE
Independent Non-Executive Director

Mr. A.D.B. Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CASL) and the Chartered Institute of Management Accountants of the U.K.(CIMA). He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the ICASL and the University of Wageningen, Holland and has a MBA from the University of Sri Jayewardenepura, Sri Lanka. Mr. Talwatte has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, North-western University, Evanston, Illinois. Mr. Talwatte worked at Ernst & Young in Assurance, Business Risk and Advisory Services for 37 years, including 10 years as Country Managing Partner. He has worked with Ernst & Young in Cleveland, Ohio and also served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and the ASEAN Leadership Committee.

Mr. Talwatte was President of the CA Sri Lanka in 2002/2003 and the CIMA in 1995/96. He also served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force, and the Examinations Committee of the CASL.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012 and 2017 and the Listing Rules of 2008. He served as the Chairman of the Integrated Reporting Council of Sri Lanka from its inception to end 2021. He now serves as the Chairman of the Corporate Governance Committee of CASL.

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



MR. RAVI DIAS
Independent Non-Executive Director

Mr. Ravi Dias was appointed as an Independent Director to the Board in 2014. He holds a Degree in Law and is a Fellow of the Institute of Bankers (UK). He is also a Hubert H. Humphrey fellow. He is an Alumnus of the INSEAD Business School - France, having attended the Advanced Management Program in Fontainebleau.

Mr. Dias is the Chairman of Seylan Bank PLC, Senkadagala Finance PLC, and Ceylon Tea Marketing (Pvt) Limited. He also serves on the Board of Carson Cumberbatch PLC.

Mr. Dias served Commercial Bank of Ceylon PLC for four decades and retired as Managing Director/ Chief Executive Officer. Prior to his retirement he served on the Boards of Commercial Development Company PLC, Lanka Clear Limited, Lanka Financial Services Bureau Limited and Commercial Insurance Brokers (Pvt) Ltd.

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



DR. INDRAJIT COOMARASWAMY
Independent Non-Executive Director

Dr. Indrajit Coomaraswamy served on the Board of Tokyo Cement Company (Lanka) PLC from March 2011 to June 2016, prior to his appointment as the 14th Governor of the Central Bank of Sri Lanka. He served as the Governor of CBSL from July 2016 to December 2019. He was reappointed as a Non-Executive Independent Director in March 2020, subsequent to his retirement from the Central Bank.

Dr. Coomaraswamy has over thirty years of experience in policy making and providing economic advisory services at National and Intergovernmental levels. He obtained a Bachelor of Arts (Honours) Degree from the University of Cambridge, UK and subsequently obtained a Doctorate from the University of Sussex. He was formerly a Director- Economic Affairs at the Commonwealth Secretariat.

BOARD OF DIRECTORS



MR. W.C. FERNANDO
Director

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



MR. YAOKI HASHIMOTO
Non-Executive Director

Mr. Yaoki Hashimoto joined the Board of Tokyo Cement Company (Lanka) PLC in April 2021 as Nominee and Non-Executive Director of UBE Singapore PTE Limited.

Mr. Hashimoto holds a Bachelor of Business Degree from the Osaka City University, Japan and currently serves as the Managing Director of UBE Singapore PTE Limited, a company incorporated in Singapore. Having joined UBE Industries, Ltd., Japan in 1999, he brings with him wide experience in leveraging consultative selling and distribution strategies.

MANAGEMENT DISCUSSION
AND ANALYSIS

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Management Discussion and Analysis 53

CSR Overview 61

RE-ENGINEER

Over the years, we have continued to adapt in the face of adversity - re-inventing and re-calibrating our capabilities to remain steadfast - equipped to face oncoming storms.

The adaptation of anoles lizards is a recent phenomenon, witnessed in the wake of intense hurricanes experienced in many regions across the world. Their toe pads are now significantly larger, enabling these fascinating creatures to grasp trees and other surfaces to withstand high winds.

ECONOMIC REVIEW

SLIGHT RECOVERY IN ECONOMIC GROWTH

“THE SRI LANKAN ECONOMY REBOUNDED IN 2021, FOLLOWING THE COVID-19 PANDEMIC-INDUCED CONTRACTION OF THE PREVIOUS YEAR. THE ECONOMY GREW IN REAL TERMS BY 3.7% IN 2021 COMPARED TO THE 3.6% CONTRACTION RECORDED IN 2020. HOWEVER, THIS POSITIVE MOMENTUM WAS SHORT-LIVED AS THE ECONOMY CONTRACTED AGAIN BY 1.6% IN THE FIRST QUARTER OF 2022.”

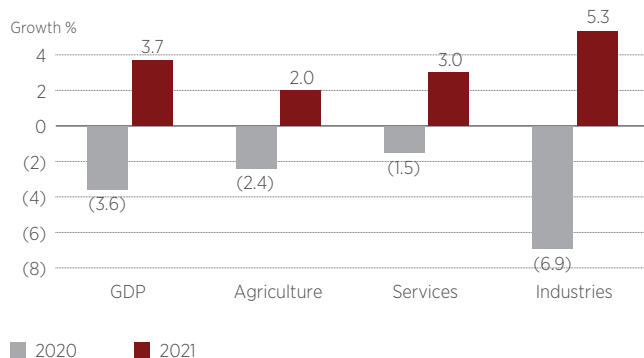
The overall size of the economy (at current prices) expanded to USD 84.5 Billion in 2021 from USD 81.0 Billion in 2020. Accordingly, GDP per capita grew to USD 3,815 in 2021 from USD 3,695 recorded in 2020. The slower increase in GDP per capita was attributed to the weakening of the Sri Lankan currency against the USD on an annual average basis.

The overall growth in the economy during 2021 was mainly driven by the gradual easing of COVID-19 pandemic-related interferences, and servicing of pent-up demand. Yet, this growth failed to impress a positive sentiment in general, due to the base effect of the much deeper negative performance recorded the year before. In addition, this growth momentum was disrupted again in the third quarter of 2021 due to the rapid spread of the highly infectious Delta variant.

All key sectors of the economy namely, Agriculture, Industry & Services, grew during 2021 compared to its dismal performance in 2020. For instance, Agriculture grew by 2.0% (compared to 2.4% contraction in 2020), Industry grew by 5.3% (compared to 6.9% contraction in 2020) and Services grew by 3.0% (compared to 1.5% contraction in 2020) as shown in Graph - 1.

Graph - 1

ANNUAL GROWTH RATES : GDP AND KEY SECTORS (2020 VS 2021)

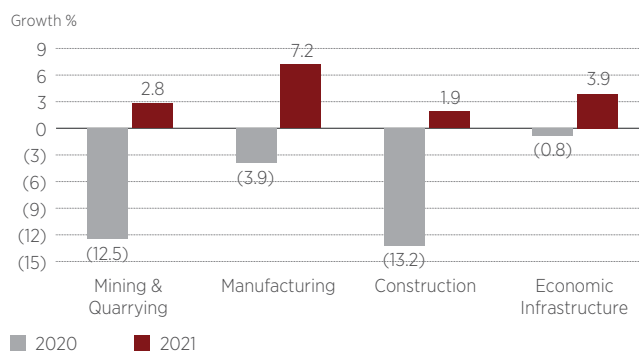


GROWTH IN MANUFACTURING AND CONSTRUCTION SECTORS

The Industry Sector, that includes the sub-sectors Manufacturing, Mining & Quarrying, Construction and Economic Infrastructure (i.e., Electricity, Gas, Water and Waste Management) recorded a growth in 2021. Last year, these sectors that require workers to be physically present, recorded a negative performance due to pandemic-led restrictions. Therein, the Manufacturing Sector grew by 7.2% and Construction Sector by 1.9% as shown in Graph - 2.

Graph - 2

ANNUAL GROWTH RATES : SUB SECTORS OF THE INDUSTRY SECTOR (2020 VS 2021)



The commendable recovery in the Manufacturing Sector in 2021, came as a result of the operational environment rapidly adapting to a “new normal”. This recovery process was largely driven by the success of the island-wide vaccination program, relaxation of pandemic related mobility restrictions and special emphasis given towards uninterrupted operation of factories. Yet, soaring raw material prices and freight charges, compounded upon by the forex crisis, impeded manufacturers from reaching production targets and forecasted output levels.

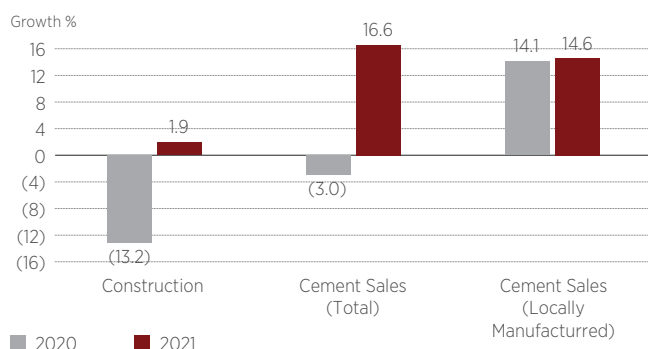
CONSTRUCTION SECTOR VS CEMENT CONSUMPTION – GROWTH RATES

The Construction Sector grew by 1.9% in 2021, recovering from the steep contraction of 13.2% recorded in 2020. This growth can be attributed to the resumption of both private and public sector construction projects, and the renewed demand for housing and real estate. Similarly, mining and quarrying activities, that provide inputs to the sector, grew by 2.8% in 2021 compared to a 12.5% contraction recorded in 2020. Yet, material shortages and island-wide lockdowns during the August-September period impeded the growth trajectory of the construction sector.

The expansion of construction activities is reflected in the total cement consumption of the country, which recorded a growth of 16.6% in 2021, compared to a 3% drop in 2020. The policy measures deployed by the Government to encourage import substitution industries, provided imputes for local manufacturers to enhance their output. Accordingly, sales of locally manufactured cement increased for the second consecutive year by 14.6% in 2021 compared to the 14.1% growth recorded in 2020 as shown in Graph - 3.

Graph - 3

ANNUAL GROWTH RATES : CONSTRUCTION SECTOR VS CEMENT CONSUMPTION (2020 VS 2021)



The country started to feel the impact of diminishing forex reserves around September 2021, at which point the Central Bank of Sri Lanka (CBSL) imposed a minimum 180-days credit requirement on all imports. In this same period, importers were unable to establish Letters of Credit (LCs) due to USD illiquidity in the banks, which resulted in delays in securing imports, causing shortages across all sectors.

Raw material and finished goods prices increased considerably towards the end of 2021 due to global scarcities and supply-chain disruptions. This worldwide inflation had a compounding effect in Sri Lanka, due to the rapid Rupee depreciation that took place on the 7th of March, when the currency was unpegged from the USD.

“PRICE INCREASES ACROSS ALL BUILDING MATERIALS RESULTED IN DEVELOPERS DECIDING TO SLOW DOWN ONGOING PROJECTS AND EFFECTIVELY POSTPONE THE COMMENCEMENT OF NEW PROJECTS, UNTIL PRICE STABILITY IS ESTABLISHED IN THE MARKET. ACCORDINGLY, THE CONSTRUCTION INDUSTRY FACED DOWNSIZING CHALLENGES DUE TO MATERIAL SHORTAGES, PAYMENT DELAYS TO GOVERNMENT CONTRACTORS, AND POOR LABOUR TURNOUTS AS A RESULT OF THE NATIONWIDE BREAKDOWN OF TRANSPORTATION INFRASTRUCTURE.”

Due to continuous cost increases and currency depreciation, manufacturers and traders increased prices at frequent intervals as of this event, to mitigate the resultant exchange loss.

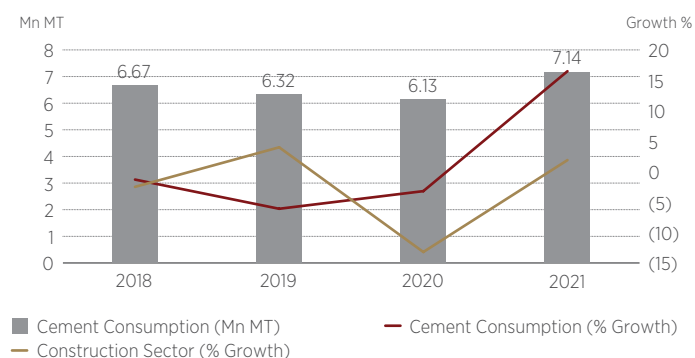
Consequently, price increases across all building materials resulted in developers deciding to slow down ongoing projects and effectively postpone the commencement of new projects, until price stability is established in the market. Accordingly, the construction industry faced downsizing challenges due to material shortages, payment delays to government contractors, and poor labour turnouts as a result of the nationwide breakdown of transportation infrastructure. Owing to this highly unstable fiscal environment cement importers curtailed or halted their operations, giving rise to a cement shortage with a wide demand gap.

CEMENT INDUSTRY: PERFORMANCE

Sri Lanka's Cement consumption increased from 6.13 Mn MT in 2020 to 7.14 Mn MT in 2021. It reflects an impressive 16.5% annual growth, despite the marginal 1.9% growth in the construction sector as shown in Graph - 4.

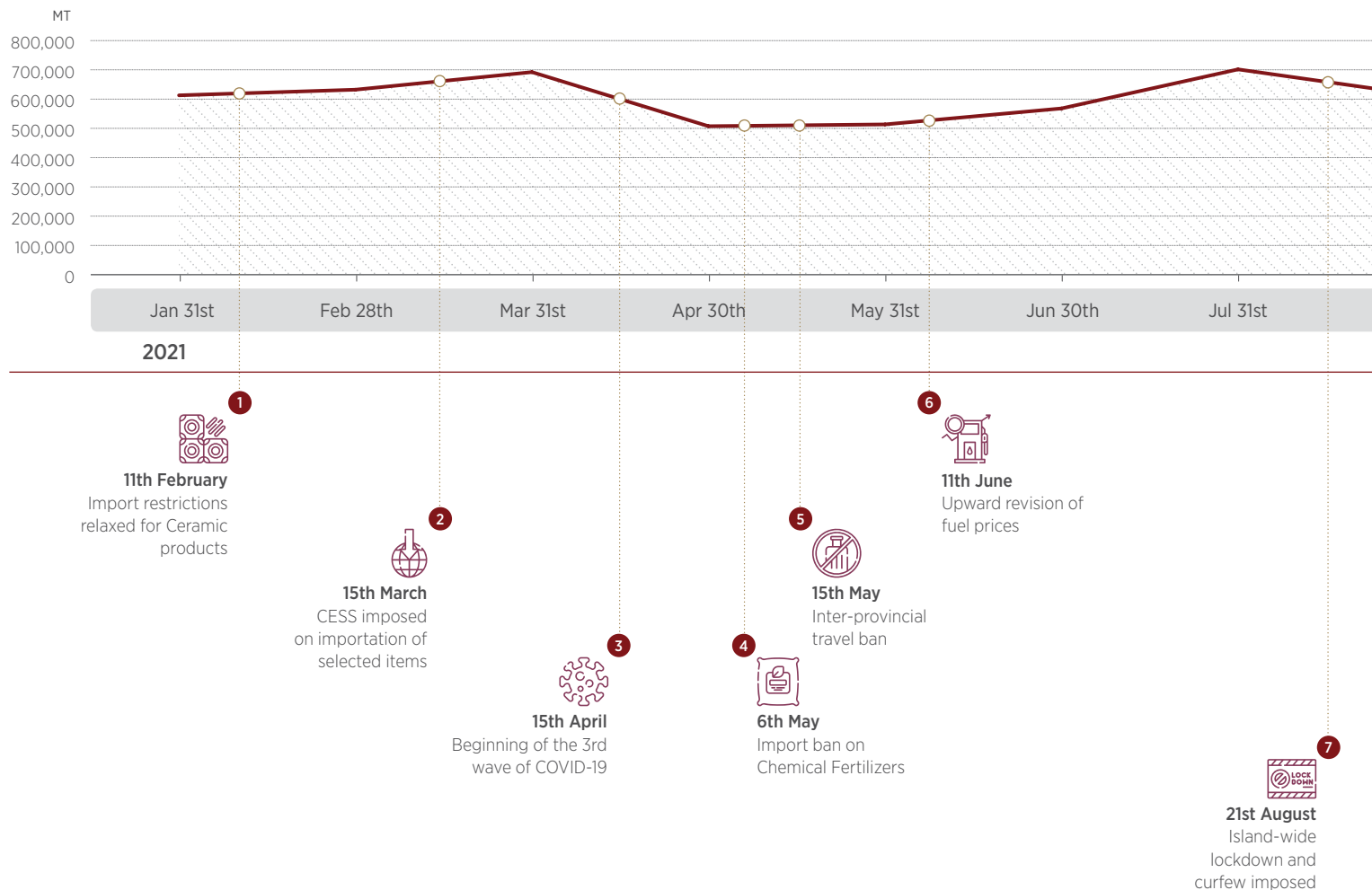
Graph - 4

CEMENT CONSUMPTION & CONSTRUCTION SECTOR GROWTH (2018 TO 2021)



ECONOMIC REVIEW

TIMELINE: SRI LANKA'S MONTHLY CEMENT CONSUMPTION AND CRITICAL EVENTS



2021

1 11th February - Import restrictions relaxed for Ceramic products

- Import of selected Ceramic items permitted subject to a 6 – month Credit Facility granted.
- Created a positive impact on construction industry by addressing the shortage of some essential ceramic items in the market.

2 15th March - CESS imposed on importation of selected items

- These Items include Ceramic Tiles, Wall Tiles, Roofing Tiles and Sanitaryware.

3 15th April - Beginning of the 3rd wave of COVID-19

- Cases of highly infectious Delta variant reported in Sri Lanka.

4 6th May - Import ban on Chemical Fertilizers

- Lag effect on sourcing Biomass fuel for renewable energy plants due to expected decline in agriculture harvest.

5 15th May - Inter-provincial travel ban

- Mobility restrictions had a major impact on Transport Sector (i.e. movements of both goods & people)

6 11th June - Upward revision of fuel prices

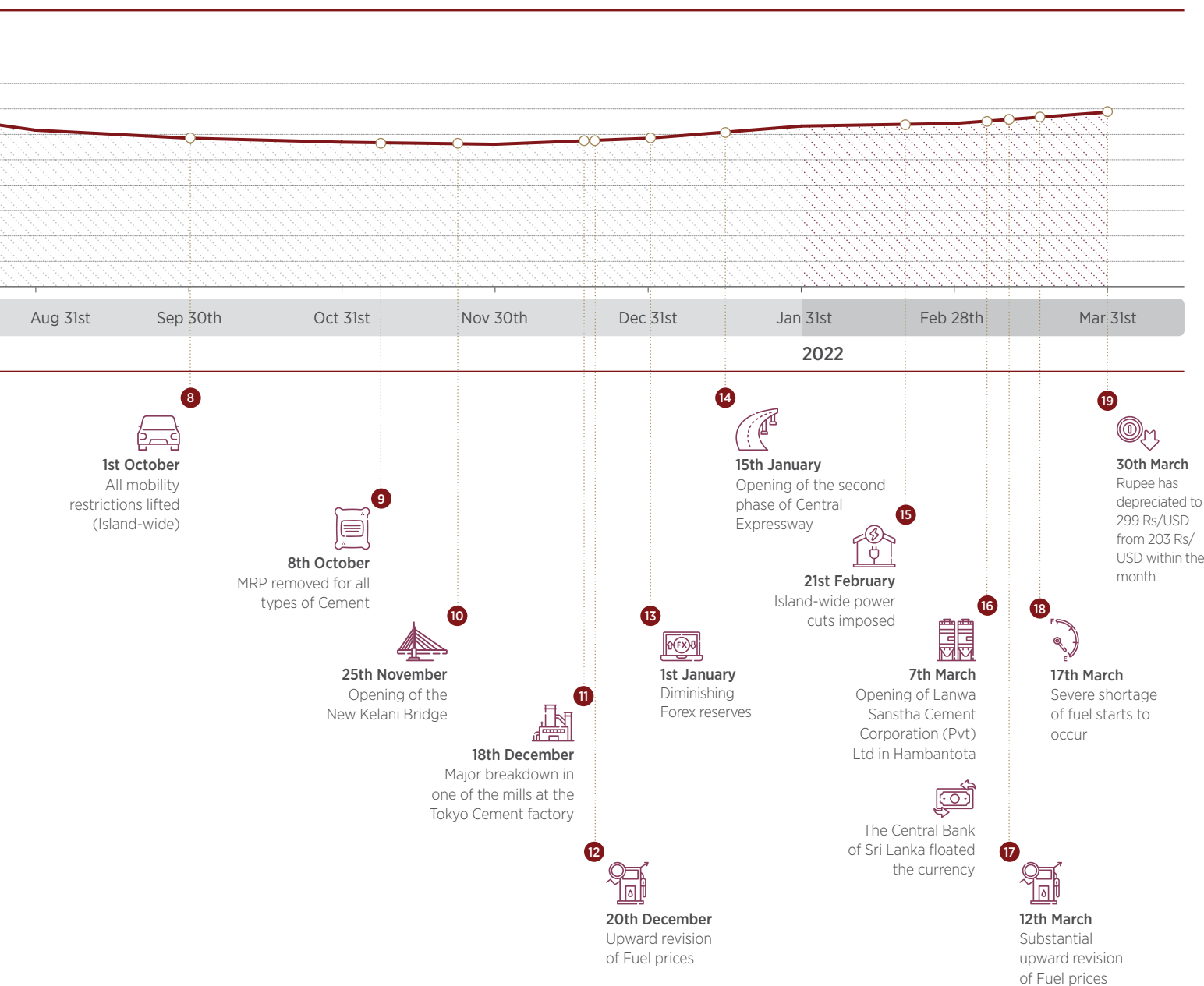
- (eg. Auto Diesel increased from Rs. 104/- to Rs. 111/- per litre)

7 21st August - Island-wide lockdown and curfew imposed

- From 21st Aug. 2021 to 30th Sep. 2021 marked rise in fatality rates up to mid Sep. 2021 (which peaked in August).
- However, essential economic activities were allowed to continue, unlike during the 1st & 2nd wave of COVID-19 pandemic
- Delays in construction activities.

8 1st October - All mobility restrictions lifted (island-wide)

- Economic and social activities gradually began to normalize.

**2021**

- 9** **8th October - MRP removed for all types of Cement**
 - Allowing market forces to reflect the competitive price for cement.
- 10** **25th November - Opening of the New Kelani Bridge**
 - State-of-the-art Kelani Bridge "Golden Gate Kalyani" opened to general public.
 - The 6-lane bridge intends to ease traffic entering and leaving Colombo city.
- 11** **18th December - Major breakdown in one of the mills at the Tokyo Cement factory (Trincomalee)**
 - 18th Dec. 2021 to 3rd Feb. 2022 - causing a production loss of around 2,000 MT/day
- 12** **20th December - Upward revision of Fuel prices**
 - (eg. Auto Diesel increased from Rs. 111/- to Rs. 121/- per litre)

ECONOMIC REVIEW

2022

13 1st January - Diminishing Forex reserves create deep socio-economic impacts

- Inability to establish LCs to import raw materials, building materials etc. continued throughout the quarter – up to 31st March.
- Continuous cost increases stemming from steep currency depreciation led to frequent price revision of goods.
- Shortages occurring in all sectors including imported cement.
- Ongoing projects slow down, whilst new projects are postponed.

14 15th January - Opening of the second phase of Central Expressway

- 41 km stretch from Meerigama to Kurunegala (from the Ethugalpura Entrance).

15 21st February - Island-wide power cuts imposed

- Mainly due to drought conditions, shortage of foreign currency to purchase fuel and partial breakdown of Norochcolai Coal Power Plant.

16 7th March - The Central Bank of Sri Lanka floated the currency

- Previously pegged to Rs.203/-, depreciated to Rs. 230/- per USD on the same day.
- Official exchange rate began to depreciate drastically resulting in the increase in prices of all imported items including raw materials.

17 7th March - Opening of Lanwa Sanstha Cement Corporation (Pvt) Ltd. in Hambantota

- This opening aimed to enhance local cement production.

17 12th March - Substantial upward revision of Fuel prices

(eg. Auto Diesel increased from Rs. 121/- to Rs. 176/- per litre)

- Negative impact on manufacturing and transport sector in particular.
- Sets off ripple effect price escalation across all commodities and consumer goods

18 17th March - Severe shortage of fuel starts to occur

- SL scrambled to find foreign exchange to pay for desperately needed fuel imports.
- Breakdown of nation-wide transportation infrastructure.
- Government ordered public sector employees to work from home for two weeks.
- Economic activities throughout the country get severely affected due to poor labour turnout.

19 30th March - The Rupee depreciated to Rs. 299/- from Rs. 203/- per USD within the month

- Daily exchange rates were constantly updated and prices of all types of products increased continuously, throughout the period to absorb exchange loss.

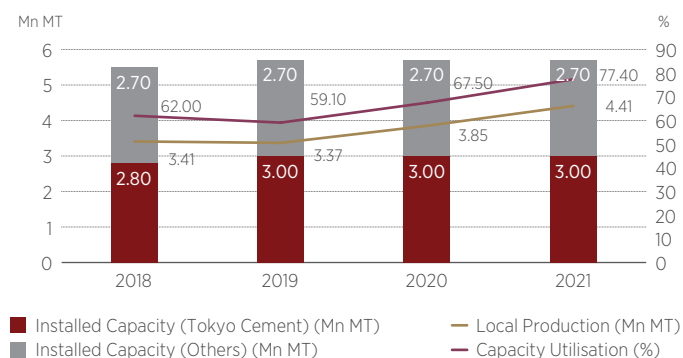
INSTALLED CAPACITY UTILISATION & LOCAL CEMENT PRODUCTION

Total installed capacity of local cement manufacturers remained at 5.7 Mn MT per annum* in 2021. Yet, the utilisation of this installed capacity increased by 9.9% during the year, from 67.5% in 2020 to 77.4% in 2021 as depicted in Graph - 5. This is the highest capacity utilisation recorded by local Cement Manufacturers since 2016.

Accordingly, local cement production increased from 3.85 Mn MT in 2020 to 4.41 Mn MT in 2021, recording a strong growth of 14.6%. Similarly, local cement production has shown a steady growth from 3.41 Mn MT in 2018 to 4.41 Mn MT in 2021. This growth would have been considerably greater if not for the shortage of raw materials as a result of delays in establishing LCs.

Graph - 5

INSTALLED CAPACITY UTILISATION & LOCAL CEMENT PRODUCTION (2018 TO 2021)



*Note: Lanwa Sanstha Cement Corporation (Pvt) Ltd., a new cement manufacturing facility was inaugurated in Hambantota on 7th March 2022 which will increase the total installed capacity of local cement production. Meanwhile, Tokyo Cement also announced plans to enhance its production capacity by a further 1 Mn MT per annum, bringing the Company's total production capacity to 4 Mn MT per annum by 2023.

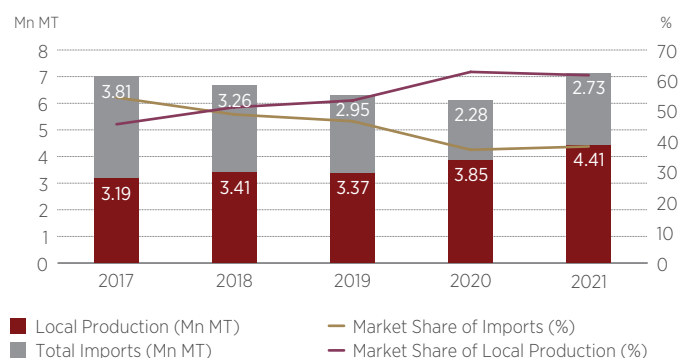
“INPUTS IMPORTED BETWEEN OCTOBER 2021 AND MARCH 2022 WERE PRICED, MANUFACTURED, AND SOLD AT THE RS.203/- TO THE USD EXCHANGE RATE. HOWEVER, WHEN SUPPLIER PAYMENTS ARE MADE 180 DAYS LATER, THE ACTUAL COST OF INPUTS ARE SETTLED AT AN AVERAGE OF RS.360/- PER USD EXCHANGE RATE. THEREFORE, DUE TO THIS SIGNIFICANT “EXCHANGE LOSS” EVERYTHING SOLD BY MANUFACTURERS AND TRADERS IN THIS PERIOD WAS SOLD AT LESS THAN THE COST OF THE INPUTS.”

MARKET SHARE: CEMENT IMPORTS VS LOCAL PRODUCTION

Cement imports increased from 2.28 Mn MT in 2020 to 2.73 Mn MT in 2021 as depicted in Graph - 6, reflecting a 19.8% growth compared to the 22.6% contraction recorded in 2020. The market share of cement imports increased slightly, from 37% in 2020 to 38% in 2021, due to relaxing of import restrictions.

Graph - 6

MARKET SHARE: CEMENT IMPORTS VS LOCAL PRODUCTION (2017 TO 2021)



CEMENT PRICES VS EXCHANGE RATE

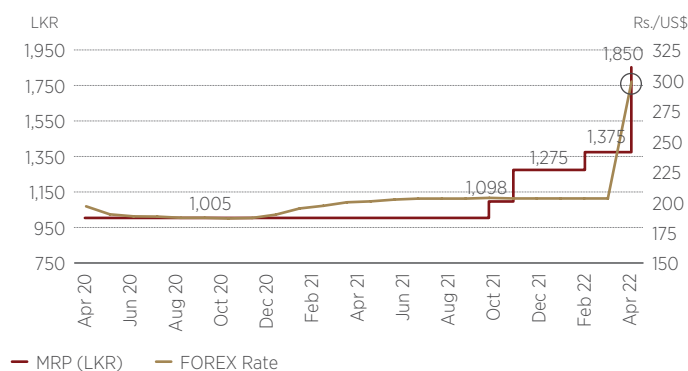
The Sri Lankan Rupee depreciated from Rs.189/- in early January to Rs.200/- to the USD by end April 2021, due to the lack of USD liquidity in the domestic foreign exchange market. With the intervention of the CBSL supported by the Licensed Commercial Banks (LCBs), the Exchange Rate was kept artificially pegged at Rs.203/- to the USD for almost a year despite drastic deviation between ‘official’ and ‘black-market’ rates.

However, with the introduction of exchange rate flexibility on the 7th of March 2022, the Rupee depreciated sharply by 48% against the USD within a period of less than four weeks. Accordingly, by the end of March 2022 the exchange rate was recorded at Rs.299/- to the

USD. These movements are shown in Graph - 7 below. Similarly, the Sri Lankan Rupee depreciated against all major currencies within a period of less than one month, such as Pound Sterling (46%), Euro (45%), Japanese Yen (38%), Singapore Dollar (48%), Chinese Yuan (47%) and Indian Rupee (46%) by end March 2022.

Graph - 7

MAXIMUM RETAIL PRICE VS EXCHANGE RATE MOVEMENT



MAXIMUM RETAIL PRICE (MRP) ON CEMENT

The MRP of Rs.1,005/- per 50kg bag of locally manufactured cement was stipulated in November 2019, when market conditions were much different to the present context. These prices remained unchanged up to October 2021. Meanwhile, prices of all inputs including raw materials such as clinker, paper for bags, chemical additives and machinery spare parts escalated considerably. Besides price increases, the unavailability of vessels shot up inbound freight rates by 300%. The deteriorating market conditions resulted in local cement manufacturers incurring heavy losses during this time frame.

The MRP affects the manufacturers more than trading businesses. For instance, local cement manufacturers have considerable fixed overheads and a far greater obligation to safeguard the interests of thousands of stakeholders in their value chain, from suppliers, to employees, to customers.

Moreover, inputs imported between October 2021 and March 2022 were priced, manufactured, and sold at the Rs.203/- to the USD exchange rate. However, when supplier payments are made 180 days later, as per the directive of the CBSL, the actual cost of inputs are settled at an average of Rs.360/- per USD exchange rate. Therefore, due to this significant “Exchange Loss” everything sold by manufacturers and traders in this period was sold at less than the cost of the inputs.

ECONOMIC REVIEW

The price of a 50kg bag of cement was adjusted to reflect these cost increases accordingly, after the removal of the MRP on the 8th of October 2021.

10th October	Cement prices increased from Rs.1,005/- to Rs.1,098/-.
4th November	Cement prices increased to Rs.1,275/-.
1st January	Cement prices increased to Rs.1,375/-.
7th March	The CBSL floated the currency (previously pegged at Rs.203/- to the USD) causing the Rupee to depreciate to Rs.230/- to the USD, on the same day.
12th March	Official exchange rate depreciated to Rs.260/- to the USD and the cement industry increased prices of a 50kg bag of cement to Rs.1,850/-.
1st April	Official exchange rate rose to Rs.299/- to the USD, resulting in the increase of a 50kg bag of cement to Rs.2,350/-.

These cement price increases took place against the backdrop of greater percentage increases in prices across all other construction materials, including but not limited to steel, electrical cables, and even locally sourced sand that has no direct forex impact.

BUILDING MATERIAL PRICES

From April 2016 to April 2022, prices of all major construction materials increased significantly as shown in the Table below. For instance, Cement with a 170% increase over 6 years, reflects the lowest increase in price compared to other building materials. That rate of increment of approximately 28% per year, is comparatively low considering the rate of inflation, Rupee depreciation and increased raw material costs during the aforementioned time frame.

Price increase in selected construction materials from 2016 to April 2022

Material	Unit	Price (Rs.)		Increase (%)	
		2016 (April)	2022 (April)	6-Year Period	Annual Average
Cement	50kg bag	870	2,350	170%	28%
Paint (Indoor)	1L	770	2,290	197%	33%
Cables	100m (1/1.13)	2,200	8,210	273%	46%
Sand	Cube	6,000	23,500	292%	49%
Steel	Qt bars/MT	120,000	589,000	391%	65%

By the 4th quarter of 2021 prices of all construction materials spiked sharply, reflecting the highly volatile macroeconomic environment. This is attributed to the increase in raw material prices globally, compounded upon by increasing freight rates due to rising oil prices, and interest for longer credit periods of 180-days. In addition, constraints in establishing LCs gave rise to material shortages, which consequently reduced productivity. This upward trend of material costs continued into the 1st quarter of 2022.

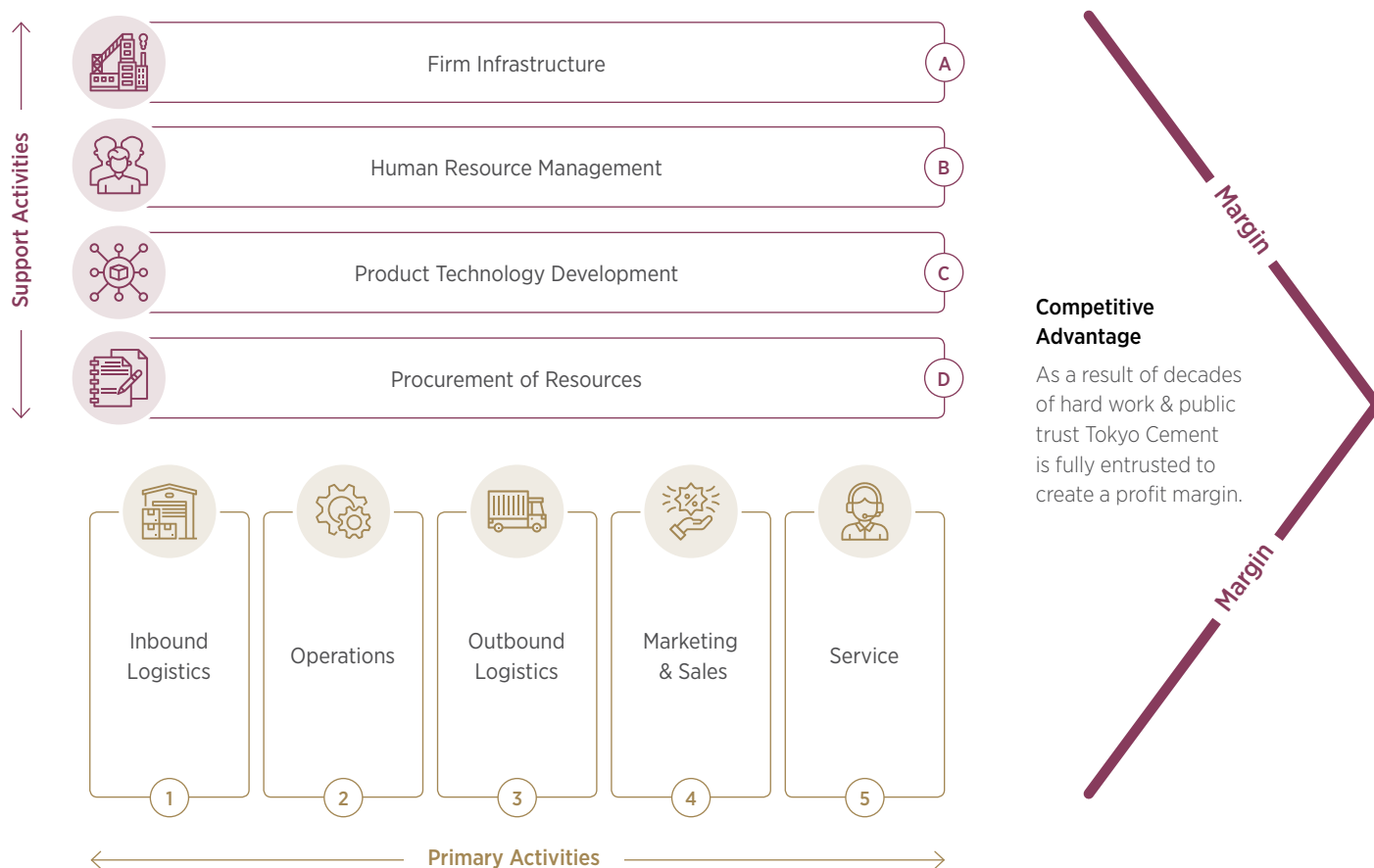
“THE INDUSTRY’S CREATION OF EMPLOYMENT OPPORTUNITIES, REVENUE DISTRIBUTION ACROSS LOCAL SUPPLY CHAIN, STATE INCOME GENERATION, FOREIGN EXCHANGE SAVINGS AND INVESTMENTS IN LOCAL ECONOMY, CREATE AN IMPACT THAT REACHES FAR BEYOND THE INDUSTRY BOUNDARIES.”

TOKYO CEMENT: VALUE CREATION

The revenue generated by Tokyo Cement Group permeates across an extensive Value Chain, benefitting not only the construction industry, but also the Sri Lankan economy at large. Encouraging the larger portion of cement production to take place within the country, adds value to the local economy along every link of the value chain as opposed to importing cement as a finished good. Furthermore, the industry’s creation of employment opportunities, revenue distribution across local supply chain, state income generation, foreign exchange savings and investments in the local economy, create an impact that reaches far beyond the industry boundaries. Annually, a large portion of the value generated by Tokyo Cement Group of companies, gets distributed among hundreds of other supplier agencies supporting several thousand more jobs. This allows the local cement industry to fulfil its role as an economic enabler.

Tokyo Cement Group’s Value Chain, of which the end objective is to deliver its products and services to the market, comprise of an intricately linked network of people and processes. This network encompasses local suppliers, the group’s own employees, and local logistics and marketing service providers, who help take its range of products to the end consumers. In addition to these core business functions, the Group engages in far-reaching local community outreach and environmental conservation programs that expands its value generation to benefit the greater society and the Country at large. This allows Tokyo Cement Group to accomplish its vision to be the leading partner in Nation-building.

Tokyo Cement Value Chain



ECONOMIC REVIEW

1

Inbound Logistics (Inputs)

- Two cement terminals (Colombo port and Trincomalee jetty)
- Shipping management and operations
- Local transportation
- Suppliers of raw materials
 - Raw minerals and by-products
 - Sand and Aggregates
 - Chemicals
 - Biomass fuels
 - Bags
- Storage and Inventory Control
- Inbound quality controls

2

Operations : Converts inputs in to desired products

- Grinding and Manufacturing
- Generating Green Energy (Dendro/Biomass/Solar)
- Machinery maintenance, assembly, operations
- Product diversification
 - Cement – multiple types
 - Tile adhesives
 - Screeds and flooring compounds
 - Water proofers
 - Wall plasters and Block mortar
 - Construction grout
 - Lightweight blocks
- Quality control and testing
- Packaging
- Ready Mix Concrete batching plants
 - Widest range of concrete mix designs
- Direct and indirect employment opportunities
- Net foreign exchange savings (over USD 60 Mn/year)

3

Outbound Logistics (Storage & Distribution)

- Two cement terminals (Colombo port & Trincomalee jetty)
- Bags and Bulk cement storage
- Warehousing
- Order processing & scheduling
- Transportation
- Distribution network
 - Regional agents
 - Retailers
 - Construction sites
- Ready-mix concrete transportation pumping and on-site quality control

4

Marketing and Sales

- Building corporate brand equity
- Branding and advertising (media companies)
- Events, seminars, training, exhibitions
- Fostering dealership network
- Customer management
- Sales analysis
- Market research

Corporate Responsibility Projects

- Social upliftment
 - Housing/drinking water/sports
- Skill development/knowledge sharing
 - Masons/ engineering students/ professionals/ academia
- Community trade biomass fuel sourcing
- Environmental conservation
 - Coral conservation/ mangrove reforestation/ forest tree planting

5

Services

- Customer support
- Skill development
- Maintain corporate values
- Read Mix Concrete pouring and onsite quality controls
- Laboratory services
- Technical site supervision and training

SOME APPLICABLE POLICY MEASURES ADAPTED IN 2021/22

Date	Policy	Impact
Monitory Policy		
19th August 2021	Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) increased to 5.00 per cent and 6.00 per cent, respectively. Bank Rate automatically increased to 9.00 per cent from 8.50 per cent.	Increase in interest cost
20th January 2022	SDFR and SLFR increased to 5.50 per cent and 6.50 per cent, respectively. Bank Rate automatically increased to 9.50 per cent from 9.00 per cent	Increase in interest cost
4th March 2022	SDFR and SLFR increased to 6.50 per cent and 7.50 per cent, respectively. Bank Rate automatically increased to 10.50 per cent from 9.50 per cent	Increase in interest cost
7th March 2022	Allowed an adjustment in the exchange rate by floating the currency previously pegged to Rs.203/- per USD.	The Rupee started to depreciate rapidly resulting in an increase in cost of sales & exchange loss.
Financial Sector		
25th April 2021	Banking Act Directions issued requesting LCBs to refrain from entering into forward contracts of foreign exchange with a value date beyond spot date to avoid excess volatility in the foreign exchange market and the impact on banks' risk management	Increase in cost of sales and increased exchange loss.
8th September 2021	Banking Act Directions issued to impose a 100% cash margin deposit requirement against the importation of selected goods of non-essential/non-urgent nature made under LC's and documents against acceptance terms with Licensed Commercial Banks and National Savings Bank.	Aiming to preserve the stability of the exchange rate and liquidity in the domestic foreign exchange market.
Foreign Exchange Management & International Operations		
27th December 2021	Operating instructions issued to licensed banks to sell 25 per cent of converted workers' remittances, 25 per cent of residual export proceeds and 25 per cent of converted foreign currency held in hand to the Central Bank.	Banks had to provide USD to CBSL, widening the shortage of USD in commercial banks.
Regulations on Import Control		
11th February 2021	A list of ceramic items including sanitary fixtures permitted to be imported under a minimum of 06 months credit basis.	Import restrictions relaxed for ceramic products.
6th May 2021	Imports and Exports (Control) Regulations No. 07 of 2021 issued on mineral or chemical fertilizer, banning the importation of some items and imposing import control license for others.	Impacted the entire agriculture sector, resulting in reduced crop yield, diminishing availability of Biomass fuels for renewable energy plants.
9th March 2022	Imports and Exports (Control) Regulations No. 05 of 2022 issued with a list of goods, the importation of which requires an import control license. Such items include Fans, Air Conditioners, Sanitary ware, Light fittings, etc.	Import restrictions imposed reduced availability of household appliances, and building materials increasing cost of construction.
Price Revisions		
15th March 2021	Commodity Export Subsidy Scheme (CESS) imposed (revised) on importation of Ceramic Tiles, Wall Tiles, Roofing Tiles and Sanitary ware.	Import restrictions revised.
8th October 2021	Extra Ordinary Gazette No. 2219/15 Maximum Retail Prices (MRPs) were removed for all types of Cement and several other commodities.	Industries were able to adjust prices to reflect increases in global costs, in order to address sector-wide shortages.

ECONOMIC REVIEW

FUTURE OUTLOOK AND WAY FORWARD

Macroeconomic Outlook

Sri Lanka announced the first ever foreign debt default of its history in May 2022, sighting dwindling foreign reserves, after months of struggling to pay for essential imports including fuel, medicines, and food items. The country began talks with the International Monetary Fund (IMF) over a bailout plan which required renegotiation of debt agreements with its creditors as the primary step.

As such, the Country's economy is expected to undergo critical reforms in the short to medium term. Starting with the immediate debt restructuring program supported by the IMF, wide-ranging structural reforms alongside tight fiscal policies are to be implemented to reset the economy.

The IMF staff level technical agreement to be finalised in the coming months, is expected to alleviate some of the pressures on the economy and open channels for bilateral loans and grants. Until such time, CBSL may envisage further austerity measures to help curb rapid economic downturn. Such measures may include, but will not be limited to, increased interest rates, restriction of imports, potential for increased direct and indirect taxes, and further measures to shore up reserves to tackle the fiscal deficit. The import restrictions will create detrimental impacts on many industries in the short to medium term, whilst resulting in shortages of essentials and consumer goods. This fiscal streamlining process would result in reduced economic activity and contraction in all forms of consumption, from which the construction industry is not exempt.

Downward risks to the outlook persist

Currently, Sri Lanka grapples with its worst financial turmoil since gaining independence.

Asian Development Bank in February 2022 forecasts Sri Lanka's economic growth to dip to 2.4% in 2022 (from 3.7% recorded in 2021) and improve marginally to 2.5% in 2023. However, such forecasts may further be adjusted downwards, as gauged by the 1.6% contraction recorded in the 1st quarter of 2022.

At the same time, any indication of growth at this stage is being held back by Sri Lanka's debt overhang, large external financing requirements, rating downgrades, energy shortages, and high inflation. Immediate measures to restore macroeconomic stability and debt sustainability are crucial, prior to gaining any traction towards a positive trajectory.

The implications of the Russian invasion of Ukraine have already reached many South Asian economies, hard hit by the pandemic, grappling with higher oil and food prices, as well as reduced tourism and export earnings. The global energy crisis and resulting economic slump in all major markets will likely affect emerging countries, whilst further complicating the recovery of countries such as Sri Lanka, faced with deep-rooted economic instability.

Heading towards “Stagflation”

Stagflation is the combination of stagnant growth and high inflation. Sri Lanka could very well be there before the end of the year 2022.

The 3.7% GDP growth recorded by Sri Lanka in 2021 needs serious re-evaluation as it does not correlate with the economic turmoil that ensued. Especially given that it was recorded on the back of a 3.6% contraction in the previous year. On the other hand, the country's inflation is rising, recording YoY 29.8% in April 2022. Rising essentials and commodity prices, shortages stemming from the foreign exchange squeeze and supply chain disruptions, and currency depreciation are all expected to drive inflation further up

“THE COMBINATION OF A STAGNANT GDP GROWTH AND HIGH INFLATION MAY PUSH THE COUNTRY TOWARDS STAGFLATION.”

by mid-2022. The combination of a stagnant GDP growth and high inflation will create an economic doldrum, that will cause business disruptions leading to a rise in unemployment levels, thus pushing the country into Stagflation.

Therefore, it is critically important to ensure that key economic sectors are allowed to function smoothly, by immediately resolving resource shortages, to prevent the full effects of stagflation from impacting the economic recovery process.

Upward pressure on exchange rates

The sharp rise of the exchange rate observed in the 1st quarter of 2022 is likely to continue, due to the many unresolved economic challenges prevalent in the country.

Exchange rates increase when the pressures on the country's foreign reserves grow. If the country fails to increase forex earnings from tourism, export industries and remittances in the immediate future, the burden on the limited reserves will be exponential. On the other hand, as pressure mounts to ensure the continuous supply of essentials and basic commodities, forex reserves will be further depleted. The situation will get more complicated as revenue-generating, value-added export sectors are hampered by increasing fuel prices, transport disruptions, ensuing shortages in essential items and continuous power cuts.

In the short run, a notable rise in interest rates would discourage lending, and in turn hamper economic growth, but would address interest rate anomalies and put pressure on exchange rate to a certain extent.

Rating downgrades constrain Sri Lanka's market access

All major international ranking agencies have continued to downgrade Sri Lanka's sovereign credit rating. Those rating downgrades constrained Sri Lanka's market access to financial markets since 2021. Credit rating agencies downgraded Sri Lanka's sovereign rating to the substantial risk investment category as outlined below.

S&P	Downgraded Sri Lanka to CCC+ (27th August 2021) and to CCC (12th January 2022). CCC means "currently vulnerable to meet its financial commitments".
Moody's	Downgraded Sri Lanka to Caa1 (19th July 2021) and Caa2 (28th October 2021). Caa2 means "Poor standing and subject to very high credit risk".
Fitch	Downgraded Sri Lanka to CC (17th December 2021). CC means "very high levels of credit risk and default of some kind appears possible"

All three rating agencies flagged heightened external vulnerabilities, limited financing options, and weak fiscal balances.

Reduce the country's over dependency on debt creating foreign inflows and improve the country's competitiveness to grow

Sri Lanka needs to reduce over dependency on debt creating foreign inflows, in order to sustain medium to long run economic growth and stability. Against this backdrop, in the medium term, the country has to improve its business landscape by upgrading Sri Lanka's international rankings, thereby enhancing the country's competitiveness as a preferred destination for both new and expansion of private investments.

As a relatively small but strategically located country, Sri Lanka could strive to achieve sustainable development by moving towards a private investment led growth model instead of depending on foreign loans. This would require establishing the necessary conditions for a thriving economy, such as allowing productive local companies to attain higher localised value addition in the manufacturing, agribusinesses, and service sectors.

Adopt stronger industrial policies to encourage import substitution and increase export earnings

Being a trade dependent nation for nearly half a century, Sri Lanka has experienced many macroeconomic shocks, that have unsettled economic progress and prevented the country from achieving its full potential. The pandemic, its consequent global supply chain issues, and ever-increasing geopolitical tensions further exposed the vulnerability of the country's economy, heavily dependent on foreign trade.

Over-reliance on international trade is proving to be the Achilles' heel of smaller, emerging economies such as Sri Lanka, whilst more and more countries are aiming for economic independence as the starting point of economic resilience and growth thereon. At present, when the country is faced with a severe foreign exchange crisis, unable to import essential commodities, such as fuel, fertilizer, pharmaceuticals, certain food items, as well as material, machinery, and inputs necessary for industries, the need to gradually move away from a pure trade economy becomes more evident.

"TO OVERCOME THE PRESENT SITUATION AND INSULATE THE ECONOMY FROM SUCH SEVERE TURBULENCE IN THE FUTURE, SRI LANKA SHOULD IMMEDIATELY IMPLEMENT CONSISTENT ECONOMIC POLICIES TO FACILITATE IMPORT SUBSTITUTION AS A KEY COMPONENT OF THE ECONOMIC REFORMS."

To overcome the present situation and insulate the economy from such severe turbulence in the future, Sri Lanka should immediately implement consistent economic policies to facilitate import substitution as a key component of the economic reforms. In this process, Sri Lanka could look to the new wave of import substitution policies adopted by many other countries, especially in the region, and adapt them to suit local economic conditions.

However, the success of this manoeuvre depends entirely on consistent and strong industrial policies that look for long-term gain and robust economic growth. The objective of the strategy should be to strengthen the local economy by establishing the right balance between industrialization and an agrarian economy, through a comprehensive and far-sighted policy framework.

Shore up forex reserves by boosting local value-addition industries

As stated previously, importing raw materials to produce cement locally is far more efficient than importing cement as an end product. At a time when reducing our overall forex exposure is of critical importance, increasing the utilisation of local cement production capacity allows for a bigger saving in foreign exchange outflow.

This foreign exchange saving can be put into perspective by considering the total cement requirement of the country. Assuming the

ECONOMIC REVIEW

total projected annual local cement demand of 7 million MT is 100% fulfilled by locally manufactured cement, the industry has the potential to save our nation over USD 150 Mn per annum, when compared to importing cement. Therefore, imported cement should be used only to supplement the market demand not serviced by local manufacturers. It should only be used to encourage open market forces that benefit the consumers at the end of the day, without adding pressure on our foreign reserves.

In this regard, Tokyo Cement Group as the country's largest manufacturer of cement, concrete, and value-added cement-based products, will continue to invest in infrastructure, people, and communities, to fulfil its mission. For instance, the Company has invested over Rs. 20 Bn over the last 5 years in capacity enhancement, technology, and infrastructure development. Further, the Company recently announced plans to add another 1 Mn MT, to increase its total production capacity to 4 Mn MT per annum. These are large investments with long payback periods, that will generate far greater value than the sums invested, by engaging thousands of stakeholders who help to multiply the economic impact.

While the short to medium term economic landscape remains uncertain, Tokyo Cement has a proven track record of resilience and resurgence, and remains committed to rebuilding the nation, stronger than ever before.

Dr. Nihal Samarappuli
Director - Economic Research

MANAGEMENT DISCUSSION AND ANALYSIS

“TOKYO CEMENT RECORDED A REVENUE GROWTH OF 22% IN THE YEAR UNDER REVIEW. HOWEVER, THE COMPANY EXPERIENCED A CHALLENGING YEAR THAT RESULTED IN A NEGATIVE FINANCIAL PERFORMANCE COMPARED TO THE PREVIOUS YEAR, DUE TO SIGNIFICANT EXCHANGE LOSS AND SHARP COST INCREASES.”

OPERATIONS REVIEW

Performance of Tokyo Cement

Tokyo Cement recorded a revenue growth of 22% in the year under review. However, the group sales volume grew marginally by 1%, reflecting the impact of demand and supply shortfalls, exasperated by raw material shortages, stemming from foreign exchange illiquidity. Tokyo Cement experienced a challenging year that resulted in a negative financial performance compared to the previous year due to significant exchange loss and sharp cost increases.

The slowdown of economic activity in the first half of the financial year was due to intermittent countrywide lockdowns declared to curb the spread of the pandemic. With the spike of Omicron cases worldwide, shortages, and delays in importing raw materials persisted. The supply chain was hampered by sporadic operational shutdowns of supplier facilities and ports, and insufficiency of vessels.

Fuel price increases and scarcity of vessels escalated inbound freight rates by over 300% within a very short period. Whilst the cost of clinker increased in line with coal prices, the price of paper for bags also shot up as demand outstripped supply. This hike in imported raw material prices was worsened by the Rupee depreciation. Further, considerable delays occurred in opening Letters of Credit (LCs) with banks, wherein a process that typically happened on the same day would now take weeks, if not months, to complete.

Due to heightened fiscal barriers, cement importers drastically cut down or completely halted importation, leading to market

shortages, which in turn increased demand for locally manufactured cement. To compensate the market gap, Tokyo Cement boosted production efficiencies to maximise the installed capacity utilisation. Despite operating at the highest possible utilisation, with available raw materials, the market shortage progressively escalated due to reasons beyond the control of manufacturers.

Pandemic related travel restrictions and non-availability of transportation hindered customers from collecting finished goods from factories and warehouses, further slowing down market movement. Retailers were hesitant to hold stocks for longer periods due to impending lockdowns. Furthermore, they were reluctant to block their cashflow on cement which had a Maximum Retail Price (MRP) with very low margins, compared to other construction materials. The MRP imposed on cement prevented free market forces from freely adjusting to keep up with the macroeconomic volatility.

To resolve the accessibility issues faced by consumers, Tokyo Cement often extended the delivery chain all the way up to the end consumer point, resulting in a rise of distribution costs.

To remedy the market situation, the Government decisively removed the MRP with effect from the 11th of October. Accordingly, the industry announced the new selling price of a 50Kg cement bag at Rs. 1,098/-. This allowed the marginal adjustment of free market mechanics to mitigate some of the losses incurred by the manufacturers.

The continued increases in cost as a result of currency devaluation, led cement manufacturers to increase the retail price of a 50kg bag of cement to Rs.1,275/- on the 4th of November. Despite this contributing to a growth in turnover, Tokyo Cement's sales volumes reduced significantly due to supply chain shortfalls. Delays in opening LCs inhibited the continuous supply of raw material for production and the importation of cement as a finished good.

To ensure an uninterrupted supply to satiate market demand, Tokyo Cement kicked off two strategic business expansion projects in the 3rd Quarter. The first was to lay the foundation for a factory expansion, to increase the manufacturing capacity by an additional 1 million Metric Tons (MT) by early 2023. This would enhance Tokyo Cement Group's total cement grinding capacity to 4 million MT. The next project was to commission the newly expanded Tokyo Cement Colombo Terminal. This terminal expansion ramps up the Group's total bulk cement storage, packaging, and distribution capacity from 600,000MT p.a. to over 1,000,000MT p.a.

Meanwhile, foreign exchange illiquidity continued to delay the importation of raw materials and finished goods, resulting in a severe shortage and price escalation of all construction inputs, including cement, steel, electric wiring, tiles, and even locally sourced sand. This delayed ongoing projects, leaving labour idle, which increased project expenditure, and effectively postponed the commencement of new projects. Further, the construction industry faced downsizing challenges due to payment delays to government contractors.

MANAGEMENT DISCUSSION AND ANALYSIS

“IN VIEW OF THE IMPENDING ECONOMIC STASIS, TOKYO CEMENT IMPLEMENTED MANY PROACTIVE MEASURES TO MINIMISE THE IMPACT OF SEVERE FINANCIAL RISKS ON THE GROUP’S PERFORMANCE. ANTICIPATING A CHALLENGING ENVIRONMENT, THE GROUP TOOK IMMEDIATE STEPS TO REFORECAST DEMAND, RESCHEDULE SOURCING AND PRODUCTION PLANS, AND ADJUST CASHFLOWS ACCORDINGLY.”

Intensifying the market shortage, Tokyo Cement’s local production had a setback due to a breakdown at one of its cement grinding mills for more than six weeks at the end of Q3. This resulted in a production loss of approximately 2,000 MT per day. A significant cost had to be incurred to bring down the components required to solve the technical issue and get the mill back online.

In a milieu of further freight and raw material cost hikes, the price of a 50kg bag of cement was increased to Rs. 1,375/- on the 1st of January 2022.

From the 4th Quarter, the country started to feel the impact of diminishing foreign exchange reserves that obstructed importers from establishing LCs in the preceding months, leading to shortages in all sectors. The most destructive of which resulted in long queues for cooking gas and fuel, extended power cuts, shortages in essential medicines and empty shelves in supermarkets. Compounding on the shortages, there were price increases across all consumer goods leading to the highest ever inflation rates recorded back-to-back in February and March, at 17.5% and 21.5% respectively. Due to continuous cost increases and currency depreciation, many manufacturers and traders increased the price of goods in frequent intervals throughout the last quarter. The looming economic insecurity caused a sharp demand contraction as customers deprioritised construction needs due to the non-availability of essentials and the steep increase in living expenses.

In light of the situation, the Central Bank of Sri Lanka (CBSL) deployed several austerity measures effective from February 2022 to curb the economic downturn. This included the introduction of increased interest rates, further restriction of non-essential imports, tax rate revisions on certain essential items and further measures to shore up reserves to tackle the fiscal deficit. Simultaneously, the Government decided to seek assistance from the International Monetary Fund (IMF) to stabilise the economy through a national debt restructuring program. The restricted policy environment resulted in a contraction of all forms of consumption, which was clearly felt in the construction industry, with a drastic drop in cement sales.

Moreover, the CBSL’s decision to float the Rupee as of 7th March, from its previously pegged rate of Rs. 203 per USD sent deep shockwaves across all economic sectors. This caused the Rupee to depreciate to Rs. 230 per USD on the same day, which had a profound impact on the local value-added manufacturing industry that depends on imported raw materials. As such, the cement industry announced the fourth price revision for the financial year on the 12th of March, by increasing the retail price of a 50kg bag of locally manufactured cement to Rs. 1,850/-.

Whilst Tokyo Cement enforced the MRP with its retailers, by this time the cement scarcity had given rise to a secondary market where it was being sold beyond the labelled prices. The rapid rate of depreciation that ensued with the exchange rate rising to Rs. 299 per USD by end of March 2022, led to a further increase in the price of a 50kg bag of cement to Rs. 2,350/- as of 1st April 2022.

In view of the impending economic stasis, Tokyo Cement implemented many proactive measures to minimise the impact of severe financial risks on the Group’s performance. Anticipating a challenging environment, the Group took immediate steps to reforecast demand, reschedule sourcing and production plans, and adjust cashflows accordingly. In addition, the Group deployed severe cost saving measures, streamlined operations, and postponed capital expenditure projects, preparing itself to face the challenges with greater resilience.

Performance of Tokyo Cement Power

The renewable energy generation program of the Tokyo Cement Group faced one of the most challenging years in FY 2021/22 as a result of severe shortages in sourcing agricultural waste to run the power plants. Due to the serious setbacks in agriculture over the last two harvesting seasons, maintaining an adequate supply of agriculture waste proved to be a challenge. These supply chain challenges caused the Mahiyangana dendro power plant to shut down for a few weeks, disrupting electricity supply to the grid. The two power plants in Trincomalee that supply electricity directly to the cement factories were run alternately, to manage the shortage of biomass fuel so as to avoid disrupting the manufacturing process.

Raw material for biomass power generation is sourced from farmers and suppliers through community trade. Tokyo Cement’s sustainable fuel wood program engages nearly 2,500 farming families creating hundreds of direct and indirect employment opportunities and enabling critical cash flow to the rural economy. As such, disruptions to the supply chain dealt a heavy blow to the livelihood of these farming communities, in the backdrop of a paralysed agriculture sector.

Furthermore, renewable energy generation is a critical factor in establishing national energy security during a fossil fuel and foreign exchange crises. Tokyo Cement Group pioneered this movement in the local corporate sector, to become the single largest contributor of Biomass Power in Sri Lanka with a total installed capacity of 23MW. In addition to two biomass power plants in Trincomalee, with a capacity of 10MW and 8MW each, the Group also operates a 5MW Dendro power plant in Mahiyangana. Tokyo Cement Power also generates 600 KWh of roof-top solar power. Through this initiative the Group retains a major portion of the energy bill within the local economy, instead of spending it to import fossil fuels.

Furthermore, the Ceylon Electricity Board (CEB) has defaulted payments to Tokyo Cement Power for the electricity supplied for more than nine months, thereby blocking the cashflow required to run operations. However,

Tokyo Cement Power continued to pay the suppliers in order to sustain the livelihoods of farmers who were faced with dire economic hardships.

Performance of Tokyo Supermix

TOKYO SUPERMIX, the ready-mix concrete operation of Tokyo Cement Group, saw an encouraging upturn in the Financial Year 2021/22 as a result of the overall industry bouncing back from pandemic-related restrictions. With a noticeable acceleration in demand for ready-mix concrete, TOKYO SUPERMIX was able to maximise the growth momentum to consolidate its leadership position.

Demand for concrete was driven largely by the residential sector that sought to maximise the low interest lending environment. With the boom in real estate development TOKYO SUPERMIX was able to establish itself as the largest supplier to many large to medium scale developments. This was made evident through a notable increase in sales volume and revenue.

Lean management practices and prudent cost controls helped improve profitability of TOKYO SUPERMIX for FY 2021/22, whilst the reduced interest rates helped to lower interest costs.

However, the overall slowdown in economic activities due to foreign exchange illiquidity was felt in the construction sector at the onset of the 3rd quarter. Scarcity of material and cost escalations thereof slowed construction projects with the biggest impact being felt in Government funded infrastructure projects which came to a standstill. This resulted in many construction firms downsizing their operations due to cashflow restrictions. TOKYO SUPERMIX was able to avert the impact of the market contraction, largely due to strict credit policies and stringent management oversight that were already in place to mitigate market risks. Through these pragmatic approaches TOKYO SUPERMIX was able to minimise its exposure to external financial volatility to a great extent.

Amidst a highly volatile market, TOKYO SUPERMIX reinforced its brand strengths through continuous process innovations and introduction of novel technologies. Further, the ongoing skill development programs, focused on both technical and sales teams, as well as key professional stakeholder groups, were continued with the objective of enriching the industry standards. Internal training programs were further expanded to include customer relationship management and credit risk management topics, in order to boost the skills and competency of the sales and technical staff of TOKYO SUPERMIX.

In the upcoming financial year, the Company envisions a significant contraction in the construction industry stemming from the economic crisis. However, TOKYO SUPERMIX has implemented several strategic measures to overcome future challenges in order to consolidate its leadership position as the most trusted concrete supplier in the country.

Performance of Tokyo Super Aggregate

As a strategic pillar of TOKYO CEMENT GROUP's vertical integration, Tokyo Super Aggregate supplies sand and metal to TOKYO SUPERMIX Ready Mix Concrete plants. This facilitates an uninterrupted supply of aggregates with a consistent quality and price for TOKYO SUPERMIX.

During the year in review, Tokyo Super Aggregate maintained stable operations with the exception of a few intermittent disruptions that occurred in the first half due to pandemic-related transport delays. The key factors that affected the operational costs included the scarcity and price increase of tyres and machinery spare parts, and persistent power outages. However, with prudent financial management the Company was able to mitigate the impact of these challenges and allow Tokyo Super Aggregate to be a critical success factor for TOKYO SUPERMIX's achievements during the financial year.

Performance of Cement-based Value-Added Products

Restrictions on the importation of tiles were continued throughout the Financial Year. This allowed local tile manufacturers to increase their monopolisation of the market despite insufficient capacity to meet the demand. These local tile manufacturers required consumers to purchase their own tile adhesives and grouts as a condition of fulfilling tile orders. Furthermore, tile prices continued to escalate at a greater rate than most other building materials. Consequently, the tile market was observed to have shrunk by approximately 40%. However, TOKYO SUPERBOND continued to be the preferred brand for key projects across the country, despite its year-on-year sales contribution diminishing with the contraction of the retail market.

TOKYO SUPERSEAL Waterproofers had a successful year with considerable growth in the retail and project markets as more water proofing applicators converted to the brand. TOKYO SUPERCASST Plaster Master also had a banner year as a result of irregular cement and sand supplies to construction sites. Other cement-based product categories such as flooring compounds, screed mortars and construction repair grouts all saw considerable growth year-on-year, as the sales focus was realigned to make up for a shrinking tile adhesive market.

MARKETING AND SALES

At the onset of the Financial Year, Tokyo Cement saw a slow yet steady growth in sales, with a surge in construction activities immediately after the Sinhala-Tamil New Year holidays. This growth momentum for locally produced cement continued until August, driven by the shortage of imported cement in the market as a result of importers reducing or completely freezing their operations. To cover the market gap Tokyo Cement operated at full capacity, whilst ensuring the sales and distribution channel was managed with maximum efficiency. Several process improvements implemented last year, helped expediate the distribution process with faster market response.

MANAGEMENT DISCUSSION AND ANALYSIS

On the marketing front, the Company was keen on maintaining top-of-mind recall by strengthening the brand associations built around the value propositions of the products. One of the strategic promotional activities conducted this year was the production of two TV commercials, for the TOKYO SUPER and NIPPON CEMENT brands.

For ATLAS MASONRY CEMENT, the latest addition to Tokyo Cement's product portfolio, point of sale advertising and awareness creation mediums were used in select markets. This created a targeted value-driven customer engagement as opposed to a blanket marketing approach that allowed ATLAS MASONRY CEMENT to gain steady volume growth during the year.

Informative videos with product usage instructions were created for TOKYO SUPERSEAL 2K WATERPROOFER and TOKYO SUPERFIX CONSTRUCTION REPAIR GROUT, the two value-added products introduced during the latter part of last year. In addition, videos were also produced for TOKYO SUPERMIX Light Weight Foam Concrete and TOKYO SUPERMIX Pervious Concrete, to create awareness on the product value propositions and usage benefits.



The new TOKYO SUPER and NIPPON CEMENT TV commercials focus on enhancing the brand values created in the consumer's mind

“IN THE BACKDROP OF SIGNIFICANT PRODUCTION COST HIKES, THE COMPANY WAS FACED WITH THE CHALLENGE OF ENSURING AN UNINTERRUPTED MARKET SUPPLY. TOKYO CEMENT DISTRIBUTORS AND DEALER NETWORK PARTNERS PROVIDED THEIR CONTINUED SUPPORT TO ENSURE THE SMOOTH OPERATION OF SALES.”

Marketing activities were also focused on providing the dealer network with the necessary support for product promotion. This entails below the line promotional materials such as dealer boards, point of sale materials, and outdoor advertising to help maintain brand visibility. The TV commercials created last year for Tile Adhesives, Waterproofer and the Wall Plaster range were adapted to extend across all promotional mediums. This included a print, signage, and a radio advertising campaign following the themes of the TV commercials. To compliment the Value-Added Products advertising campaign, digital and social media channels were used extensively to target specific customer segments.

Whilst maintaining brand visibility using strategically selected mediums, the main focus of marketing and sales activities was on fulfilling customer demand in the face of severe cement shortages. In the backdrop of significant production cost hikes, the Company was faced with the challenge of keeping overhead costs at a minimum whilst ensuring an uninterrupted market supply. Tokyo Cement Distributors and Dealer Network partners provided their continued support to ensure the smooth operation of sales, notwithstanding multiple challenges and significant cost impacts.

With the removal of the MRP, the market was expected to adjust more flexibly to free-market forces and customer demands with better responsiveness. However, the much larger macroeconomic challenges stunted the expected market growth as prices of all construction materials rose at a rapid rate.

The market contraction became more pronounced after the 3rd quarter as key development projects were cancelled or postponed by the private sector, whilst all state funded projects were put on hold. The key impact was on government sector contractors who were subjected to payment delays or non-payment, thus setting off a critical cashflow issue across the industry. Tokyo Cement, having foreseen the repercussions of a probable macroeconomic downfall, had already implemented several strategic measures to safeguard the Company's financial position from its direct impact. This allowed the Company to minimise its exposure to bigger market risks, despite having to experience a significant drop in sales as a result of the decline in business from mid to large scale projects.



The Company was able to engage more than 2,200 construction sector professionals at 39 Skills Development and Awareness Building seminars carried out in all sales regions.

Stakeholder Engagement

Stakeholder Segment

Engagement



Shareholders



- The Company conducted quarterly investor relations calls and meetings in addition to participating in investor panels.
- The investor relations team made themselves available for inquiries and clarifications from shareholders, brokerages, research houses and funds.
- The investor relations team began publishing press releases to provide greater context to the quarterly financial results.
- The Shareholders' AGM for 2020/21 was held in line with the guidelines issued by the Colombo Stock Exchange on holding virtual/hybrid meetings and the applicable statutory laws.



Customers



- Tokyo Cement participated at the 9th World Construction Symposium held in July 2021 at the BMICH.
- Participation at the 12th Annual Jaffna International Trade Fair 2022 held at the Muttaweli Grounds in January 2022.
- The Company participated at the ARCHITECTS 2022 Exhibition held at the BMICH in February 2022.
- Participation at the BUILD SL 2022 Exhibition organised by The Chamber of Construction Industries in March 2022.
- Social media presence was enhanced through online marketing and advertising campaigns on popular platforms such as Facebook, Instagram, and YouTube.
- The newly produced TV commercials for TOKYO SUPER Cement and NIPPON CEMENT were used in the advertising campaigns during the key sports tournaments that included the Legends T20 Series, ICC T20 World Cup, and the Tokyo Olympics telecast.
- TV and radio advertising for TOKYO SUPERBOND tile adhesives, TOKYO SUPERSEAL waterproofer, and TOKYO SUPERCASEST Plaster Master were carried out during primetime news, drivetime shows and other popular programs to gain market reach.

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Segment

Engagement



Suppliers



- The relationships formed with the longstanding suppliers ensured a smooth transition to the new requirements of 180-day credit period stipulated by the CBSL for the importation of goods.
- The Company worked together with suppliers to reforecast procurement schedules, anticipating delays in establishing LCs with local banks.
- By working closely with the key suppliers, the Group was able to ensure a guaranteed supply of raw materials notwithstanding the difficulties faced.



Industry Associations & Professional Institutes



- Educational seminars for Masons, Technical Officers, Engineers, and Contractors resumed with the lifting of travel restrictions. This year the Company was able to engage more than 2,200 construction sector professionals at 39 awareness building sessions carried out in all parts of the island.
- Tokyo Cement Group became the sole sponsor of the Annual Sessions and Question Time Seminars organised by the Society of Structural Engineers (SSE-SL), the apex professional body of the structural engineering fraternity. The sponsorship included the keynote lecture delivered by Prof. Shingo Asamoto of Saitama University, Japan during the Annual Sessions which had a participation of over 200 engineering undergraduates and professionals.
- The Company was the Gold Sponsor of the International Conference organised by the Sri Lanka Geotechnical Society in December 2021.
- Membership in the following key trade organisations were continued during the financial year.
 - The Ceylon Chamber of Commerce
 - The Chamber of Construction Industries
 - The Ceylon Institute of Builders
 - The Green Building Council of Sri Lanka



Research and educational institutions



- Tokyo Cement Group sponsored the 14th International Research Conference of the General Sir John Kotelawala Defence University.
- Platinum Sponsorship of the International Conference on Business Research organised by the Department of Civil Engineering, University of Moratuwa.
- Sole sponsorship of the Undergraduate Research Symposium 2021 organised by the Civil and Environmental Engineering Society of the University of Ruhuna.



Dealers & Distributors



- Tokyo Cement's field sales team worked closely with the dealers and distributors to overcome the many challenges brought on by the scarcity of cement and highly volatile market conditions.
- The Annual Dealer Convention was held in two sessions at the Cinnamon Bentota Beach Hotel. The event was organised to commend the dealer partners for their extraordinary support during the year and to commemorate their achievements.



The Tokyo Cement management acknowledged the contributions made by the entire Dealer & Distribution Network, whilst felicitating top performers at the Annual Dealer Convention.

TOKYO CEMENT QUALITY STANDARDS

Tokyo Cement remained fully compliant with Central Environmental Authority directives and regulations and renewed all licenses during the year. The Group did not face any fines or penalties for non-compliance, or delays in compliance, with any applicable environmental regulation during the year. Further, Tokyo Cement continued to uphold its quality systems and standards to ensure consistency and exceptional quality of the products and services.

A testament to the Company's commitment to quality includes operating the only ISO:17025 accredited laboratory in the country for testing of cement, concrete, and cement-based products. Laboratory facilities at the Tokyo Cement Centre for Technical Excellence in Trincomalee also conduct quality assurance tests on raw material inputs, and manufactured output, at the source, to maintain Tokyo Cement's proven product excellence.

Tokyo Cement Quality Systems

ISO 9001: 2015	→ Tokyo Cement Factory in Trincomalee
	→ All 12 TOKYO SUPERMIX Ready Mix Concrete plants
ISO 14001: 2015	→ Tokyo Cement Factory in Trincomalee
ISO 17025: 2017 (by the Sri Lanka Accreditation Board)	→ Tokyo Cement R&D Laboratory in Trincomalee
	→ Construction Research Centre in Colombo
Central Environmental Authority licenses	→ Tokyo Cement Factory in Trincomalee
	→ All 12 TOKYO SUPERMIX Ready Mix Concrete plants
	→ Tokyo Super Aggregate (Pvt) Ltd
	→ Tokyo Cement Power (Lanka) (Pvt) Ltd
GREEN™ Mark (Singapore)	→ TOKYO SUPER Blended Hydraulic Cement

TOKYO CEMENT RESEARCH & DEVELOPMENT DRIVE

The Construction Research Centre

The Construction Research Centre (CRC) in Colombo has been able to strengthen its reputation as a top-notch, construction materials testing laboratory. In addition to driving the company's research and development strategy by continuously reengineering product performance standards, The CRC also provides external consultation services and independent product testing facilities.

The CRC fulfils its primary role as a state-of-the-art cement and cement-related construction materials testing laboratory. The CRC facilitates the maintenance of Tokyo Cement's product quality standards and helps formulate bespoke concrete mix designs for TOKYO SUPERMIX.

The CRC team also plays an important role in providing training for Tokyo Cement sales teams, to better understand the technical features of different cement and cement-based dry mortar products. Continuous training programmes are conducted for Quality Controllers and Sales Engineers attached to TOKYO SUPERMIX Ready-Mix Concrete plants across the country, with the objective of upgrading their knowledge in new mix designs, processes, and concrete testing methodologies.

MANAGEMENT DISCUSSION AND ANALYSIS

The third key contribution of The CRC is in enabling new product innovation. During the year in discussion, CRC's role in new product development made a significant impact to establish Tokyo Cement Group's leadership position in the market.

HARNESSING MODERN TECHNOLOGIES

Tokyo Cement's robust IT strategy was a critical success factor in maintaining smooth and efficient operations during the current financial year. The strong technological platforms used to communicate and manage business activities during the pandemic period, enabled Tokyo Cement to leverage their utility to further improve business productivity amidst a challenging operating environment during this year.

The key drivers of technological improvements were operational efficiency and administrative flexibility to help the Company reach its business goals with improved agility. Most of the process improvements and customisations were done by the Company's own development team, to enable greater management oversight and improved responsiveness. For example, the ERP system which linked core business activities with other management operations, was further fine tuned to accommodate diverse operational and data security requirements that arose from flexible work arrangements. In addition, the IT team was able to successfully upgrade and scale existing technological platforms to strengthen the integrated business operations between the subsidiary companies of Tokyo Cement Group.

Continuous improvements are introduced to the IT infrastructure of the Company, in line with the latest trends and technological advancements to ensure Tokyo Cement stays abreast with the pace of development within its dynamic and competitive marketing environment.

“THE KEY DRIVERS OF TECHNOLOGICAL IMPROVEMENTS WERE OPERATIONAL EFFICIENCY AND ADMINISTRATIVE FLEXIBILITY TO HELP THE COMPANY REACH ITS BUSINESS GOALS WITH IMPROVED AGILITY. MOST OF THE PROCESS IMPROVEMENTS AND CUSTOMISATIONS WERE DONE BY THE COMPANY'S OWN DEVELOPMENT TEAM, TO ENABLE GREATER MANAGEMENT OVERSIGHT AND IMPROVED RESPONSIVENESS.”

EMPOWERING THE TOKYO CEMENT TEAM

During the year in review, the Company focused on ensuring employee satisfaction whilst navigating through the turbulent social and economic climate. In order to facilitate more flexible work arrangements that took travel restrictions and health concerns into account, Tokyo Cement leveraged new technologies to empower more staff members with improved accessibility and collaboration mechanisms.

In addition to continuing the ongoing employee welfare and staff engagement programs, a new skills development initiative was kicked off during the year. The training and development unit carried out a Business English Communication Course conducted by Ubiquity University, with the objective of improving language and communication skills of staff members from various professional fields within the organisation.

The Company ensured that all salaries were paid on time, bonuses were released, and annual increments were granted to its employees despite the challenging financial environment that prevailed during the year. Annual performance appraisals were conducted, and employees were acknowledged and encouraged for their performance excellence. Continuing the Group policy on employee reward and recognition, the annual long service awards presentation was held under the auspices of the senior management of Tokyo Cement.

Compliance Status

The Tokyo Cement Group is fully compliant with the Shop and Office Act and the Factories Ordinance and did not face any fines or penalties during the year under review for non-compliance, or delays in compliance, with any applicable labour regulations. All statutory employee dues have been paid in full and on time, including EPF and ETF payments and gratuity payments. There have been no material issues pertaining to employees and industrial relations of the Company and the Group during the year.

Employee Profile

Total number of employees of the Group stood at 1,445 as at 31st March 2022.

Group workforce as at 31st March 2022

Company	2021-22		2020-21	
	Non-Executives	Executives	Non-Executives	Executives
Tokyo Cement Company (Lanka) PLC	379	117	398	119
Tokyo Cement Power (Lanka) (Pvt) Ltd	68	9	66	9
Tokyo Eastern Cement Company (Pvt) Ltd	205	13	191	11
Tokyo Supermix (Pvt) Ltd	527	96	529	75
Tokyo Super Aggregate (Pvt) Ltd	27	4	29	4
Total	1,206	239	1,213	218



CSR OVERVIEW

REINFORCE

We believe in creating and maintaining the right structures in order to safeguard the things that matter the most - protecting valuable resources even amidst turbulent conditions.

Mangroves are a natural infrastructure that provide protection to our coastlines - depending on strong roots to prevent erosion and bring stability to the surrounding ecosystem.

CSR OVERVIEW

“THE CSR OVERVIEW HIGHLIGHTS THE ACHIEVEMENTS OF TOKYO CEMENT GROUP’S SOCIO-ENVIRONMENTAL INITIATIVES THAT SET EXAMPLES FOR OTHERS TO FOLLOW AND WILL CONTINUE TO BEAR FRUIT FOR FUTURE GENERATIONS. THESE PROJECT MILESTONES REFLECT THE DETERMINATION OF THE COMPANY’S CORPORATE SUSTAINABILITY MANAGEMENT TEAM AND VARIOUS PROJECT PARTNERS INVOLVED.”

INTRODUCTION

Tokyo Cement Group’s socio-environmental initiatives are planned and executed in a manner in which the Company is able to create a lasting impact on the lives of the people, the environment, and the nation. The projects described herein signify how these far-reaching sustainability initiatives are interwoven with Tokyo Cement’s core business practices.

This year, the Company had to face many challenges whilst taking these programs forward due to the disruptions during the pandemic and its immediate aftermath. However, by working hand-in-hand with diverse project partners in each program, Tokyo Cement was able to overcome these challenges through sheer determination which added more value to the lasting benefits these programs offer.

ON THE ENVIRONMENT

For several decades Tokyo Cement Group has focused on a set of carefully selected areas of conservation that require a deep, long-term commitment to make a positive transformation. These science-driven, sustainable conservation efforts deliver tangible outcomes that have enriched the Company’s business charter in return.

This year’s report highlights the achievements of the key programs undertaken by the company that set examples for others to follow and will continue to bear fruit for future generations. Tokyo Cement had the opportunity to showcase these successful case studies at the ‘Valuing Biodiversity: A Business Case’ webinar co-hosted by Biodiversity Sri Lanka, as a testament to the Company’s commitment to sustainability.

Mangroves Reforestation

Each year, the mangrove nursery at the Tokyo Cement Factory produces over 10,000 plants belonging to eight native species for the Mangrove Reforestation Project. During the year, 8,000 new saplings were successfully added to the coastal mangrove habitats with help from the project partner, the Sri Lanka Navy Eastern Command. This brings the total to 77,000 mangrove trees planted since the inception of the project.

The Sri Lankan Navy (Navy) organised a mangrove planting event in Talaimannar in February, for which Tokyo Cement supplied 300 plants raised at the nursery in Trincomalee. Further, the Company supplied more than 3,500 saplings for a coastal conservation project initiated by the Navy, which aims to plant mangrove trees in and around the lagoons in Jaffna and Mannar Districts.



A ship transported 3,500 saplings from the Tokyo Cement Mangrove Nursery in Trincomalee to Jaffna

Symbolizing the longstanding partnership with the Navy as a champion in marine conservation, Mr. S. R. Gnanam, Managing Director of Tokyo Cement Company (Lanka) PLC and Mr. K. Mahesan, Government Agent/District Secretary of Jaffna graced the mangrove planting event at the Ponnalei causeway at the entrance to Karainagar Island.



Mr. S.R. Gnanam, Managing Director of Tokyo Cement Company (Lanka) PLC joined the Commander of the Northern Naval Area, Rear Admiral Priyantha Perera at the mangrove planting event held at the Ponnalei causeway.

The Navy has so far planted over 20,900 mangrove trees grown at the Tokyo Cement mangrove nursery in Trincomalee, along the Eastern and Northern coastal belts. Trees planted in Karainagar in 2018 have now flourished to become a thriving mangrove habitat. This partnership helps immensely to extend the reach and impact of the mangrove conservation program.



The mangroves planted by the Navy in 2018 in Kareinagar, Jaffna have now become a full-grown mangrove habitat (photo courtesy: SL Navy Northern Command)

Forestry Nursery Programme

The two forest plant nurseries situated at the Trincomalee factory and the Mahiyangana power plant produced over 12,500 plants during the year under review, with the objective of propagating endangered native forest tree varieties such as Kumbuk, Karanda, Mee, and Ingini.



With help from various project partners Tokyo Cement Forest Tree planting program makes a great contribution to the national reforestation efforts

Together with various partners such as, the Central Environmental Authority (CEA), Civil Defence Department (CDD), Geological Surveys and Mines Bureau (GSMB), Forest Department, Sri Lanka Mahaweli Authority, various Divisional Secretariats and farmers' organisations and community groups, the program made a significant contribution to the national reforestation projects carried out in Trincomalee, Mahiyangana, Kantale and Polonnaruwa.

Adding impetus to this far-reaching endeavour, Tokyo Cement partnered with the Ministry of Environment for the "Ivuru rakina Pawuru" project that aims to conserve the Mahaweli riverbanks. By planting 200,000 Kumbuk and Mee trees along the river, the project intends to reinforce the banks and prevent soil erosion.



Hon. Mahinda Amaraweera, Minister of Environment and Mr. S.R. Gnanam, Managing Director of Tokyo Cement exchanged the MOU for the Ivuru Rakina Pawuru project

Tokyo Cement Group stepped forward to support this profound endeavour as part of its national duty, by signing a MOU to fully sponsor the 3-year project and also supply Kumbuk and Mee saplings required for the program.



Hon. Mahinda Amaraweera, Minister of Environment planted the first Kumbuk sapling provided by Tokyo Cement Group during the inaugural Ivuru Rakina Pawuru tree planting event held in Manampitiya

Under the patronage of Tokyo Cement, the Ministry plants the trees with help from provincial state institutions, Sri Lanka Army, local schools, and community groups. They will also undertake to protect and look after the plants that will fortify and nourish the water catchment ecosystem of the Mahaweli River.

CSR OVERVIEW



Over 39,300 Kumbuk and Mee trees were planted on the Mahaweli Riverbanks during the launch phase of Ivuru Rakina Pavuru project

During the six months since the launch in Manampitiya last July, Ivuru Rakina Pavuru project has planted more than 39,300 Kumbuk and Mee plants along the Mahaweli riverbanks. Planting programs were held in Dimbulagala, Kantale, and Mahiyangana areas, covering the Polonnaruwa, Ampara, Trincomalee, Badulla district sections of the river.

Marine Biodiversity Conservation

Tokyo Cement Group continued its marine biodiversity conservation projects with help from partner organisations that include the Blue Resources Trust (BRT), the Sri Lanka Navy (Navy), Foundation of Goodness (FoG) and Ocean Resources Conservation Association (ORCA).

The objectives of the project were; to set an example of effective and sustainable marine ecosystem protection program, and enrich the body of knowledge available for future conservationists and policymakers for prudent decision making.



An Acropora coral colony and a Montipora colony seen on fully acclimatised reef balls planted by ORCA in Rumassala

The coral reef restoration program deploys upcycled ready mix concrete reef balls, that gradually get acclimatised as artificial substrate where new corals will grow. So far, the partner groups have helped to deploy 1,040 reef balls in areas such as Kankesanthurai, Kuchchaveli, Trincomalee, Pasikuda, Polhena, Nilwella, Mirissa, Unawatuna, Rumassala, Seenigama and Kalpitiya. Each of these areas are under the observation of partner marine conservation organisation.



Reef balls planted by ORCA in Rumassala in December 2019 had become fully acclimatised coral substrate by December 2021

The most encouraging results were reported from the Southern coastal sites, where thriving coral colonies were observed on the reef balls deployed by the Navy and ORCA teams, during the 2018 and 2019 planting seasons. Favourable marine weather conditions and dedicated aftercare for the newly planted nubbins and reef balls have ensured the successful adoption of the reef balls by the surrounding coral colonies.



14 reef balls planted by SLN in Unawatuna in 2017 have been completely transformed into thriving coral colonies

In addition to coral reef restoration, BRT proceeded with the 9-year research project to assess the critical habitats of endangered and threatened elasmobranchs around Northern Sri Lanka, with the support of Tokyo

Cement Group. Other key partners of this study are The Linnaeus University, Save Our Seas Foundation, Shark Conservation Fund, Marine Conservation and Action Fund of the New England Aquarium, and Ocean Park Conservation Foundation Hong Kong. By evaluating the habitats of elasmobranchs; a unique group of fish with cartilage skeletons such as sharks and rays, the aim is to help formulate sustainable fishing policy recommendations to prevent overfishing.



This long-term study of elasmobranchs aims to make policy recommendations for sustainable fishing practices

At the beginning of the year a research station was established in Jaffna to facilitate the field surveys being carried out in Mathagal, Myliddy and Usmanthurai areas. Findings from the research so far helped develop recommendations to the "Convention on International Trade in Endangered Species of Wild Fauna and Flora" through a Non-Detriment Finding of Sri Lanka's guitarfish and wedgefish species (rays), by the Department of Fisheries and Aquatic Resources and the Department of Wildlife Conservation. The recommendations included prohibiting the export of products originating from 3 ray species for a period of 3 years, and recommendations to the Ministry to fully protect 3 ray species in Sri Lanka.

Reef Species Identification and Reef Management Workshop for Department of Wildlife

Tokyo Cement hosted 26 Marine Park Officers attached to the Department of Wildlife Conservation (DWC) for a 2-day training workshop on coral reef management. The workshop held in Hikkaduwa comprised an in-depth training conducted by renowned marine biologists and coral conservation experts attached to Blue Resources Trust (BRT) and Ocean Resources Conservation Association (ORCA), partners in the Tokyo Cement Group's Coral Reef Conservation program.



Marine Park Officers of the DWC will get actively involved in coral reef management at the marine parks around the island

In addition to the training on coral species identification and reef management, the session was followed by a field snorkel dive and survey techniques training at the Hikkaduwa National Marine Park, that included an underwater coral survey and care of reefs.



The workshop included a snorkel diving session that provided a training on underwater coral survey and care of reefs

The objective of the workshop was to establish a long-term partnership with the Department of Wildlife Conservation to increase the reach and impact of the Tokyo Cement Group's coral reef restoration and marine biodiversity conservation initiatives. The training will enable Marine Park Officers to get actively involved in coral reef management at marine parks around the island that are under the purview of the Department of Wildlife Conservation.

Renewable Energy Generation

The renewable energy generation program of Tokyo Cement Group faced one of the most challenging years as a result of the severe shortage in sourcing agricultural waste for the power plants. Due to the serious setbacks experienced in the agriculture sector of the country over the last two harvesting seasons, maintaining an adequate supply of agriculture waste proved to be a near impossible task.

CSR OVERVIEW

However, supply channels were maintained at sufficient levels to run the production process with support from the farming communities in Mahiyangana & Trincomalee. The 600,000 Gliricidia trees planted at the beginning of the year, added to the 7 million trees planted since the inception of the program, allowed the Company to uphold its green energy goals during the year amidst very difficult circumstances.

Most importantly, by sourcing the raw material from rural suppliers and local farming communities, a major portion of the Company's energy cost which otherwise would flow out to import fossil fuels is retained within the country. Biomass energy generation is an important factor in establishing national energy security during fossil fuel and forex crises. The Tokyo Cement Group pioneered this renewable energy movement in Sri Lanka and is 100% energy independent, fulfilling the entire energy requirement of the Company's cement manufacturing operations.

ON OUR COMMUNITIES

Despite intermittent disruptions, Tokyo Cement Group conducted the community engagement programs that create long-term value for various stakeholder groups throughout the year. This was made possible mainly due to the dedication of the project partners and internal teams who oversee the successful execution of these far-reaching community outreach programs.

In a milieu of intensifying macroeconomic pressures on the lives of people, there has been no better time than now, to share the value Tokyo Cement creates through its business operations across every rung of society. The project milestones discussed herein testify to the profound impact Tokyo Cement Group is able to make on individual lives from every corner of the island. Reinvesting back into the nation has always been a guiding principle of these outreach activities.

Fountain of Life Drinking Water Project

During the year under review, Tokyo Cement Group was able to bestow three 'Fountain of Life' Water Purification Plants to three rural villages in the Anuradhapura district. Nearly 2,000 residents in these three villages were faced with severe difficulties in accessing clean drinking water for their day-to-day survival.

The first 'Fountain of Life' project for the year was inaugurated in Siyambalagaswewa in Mihintale. 650 villagers from 171 low-income families were endowed with access to drinking water through the installation of a 5000 litres per day water purification system.

People of Siyambalagaswewa, whose key livelihood is based on chena cultivation and freshwater fishing from the famous Mahakandarawa Wewa, were struggling with many difficulties in accessing potable water. Chronic Kidney Disease of uncertain origin (CKDu) had afflicted several residents of the village, while posing a great threat on the lives of the children and vulnerable groups of the community.



Tokyo Cement Group's 'Fountain of Life' provides clean drinking water to the people of Siyambalagaswewa in Mihintale

Two farming communities in Veheragala in the Rambawa division and Dachchidamana in Medawachchiya were the beneficiaries of the next stage of Tokyo Cement Group's 'Fountain of Life' purified drinking water project. Both villages were under the severe threat of CKDu with a patient in almost every other household or family, given their position in the farming heartland in the Anuradhapura district in North Central Sri Lanka.

Over a 1,000 people belonging to 268 families in Veheragala and nearly 200 individuals belonging to 48 families in Dachchidamana benefit from the 'Fountain of Life' drinking water systems.



More than 1,200 people in Veheragala and Dachchidamana benefits from the Fountain of Life drinking water projects

The Rural Development Department of North Central Provincial Council and Medawachchiya Divisional Secretariat extended their fullest cooperation to execute the project. The village development societies at each location wholeheartedly welcomed this much needed resource on behalf of their communities. The voluntary support of farmer community groups ensures the sustainable upkeep of the water facility for the benefit of many generations to come.



Representatives of the Mihindu Grama Sanwardana Samithiya - Siyambalagaswewa, and the Rural Development Department of North Central Provincial Council, welcoming the Tokyo Cement 'Fountain of Life' water purification plant to their village

With the installation of 'Fountain of Life', Tokyo Cement provides these villagers not only access to clean drinking water but also the promise of a new lease on life. Tokyo Cement Group's 'Fountain of Life' project has supplied a cumulative capacity of 36,500 litres of purified drinking water per day to over 4,400 people in Pallankulama, Dachchidamana, Nawakkulama and Siyambalagaswewa; in Anuradhapura and Veravil, Valaippaadu and Veerapandiyamunai in Kilinochchi within a short span of two years.

Knowledge and Skills Development for Construction Sector Professionals

Tokyo Cement Group continued the training seminars for the construction sector professionals. These seminars were conducted across the island, for masons, development officers, technical officers, and engineers with the objective of enhancing skills, workmanship standards, and technical knowledge. They were organised with support from the Tokyo Cement dealer network and regional sales teams.



Seminar conducted for Technical Officers and Engineers in Vavuniya



Masons' Capacity Building Seminar held in Avissawella



A training session held for Development Officers

This year, the Company successfully engaged more than 2,200 construction sector professionals through 39 sessions held across the country, despite the challenges faced due to the pandemic. The success of the program lies entirely on the deep commitment of the stakeholder capacity building team of Tokyo Cement Group, that includes professional trainers and regional sales teams, who ensure a comprehensive learning experience for the participants.

School Nutrition Programme

Tokyo Cement Group continued the compassionate undertaking of the Founder Chairman, Deshamanya A.Y.S. Gnanam by sponsoring the mid-day meal for over 300 students in Thiriyaya Maha Vidyalaya in Trincomalee. The children are provided with a nutritious meal through this program in order to encourage school attendance, enabling them to complete their primary education.

Tokyo Cement - FOG Cricket Coaching Academy

Tokyo Cement Group continued the multi-pronged activities aimed at rural cricket development together with the project partner, The Foundation of Goodness. The

long-term objective of the initiative is to make a positive impact on the lives of school cricketers from remote backgrounds, by giving them access to quality training to hone their cricketing talent.



A Cricket Coaching session held at the Hindu College in Manipay with the participation of 55 young schoolboy cricketers

This year the training camps underwent multiple setbacks due to the pandemic, as a result of which, different age group sessions had to be combined to make up for the lost time. However, the Foundation of Goodness was able to resume the Southern and Northern cricket coaching camps with the sheer determination and full participation of young cricket enthusiasts.



Young cricketers from the North are groomed to reach their fullest potential at the Cricket Coaching Camp

The Foundation of Goodness (FoG) maintains and operates the Hikkaduwa Sri Sumangala MCC Lords and Seenigama Sri Wimala Buddhi Surrey Oval cricket training facilities, under the full patronage of the Tokyo Cement Group. Regular cricket coaching sessions are conducted free of cost by renowned coaches at the two training centres with indoor and outdoor practice nets. Northern coaching camps were held in Mullaitivu, Kilinochchi, and Manipay in Jaffna.

CSR OVERVIEW



The Cricket Coaching Camps enable talented girls and boys from remote backgrounds to achieve a successful sporting career

The A.Y.S. Gnanam Village Heartbeat Empowerment Centre

The people from townships around Dambulla, whose main livelihood is farming and agriculture related activities, have started to reap the wide-ranging benefits offered by the A.Y.S. Gnanam Village Heartbeat Empowerment (VHE) Centre formed in collaboration with the Foundation of Goodness.

The VHE Centre is a unique holistic rural development concept ideated by the Foundation of Goodness. It uses skills development to enhance knowledge and aptitude of communities, who otherwise do not have access to required resources, in a bid to uplift their standard of living and bridge the urban-rural divide.

The VHE Centre situated in Sisirawatte, Dambulla, conducts education courses free of cost for Primary to Grade 5 students from low-income families. In addition, vocational training courses in computing, dress making, and cookery are conducted, to open up better employment opportunities for youth and young adults. A series of extracurricular programs that include planetary health education, a good values initiative, and the

Goodness Agriculture initiative, coupled with Volleyball practice, are conducted with the objective of inculcating essential life skills and social values among the next generation of citizens.



The A.Y.S. Gnanam Village Heartbeat Centre offers free educational support for Grades 1-5 students

With the onset of pandemic lockdowns, the Centre could not continuously carry out its regular activities. However, classes were conducted using online methods and to facilitate uninterrupted engagement, the students were provided with mobile data connectivity by the VHE Centre.



Students were provided with mobile data connectivity to facilitate online education during the lockdowns

The students were also encouraged to take part in multiple extracurricular activities that widen their scope and prepare them to be global citizens with well-rounded knowledge

and experience. For example, younger students took part in this year's UN climate action and quality education challenge during the lockdown period together with their family members. This inspired them to engage with nature and explore new learning methods that make staying at home more interesting and fulfilling.



Young students engaged in a tree planting program to mark the World Environment Day, as part of their holistic learning experience

We are proud to have paved the way for some of the beneficiaries to start their own small-scale entrepreneurial venture using the skills gained at the A.Y.S. Gnanam VHE Centre. These humble milestones prove the value that the Centre creates for the community, and especially towards childhood development and women's empowerment.

Through this comprehensive outreach program Tokyo Cement Group has been able to transform the lives of more than 886 beneficiaries from 9 remote villages around Dambulla-Kandalama area. The A.Y.S. Gnanam VHE Centre caters to students from 6 schools in the area, who use the improved learning opportunities on offer to broaden their horizons.



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REFORM

We continue to weather the winds of change - shaping ourselves with the passage of time to ensure we remain dynamic, and deliver enduring value to our surroundings in the years to come.

Rock formations are sculptural masterpieces created by nature and its elements often defy the odds. These lasting structures are the result of years of exposure to change, and represent a continuing journey of transformation.

CORPORATE GOVERNANCE

“THE INTERNAL CONTROLS AND GOVERNANCE SYSTEM ADOPTED BY THE COMPANY ARE CAREFULLY FINE-TUNED TO REPRESENT INDUSTRY BEST PRACTICES AND GLOBALLY RECOGNISED OPERATIONAL GUIDELINES. THEY ARE ALIGNED TO MEET STRINGENT REGULATORY COMPLIANCE PREREQUISITES OF ITS OPERATIONS.”

Corporate governance is a key driving factor of the company's strategic direction as it provides the necessary checks and balances for the leadership to guide organisational performance, whilst diligently discharging their fiduciary duties. Tokyo Cement Company (Lanka) PLC abides by the corporate governance guidelines in order to establish a higher degree of confidence among all its stakeholders. Whilst earning the credibility and respect of peers, partners, investors, employees and customers alike, the governance protocols adhered by the Company have allowed Tokyo Cement to become the industry leader that sets an example for others to emulate.

Defined by the principles of sustainable growth built on the triple bottom-line framework comprising of people, planet and profits, Tokyo Cement's corporate governance policy has enabled the Group to grow and gain market share as a responsible corporate citizen. Furthermore, these ethical business practices have helped Tokyo Cement Group to build a robust brand equity that has stood the test of time and continues to grow steadily, as a truly Sri Lankan corporate entity that creates value for the entire nation.

THE BOARD OF DIRECTORS

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

The Board of Tokyo Cement has upheld a philosophy of maintaining best practices with regards to governance policies, mechanisms, and procedures. The Board is guided by the highest ethical standards in its policy making as a sustainable business committed to creating long term value for the country, people, and stakeholders.

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

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

Appointments to the Board

In accordance with the Companies Act No 7 of 2007, the Board of Directors are appointed by the shareholders at the Annual General Meeting. Under Article 107, Directors are authorised to fill any casual vacancies or as an addition to the existing directorate. Please refer the Annual Report of the Directors for new appointments/changes to Board composition during the year under review.

Composition of the Board

As at end March 2022, the Tokyo Cement Company (Lanka) PLC Board of Directors consisted of ten (10) members. There are two (2) Executive Directors and one of them is the Managing Director. Eight (8) Directors are Non- Executive Directors, of which, five (5) Directors are Independent Non-Executive Directors, including the Chairman. Three (3) Directors are Non-Executive Directors, and one Non- Executive Director is a Nominee Director of UBE Singapore Holdings Pte. Ltd., Tokyo Cement's technology partner.

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

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

BOARD SUBCOMMITTEES

In conformity with Listing Rules of the Colombo Stock Exchange, Tokyo Cement has established four Board subcommittees: Audit Committee, Remuneration Committee, Nomination Committee and Related

Party Transactions Review Committee. The composition of the Committees is fully compliant with the Listing Rules. The committees are fully functional and have continued to meet during the year under review to ensure specialised inputs to the Board.

Please refer the respective Committee Reports for details regarding the composition and activities of the committees during the year under review.

INTERNAL CONTROL AND MONITORING

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

The Tokyo Cement internal control system cascades down through the Board subcommittees and the corporate management.

The corporate management is responsible for implementing Board directions and policies at operational levels. A structured reporting process is in place to ensure reporting and communications flow from top-down and bottom-up.

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

An Internal Audit team has been established to monitor and measure the adequacy of the internal controls implemented by the management.

Internal Audit is empowered to review the systems and controls in accordance with a Board approved audit plan, which is reviewed and improved continually. These audits encompass all operational units and their respective processes and procedures.

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

IT Governance

Tokyo Cement has, a formal set of protocols and reporting procedures in place reflecting best practices in IT governance, together with dedicated and qualified staff to ensure optimum utilisation of IT facilities. All investments in IT are authorised following in-depth assessments of fitness and feasibility and a cost-benefit analysis. The Board is directly involved in the IT governance process and periodically reviews the status quo of the IT system and provides direction on safeguarding and enhancing IT assets.

During the year, regular IT risk assessments were conducted to safeguard against potential threats including cyber crime and cyber fraud and business disruptions. Software licenses, anti-virus and firewall software were maintained up to date to protect IT systems from external threats, while internet usage and mail server operations were monitored. IT governance concerns, if any, were tabled at the Audit Committee meetings, where relevant actions were recommended in consideration of potential risks, impacts and other prudential criteria.

During the year, emphasis was placed on continuous improvements to the IT systems in line with the Company growth plans. Tokyo Cement has invested extensively in modern IT systems some of which are operated and

managed centrally, with IT facilities also deployed at the factories. The Company's growing stock of IT assets includes multiple systems and applications that are used in the operation and management of all business activities.

Environment, Society and Governance (ESG)

Tokyo Cement has continued to conduct its business activities in a socially and environmentally responsible manner to minimise any negative environmental impacts to the best of its abilities, and to ensure accountability and ethical conduct in all interactions with external stakeholders.

During the year under review, the Company continued its ongoing environmental and social welfare programs, which are described in the CSR Overview. The information provided therein will enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported by Tokyo Cement.

Going Concern

The Board has discharged its statutory responsibility towards the going concern basis and has ensured prudent cash flow management and maintained strict financial controls across all operational aspects.

To ensure the financial sustainability of the Company, the Board has made suitable resource allocations, together with well-structured investment strategies, following continuous assessments of macro systematic risk factors. These precautions have ensured the Company is financially sustainable and has adequate financial and non-financial resources to continue operations into the foreseeable future.

Transparency

The Board of Tokyo Cement believes in transparent and accountable business practices and has stringently followed all statutory reporting requirements to inform shareholders, regulatory authorities and other stakeholders of the status of the Company. The Company did not face any fines or

CORPORATE GOVERNANCE

penalties for delays in statutory reporting during the current financial year. Statutory requirements pertaining to the dissemination of quarterly accounts and the release of the Annual Report and Audited Financial Statements have been complied with, within the stipulated time frame.

The Board discloses full information, both financial and non-financial, within the bounds of commercial realities. Being the only cement manufacturer listed on the Colombo Stock Exchange, it is committed to a responsible business philosophy.

Investor Relations

During the year, the Company maintained regular communications with corporate and individual shareholders and kept them informed of the financial status of the Company. In addition, shareholders are provided the opportunity to ask questions freely at the General Meeting. The investor relations team also conducts meetings with institutional investors and analysts to discuss the Company's performance on a quarterly basis. Sensitive information, that may not be available to other shareholders, such as information that could influence share prices, are not divulged, during such meetings, to ensure fairness by all shareholders.

Shareholder Value and Returns

The Tokyo Cement policy is to enhance shareholder wealth in the long term as well as in the short term. Therefore, the Company strategies are developed not only in the context of short-term profitability, but also to create long term returns through share price increases and enhanced shareholder assets, together with regular and fair distribution of profits. During the current financial year, the Company continued with its capital investment programs, which is aimed at future value creation for shareholders.

STATEMENT OF COMPLIANCE

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

During the current financial year, Tokyo Cement has remained fully compliant with all applicable regulatory requirements.

The Group adheres to regulations and codes of best practices etc. adopted by different governing bodies including the following:

- The Companies Act No 07 of 2007
- Listing rules of the Colombo Stock Exchange
- The Code of best practice on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka
- The Inland Revenue Act No 24 of 2017, VAT Act No 24 of 2002 and other revenue related regulations and subsequent amendments
- Exchange Control Act and subsequent amendments
- Customs Ordinance
- Consumers Affairs Authority Act
- Sri Lanka Electricity Act
- Central Environment Authority Act
- Other legislations and pronouncements relating to the industry in force.

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

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)	✓
02	The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.2 (a)	✓
03	Specified whether the Non-Executive Directors submitted a Declaration annually of his/her independence or non-independence to the Board of Directors - Rule 7.10.2 (b)	✓
04	Confirmed that the Board of Directors made an annual determination as to the independence or non-independence of each Non-Executive Director based on the Declaration mentioned above and other information available to the Board and states the names of Non-Executive Directors determined to be 'Independent' - Rule 7.10.3 (a)	✓
05	If the Director does not qualify as 'Independent', but if the Board taking into account all the circumstances is of the opinion that the Non-Executive 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)	✓
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)	✓

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

AUDIT COMMITTEE REPORT

In accordance with the Listing Rules of the Colombo Stock Exchange and the 'Code of Best Practice on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, Tokyo Cement Company (Lanka) PLC has a fully functional Audit Committee, which meets regularly.

AUDIT COMMITTEE MEMBERS

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

MEETING OF THE AUDIT COMMITTEE

The Audit Committee met five times during the year. The attendance of the members at these meetings was as follows:

- | | |
|---------------------------------|-----|
| → Mr. R. Seevaratnam - Chairman | 5/5 |
| → Mr. Ravi Dias | 5/5 |
| → Mr. Asite Talwatte | 4/5 |

CHARTER OF THE BAC

The Charter of the Board Audit Committee (BAC) is approved by the Board and clearly defines the Terms of Reference of the Committee and is regularly reviewed to ensure that new developments relating to the Committee's functions are addressed.

COMPOSITION OF THE BAC

As defined by the Listing Rules and the 'Code of Best Practice', the BAC comprises three Independent Non-Executive Directors and two members of the Committee are qualified Chartered Accountants. There were no changes to the composition of the BAC during the year under review.

The Chairman, Managing Director, Group Chief Operating Officer, General Manager Finance, Internal Auditors and relevant Senior Managers are invited to attend meetings as and when required.

TERMS OF REFERENCE

The BAC reports directly to the Board of Directors regularly, regarding its activities and review and recommendations. The

BAC assists the Board of Directors in general oversight of financial reporting, risk management, internal controls. The BAC mandate includes:

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

- Procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account.
- Effectiveness of financial reporting system is in place to ensure reliability of the information provided to the stakeholders.
- Accounting policies to determine most appropriate accounting policies after considering all choices available. Process by which compliance with Sri Lanka Accounting Standards, Companies Act No 7 of 2007 and other regulatory provisions relating to financial reporting and disclosures are ensured.
- Revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.
- The annual report and interim financial statements prepared for publication, prior to submission to the board.

- **Supervision of internal audits:** The BAC regularly interacts with the Internal Audit team to assess effectiveness of financial control systems and to make recommendations to the Board. The Audit Committee monitors and guides the Internal Audit Department which performs audits according to the plan

of activities which covers financial and operational audits, risk assessments and IT security reviews.

- **Monitor compliance:** The BAC is empowered to monitor and examine Company compliance with laws and regulations and also adoption of the best practices.
- **Recommendations regarding auditors:** The BAC makes recommendations regarding the appointment and reappointment of external auditors.

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

As required under best practices, the BAC met five times during the 2021/22 financial year and proceedings of the meetings were reported to the Board of Directors regularly.

- The Committee monitored compliance with statutory requirements and the systems and procedures that are in place to ensure compliance with such requirements.
- The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency, and due professional care. The reports of the Internal Audit Department were reviewed, discussed by the Committee, and corrective measures were initiated when required.
- The Auditors were provided with access to all requested information and relevant personnel to ensure that the Auditors had the independence to discuss and express their opinions on any matter. It provided the assurance to the Committee that the Management has fully provided all information and explanations requested by the Auditors.
- The Committee reviewed the business processes in operation in order to evaluate the effectiveness of the internal controls that have been designed to provide reasonable assurance to the directors that assets are safeguarded, and that the financial reporting system can be relied upon in preparation and presentation of the financial statements.

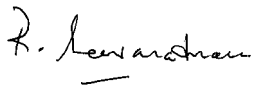
INDEPENDENCE OF AUDITORS

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 Messrs BDO Partners for the financial year ending 31st March 2023.

CONCLUSION

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



Mr. R. Seevaratnam

Chairman – Audit Committee

18th August 2022

REMUNERATION COMMITTEE REPORT

Tokyo Cement Company (Lanka) PLC has a Remuneration Committee in conformity with the Listing Rules of the Colombo Stock Exchange. The Committee reports directly to the Board and ensures that no Director determines his own remuneration and is involved in deciding competitive remuneration packages to attract and retain top management personnel. Tokyo Cement has adopted policy, linked to short and long terms targets, as its remuneration policy for Executive Directors and senior managers.

COMPOSITION OF THE REMUNERATION COMMITTEE

There were no changes to the composition of the Remuneration Committee during the year under review.

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

REMUNERATION COMMITTEE MEMBERS

- Dr. Harsha Cabral, PC - Chairman
- Mr. R. Seevaratnam
- Mr. Ravi Dias

TERMS OF REFERENCE

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

- Make recommendations to the Board, regarding specific remuneration packages of the Senior Management Team.
- Recommend any contract of employment or related contract with the Senior Management Team and determine the terms of any compensation package in the event of early termination of the contract of any member of Senior Management Team.
- The committee has the authority to seek independent external professional advice on matters within its purview.

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

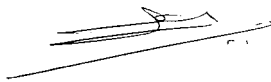
SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

The Remuneration Committee met four times during the year. The attendance of the members at these meetings was as follows:

- | | |
|------------------------------------|-----|
| → Dr. Harsha Cabral, PC - Chairman | 4/4 |
| → Mr. R. Seevaratnam | 4/4 |
| → Mr. Ravi Dias | 4/4 |

Remuneration levels of senior managers were reviewed, and recommendations were made to maintain these at levels sufficient to attract and retain the Senior Management Team of the Company. The decisions on the matters relating remuneration of the Senior Management Team were arrived in consultation with the Chairman and Managing Director.

Directors' emoluments in aggregate for Executive and Non-Executive Directors for the year under review are disclosed in note 8 to the financial statements in page 116.



Dr. Harsha Cabral, PC
Chairman - Remuneration Committee

18th August 2022

NOMINATION COMMITTEE REPORT

Tokyo Cement Company (Lanka) PLC's Nomination Committee reports directly to the Board, to ensure the Board of Directors represent adequate diversity of expertise and experience to ensure prudent but strategic direction for the Group. The Committee ensures there is a combination of varied skills and knowledge within the Board to overcome the risks faced by the Group in pursuit of its strategic objectives, by reviewing and recommending suitable candidates to be appointed to the Board.

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

COMPOSITION OF THE NOMINATION COMMITTEE

There were no changes to the composition of the Nomination Committee during the year under review.

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

MEMBERS OF THE NOMINATION COMMITTEE

- Dr. Harsha Cabral, PC – Chairman
- Mr. S. R. Gnanam
- Mr. R. Seevaratnam
- Mr. Ravi Dias

TERMS OF REFERENCE

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

- Balance and diversify the effectiveness and composition of the Board.
- Identify and recommend suitable candidates as Directors to the Board.
- Make recommendations on matters referred to, by the Board.

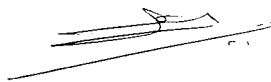
SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

During the year under review the Nomination Committee met four times during the year. The attendance of the members at these meetings was as follows:

→ Dr. Harsha Cabral, PC - Chairman	4/4
→ Mr. S.R. Gnanam	4/4
→ Mr. R. Seevaratnam	4/4
→ Mr. Ravi Dias	4/4

The Committee deliberated potential new appointments for the year and recommended new appointments to the Board of Directors.

Evaluated the eligibility of the Directors who have offered themselves for re-election/re-appointment to the Board and made necessary recommendations to the Board.



Dr. Harsha Cabral, PC
Chairman - Nomination Committee

18th August 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee has been established as directed by the Section 09 of the Listing Rules of the Colombo Stock Exchange and 'Code of Best Practice' on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka. The Committee reports directly to the Board and is authorised to review all Related Party Transactions ensuring compliance with and legal requirements, concerning the transaction.

COMPOSITION OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

There were no changes to the Committee composition during the year under review.

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

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

TERMS OF REFERENCE

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

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

Its responsibilities are as follows:

- Evaluate any proposed related party transactions and make recommendation to the management and the Directors on the appropriate procedures that should be adopted by the Company to align with the Listing Rules and the Code of Best Practices on Related Party Transactions.

- Review any post quarter confirmations on related party transactions.
- Review the threshold for related party transactions to decide whether it requires shareholders' approval or immediate market disclosures.
- Review and assess ongoing relationships with any related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remain appropriate.

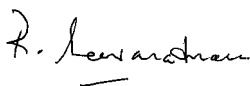
SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

The committee met four times during the year under review. The attendance of the members at these meetings was as follows:

- | | |
|---------------------------------|-----|
| → Mr. R. Seevaratnam - Chairman | 4/4 |
| → Mr. Ravi Dias | 4/4 |
| → Mr. Asite Talwatte | 4/4 |

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

The Committee was of the view that the transactions are on normal commercial terms and are not prejudicial to the interests of the Entity and its minority shareholders and that an independent expert is not necessary prior to forming its view on the transaction.



Mr. R. Seevaratnam

Chairman - Related Party Transactions Review Committee

18th August 2022

RISK MANAGEMENT

The resilient financial performance of the Tokyo Cement Group reflects a healthy risk management protocol employed by the Group. Given the unprecedented levels of operational risk that prevailed during the year, Tokyo Cement was able to navigate through these obstacles with agility, ingenuity, and experience gained over four decades of industry leadership. The risk management approach comprising of several layers of mitigation structures, safeguarded the Company's performance against the deep shocks that disrupted the business environment. Backed by continuous oversight of the Board, Subcommittees, and Executive Management, Tokyo Cement's risk management protocol allowed the Company to maintain its market position, with minimum impact on its long-term growth potential.

The key risks identified during the year rose from the continued uncertainty around the pandemic, and the sharp decline in the Country's financial position that exposed all economic sectors to extraordinary levels of turbulence.

Through careful analysis of the risks associated with the pandemic, Tokyo Cement was quick to adjust its operations to the new normal and prepared thorough action plans to mitigate its impact. Modern operational infrastructure allowed the Company to efficiently meet demand, whilst empowering sales and production arms with greater control over market related risk factors.

Tokyo Cement was able to minimise the impact of rising import costs through tactical interventions in sourcing and procurement management. However, the Company had to absorb the foreign exchange loss caused by the rapid Rupee depreciation. This is an unavoidable consequence of being dependent on imported raw materials, whilst being required to establish 180-day credit periods with suppliers. With prudent planning and far-sighted decision making, the Company was able to significantly curtail the impact of the economic downturn on its financial performance.

RISK MANAGEMENT STRATEGIES

The risk management process involves risk identification, assessment, and prioritisation, against short term operational and mid to long term strategic objectives of the Group. The administrative and operational activities of the Group are executed within an internal control system that help manage the risks associated with the enterprise. Therein, the Group adopts the following three main strategies to mitigate identified risks:

1. Avoiding the risk.
2. Reducing the negative impact/probability of occurrence of the risk or accepting some or all of the potential or actual consequences of a particular risk or explore the possibility in converting any unavoidable risk into an opportunity.
3. Transferring the risk.

BOARD INVOLVEMENT IN RISK MANAGEMENT

At Tokyo Cement, the Board of Directors are directly involved in the risk management process by identifying potential risks, in consultation with the senior management team. They collaborate in developing effective systems to manage identified risks within the risk appetite of the Group, either to eliminate the cause or mitigate its impact, to provide a reasonable assurance towards achieving the organisational objectives.

FRAMEWORK FOR DEFENCE APPROACH

Tokyo Cement has implemented the three lines of defense on its risk management model across the Group and all operations. This approach ensures the involvement of all personnel in the risk management process.

1ST LINE OF DEFENCE Risk Identification

- Risks are identified by the operational units
- Evaluate and manage risks within the approved framework of policies set by the Board of Directors

2ND LINE OF DEFENCE Response Mechanism

- The management will work in close relationship with the business units, to ensure that uncertain events are appropriately identified and managed
- Evaluate the impact vs probability of the risks, vis-a-vis available mitigation approaches to assess the viability of each alternative strategy
- Devise appropriate mitigating action plans to be executed

3RD LINE OF DEFENCE Monitoring and Oversight

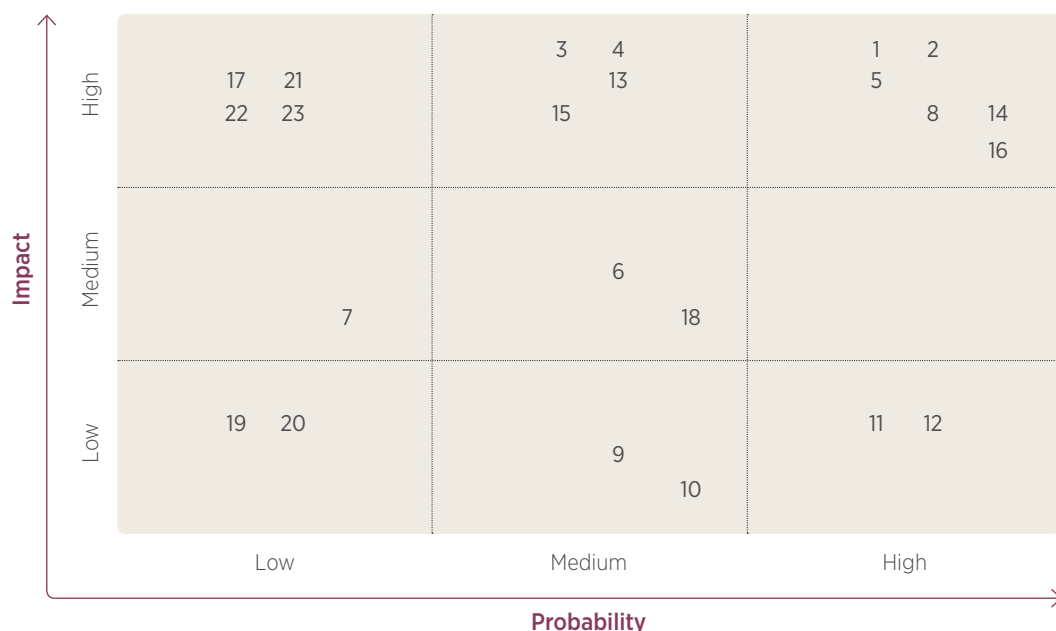
- The Internal Audit Function independently assesses the efficiency and effectiveness of the processes executed by the first and second lines of defence
- The Audit Committee maintains continuous visibility across the complete process, in order apprise the Board of Directors of policy adaptiveness

RISK MANAGEMENT

QUANTITATIVE AND QUALITATIVE ASPECTS OF RISK MANAGEMENT

Both the quantitative and qualitative aspects of risks are considered when evaluating potential threats. The quantitative risk assessment examines potential losses, and the probable impact on the business in the eventuality of an identified risk. The probability of any significant risk that has a quantitative impact above the predefined tolerance level is closely monitored, to mitigate its impact. Quantitative risks are measured as gross risk and net risk, where the gross risk assessment involves the measurement of possible impact, in the absence of any mitigating actions. On the other hand, the net risk assessment considers possible losses the company is compelled to bear, subject to the mitigating actions taken. Major risks that have already been identified by the company are depicted in the following diagram, and details are provided in the accompanying table below.

TOKYO CEMENT GROUP RISK ASSESSMENT MATRIX



No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
-----	---------------	---	--------------------	---------------------------	-----------------------------------

Financial Risks

1.	Macro-Economic Risk	→ Economic instability due to budget deficits, current account deficits, unemployment, inflation, and balance of payment deficits have led to the downgrading of country's sovereign credit rating. → This can have adverse impacts on business operations of the group including raw material imports. → The threat of imposing restrictions on selected imports, higher taxation and/or temporary suspension to discourage imports, was high in this environment.	●	●	→ The Company works closely with its banking partners to ensure available credit lines for raw material imports are not impeded in any way, other than by statutory level restrictions that apply across all imports. → The Company managed the product mix by giving a higher weightage to local production. → The Group maintains strong relationships with the relevant stakeholders, and banking partners who play a vital role in insulating the Company's financial position against the negative impact of the country's credit ranking.
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No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
2	Currency Risks	→ More than 60% of raw materials are imported. → The Rupee continued to depreciate throughout the year, increasing the cost of production. → The cost of raw material imports is negatively impacted by the Rupee depreciation, and as a result of operating on a 180-day LCs. → Forex illiquidity created challenges in establishing LCs to import raw materials.	●	●	→ Closely monitor currency rate forecasts and fluctuations. → Take necessary actions to appeal for a revision of controlled retail price. → Enter forward buying contracts with foreign suppliers for future procurements. → Continuous evaluation of net open forex exposure.
3.	Credit Risk	→ The construction industry continued to experience liquidity constraints, due to delays in payments for state sector projects. → Potential losses due to impairment of receivables. → Increasing working capital cycles stressing cashflow management.	●	●	→ Formal credit policies and procedures were deployed, in consideration of the creditworthiness of each customer. → Ensure credit facilities are backed by bank guarantees. → Continuous reviewing systems are in place to monitor and report outstanding trade debts. → Strengthened credit processes across businesses sectors.
4	Interest rate risk	→ Interest rate volatility will have a significant impact on the Group, increasing the finance costs and particularly in the case of import demand loans (IDLs). → Rising interest rates reduce borrowing for new construction development, driving down market demand.	●	●	→ Continuous negotiations with banks and financial institutions to secure the best rates for the Groups' borrowing and investments. → Maintain long-term interest rate agreements. → Prudent treasury management. → Maintain an appropriate mix of floating rate and fixed rate debt structure. → Close monitoring of interest rate movement with an intention of restructuring the debt mix (fixed Vs floating and LTL Vs STL). → Persistent follow-up with debtors within the credit period to minimise finance costs.
5	Refinancing / Liquidity Risk	→ Potential for financial stress and impaired ability to meet future debt obligations. → Unavailability of sufficient funds impacting smooth functioning of day-to-day operations of the group.	●	●	→ Restructuring of debt and enhancement of adequate banking facilities. → Maintaining a sound cash position. → Cash flow forecasting and rescheduling of payment plans. → Capital expenditure would be postponed due to long-term fixed rates for new investments.

● High ● Medium ● Low

RISK MANAGEMENT

No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
Market & Strategic Risks					
6	Geopolitical Risk	→ The threat of large regional players dumping cement into the local market. → Increase in fuel prices as a result of the Russia and Ukraine war.	●	●	→ Long-term contract with raw material suppliers. → Increase consumer awareness on quality standards and product differentiation to build brand loyalty.
7	Local Political Risk	→ The Group's main manufacturing facilities are in Trincomalee and Colombo, whilst Ready-mix plants and Cement distributions points are located throughout the island. → Curfews imposed to curtail political instability may impact distribution, and market access.	●	●	→ Backward integration to reduce dependency on external suppliers and service providers. → Take proactive measures to coordinate with the Distributors and Dealer Network to avoid accessibility and availability issues.
8	Subdued Demand	→ Demand for cement and cement-based products may decline due to reduced purchasing power as a result of inflation, and severely weakened Rupee. → Increasing interest rates will deter borrowing for new development investments, thereby potentially postponing new construction projects.	●	●	→ Focus on new customer acquisition. → Implement reward schemes for distributors. → Improve after sales services especially for value added products. → Work with banking partners for new financing opportunities for potential customers.
9	Risks from competitor products	→ New manufacturing facility launched in Hambantota may have an impact on market share. → Availability of low-quality imported products and other substitute brands.	●	●	→ Increase the strength of distribution channels. → Maintain uncompromising quality standards. → Build strong and reliable relationships with the sales and distribution network. → Educate customers and purchase decision influencers, such as masons and engineering professionals, on product performance and benefits.
10	Environmental risks	→ Extreme weather events, such as, floods and severe droughts affecting the primary production processes and renewable energy generation process.	●	●	→ Diversify the renewable fuel sources used for power generation, such as agricultural waste as an alternative to renewable fuel wood. → Diversify product portfolio to maintain revenue streams.
● High ● Medium ● Low					

No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
11	Risks from acquisitions and investments	→ Adverse impact due to changes to financial structure, failure to integrate employees, processes, technologies and products, and social and political changes.	●	●	→ Rigorous forecasting and analysis of acquisitions, investments, and methods of financing. → Maintain and uphold shareholder confidence. → Continuous study of macro environmental factors affecting shareholder dynamics. → Implementation of reward and recognition programs to ensure low employee turnover. → Retention programs focused on employees with long tenure with the company.

Operational Risks

12	Reputational Risk	→ Tokyo Cement is considered the leading Cement manufacturer in Sri Lanka. → Negative PR due to foreseen or any unforeseen event can have a significant impact on the Company's Brand Equity.	●	●	→ Adhering to the strictest of standards across all business operations from environmental to employee welfare, financial and governance compliance. → Carryout impactful CSR programs that permeate the value created by the Company across multiple rungs of society (Please refer CSR section in this report). → Maintain uncompromising quality standards.
13	Business Interruption Risk	→ Operation interruptions due to lockdowns and travel restrictions. → Health and safety of employees. → Transportation infrastructure breakdowns arising due to shortages in fuel supply.	●	●	→ Enable remote working to facilitate uninterrupted operations whilst upholding health & safety guidelines. → Educate employee regarding safety measures implemented. → Facilitate virtual meeting platforms to conduct statutory meetings such as AGM, board meetings etc. → Deploy proactive measures to ensure uninterrupted operation of the supply network by working closely with Distributors and Dealers.

● High ● Medium ● Low

RISK MANAGEMENT

No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
14	Volatility of raw material prices and discontinuation of key supply chains	→ Raw material prices have been continuously increasing due to global supply chain shortages and cost increases. → Depreciation of the Rupee and longer supplier credit periods reduce the accuracy of which of goods can be forecasted. → Rising freight rates further impact costs of imported raw materials.	●	●	→ Enter long-term supplier contracts to reduce volatility of raw material prices. → Expand the supplier base. → Adopt efficient production methodologies via R&D.
15	Availability of raw materials	→ Interruption to manufacturing process due to non-availability of raw materials.	●	●	→ Long-term contracts with reliable material suppliers. → Expand the supplier base. → Product development to use locally sourced raw materials whilst maintaining stipulated product quality standards. → Maintaining a larger inventory of raw materials to mitigate unplanned shortfalls.
16	Disruptions and cost increases associated with inbound and outbound transportation and logistics	→ Continuous increase of freight rates and limited availability of vessels. → Local transportation costs concerning both inbound and outbound logistics have been on a continuous rise due to fuel shortages and non-availability of logistics operators.	●	●	→ Negotiate with inbound and outbound logistics operators, for long-term fixed rate contracts. → Strengthen and build stronger, more reliable relationships with the outbound local distribution networks seeking mutual benefit. → Work closely with Distributors and Dealers to ensure uninterrupted operation of the supply network
17	Employee health and safety including occupational health	→ Sickness, injury, or loss of life. → Potential for pandemic related infections within working environments.	●	●	→ Comprehensive safety protocols in place to manage pandemic situations and/or any other health and safety hazards. → High levels of health and safety awareness nurtured as part of the Tokyo Cement culture → Comprehensive health insurance program that covers all employees and dependents → Fitness and well-being programs made available for staff

● High ● Medium ● Low

No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
18	Production Technology Related Risks	→ Wear and tear and deterioration of machinery leading to reduced efficiency. → Breakdowns and unplanned maintenance of plants and machinery resulting in lost output.	●	●	→ Scheduled maintenance and continuous evaluation of machinery. → Maintaining an inventory of spare parts for immediate repairs. → Timely replacement of deteriorated components. → In-house and overseas training for staff. → Regular and continuous technology transfer from UBE Industries Ltd., Japan.
19	Quality Risks	→ Adverse impact on sales volume due to returns and damages. → Deterioration of consumer trust in the case of product non-compliance.	●	●	→ Strict quality maintenance in terms of ISO 9001 Quality Management System and compliance with SLS requirements. → Continuous stringent quality testing of raw materials and finished products before dispatch. → Independent testing at a regular frequency for external oversight. → Online Quality Management Systems for cross company review and real-time verification. → Product demonstrations and training provided to customers' sites to mitigate user error.
20	Legal and Compliance Risk	→ Possible legal fees, fines, penalties, and payouts. → The operations of the company should be compliant based on local regulations and laws.	●	●	→ Timely action and follow up with the legal consultation. → Objective and progressive engagement with policy makers and stakeholder organisations, such as industry representative associations and trade chambers.
21	Data Protection Risk and IT Governance	→ The risk of potential compromise or corruption of data. → The risk of not being able to purchase and deploy certain business- critical IT applications and/or software upgrades in a timely manner due to shortage of USD.	●	●	→ All the critical applications are continuously upgraded to meet the latest security standards. → Negotiate with banks for on-time fund transfer accessibility for software purchases. → Back up procedures, password controls, firewalls, malware, and anti-virus protections are implemented.

● High ● Medium ● Low

RISK MANAGEMENT

No.	Risk Exposure	Description of Risks & Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
22	Information System Availability Risk	→ Use of web-based applications and platforms. → Services can be affected due to global geopolitical situation. → Risk of non-availability of certain IT Infrastructure products or systems. Services can be affected due to Infrastructure and equipment failure. → Adverse impact on loss of confidentiality, integrity, and non-availability of systems. → Current shortage of technology equipment as well as shipment delays resulting in non-availability of certain critical technology components for service providers.	●	●	→ Hiring of certain IT equipment and/or infrastructure facilities/services, as a stop-gap measure. → Continuously test and upgrade, applications, systems, and networks to safeguard against vulnerabilities and potential threats. → Continuous monitoring of network stability. → Maintain alternative back up connectivity with service providers. → High level service agreements maintained with service providers.
23	Cyber Security Risk	→ Cyber attacks or Ransomware attacks. → Critical systems and websites can be affected due to such attacks.	●	●	→ Mitigation activities in place. → Implement disaster recovery plans. → Have appropriate tools and teams to mitigate the risk. → Frequent awareness programs implemented.

● High ● Medium ● Low

A close-up photograph of a large colony of fire ants floating on the surface of water. The ants are densely packed, their reddish-brown bodies and legs creating a complex, interconnected network. Some ants are visible on the water's surface, while others are partially submerged. The background is a blurred, dark green, suggesting a natural outdoor setting.

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RECONFIGURE

We know that together, we can achieve anything - relying on our collective strength to create a buoyant, resilient entity that can navigate uncertain territories in search of new avenues of growth.

When a fire ant colony is flooded, the inhabitants link together and use their natural buoyancy to form a structure similar to a life raft that can last for weeks on end - which enables them to chart their way across the water towards a more suitable habitat.

FINANCIAL CALENDAR

Interim Reports

Quarter ended 30th June 2021	6th August 2021
Quarter ended 30th September 2021	2nd November 2021
Quarter ended 31st December 2021	9th February 2022
Quarter ended 31st March 2022	31st May 2022
Annual Report - 2021/22	25th August 2022
Fortieth Annual General Meeting	29th September 2022

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

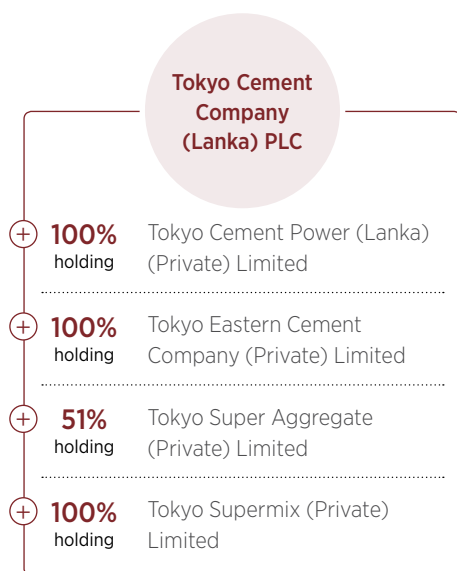
ABOUT THE COMPANY

Listed in the Colombo Stock Exchange in 1984, Tokyo Cement Company (Lanka) PLC was incorporated in 1982 and holds the distinction of being Sri Lanka's first privately owned cement manufacturer and one of the country's leading heavy industries. One of the oldest private sector foreign collaborations in Sri Lanka, the Company was established as a Joint Venture between Japan's Nippon Coke and Engineering Company, (formerly Mitsui Mining Company) and Sri Lanka's St. Anthony's Consolidated (Private) Limited, under the aegis of the founder of Tokyo Cement, Deshamanya A. Y. S. Gnanam. In 2017, Tokyo Cement entered a new technical collaboration with Ube Singapore Holdings Pte. Ltd to further enhance the quality of the product.

THE TOKYO CEMENT GROUP

Tokyo Cement Group Structure

As at 31st March 2022, the Tokyo Cement Group comprised four (04) subsidiaries.



PRINCIPAL ACTIVITIES

The Company's core activity is the manufacturing of Ordinary Portland Cement, Portland Pozzolana Cement and Blended Hydraulic Cement. The Company also manufactures value added products, such as Tile Adhesives, Water Proofing Products, Pre-Mix Concrete, Ready-Mixed Concrete and CLC Blocks. The Company is also involved in renewable energy generation.

Please refer the Chairman's Message and the Managing Director's Review for details of the Company's activities during the financial year 2021/22.

BOARD OF DIRECTORS AND BOARD SUBCOMMITTEES

Board of Directors

Director	Designation	Board Attendance
Dr. Harsha Cabral, PC	Chairman and Independent Non-Executive Director	8/8
Mr. S. R. Gnanam	Managing Director	8/8
Mr. W. C. Fernando	Director	8/8
Mr. A.S.G. Gnanam	Non-Executive Director	7/8
Mr. E. J. Gnanam	Non-Executive Director	6/8
Mr. Yaoki Hashimoto	Non-Executive Director & Nominee Director of Ube Singapore Holdings Pte. Ltd (Appointed on 1st April 2021)	8/8
Mr. R. Seevaratnam	Independent Non-Executive Director	8/8
Mr. Ravi Dias	Independent Non-Executive Director	8/8
Mr. Asite Talwatte	Independent Non-Executive Director	8/8
Dr. Indrajit Coomaraswamy	Independent Non-Executive Director	8/8

BOARD SUBCOMMITTEES

Four Board subcommittees existed to support the Board in its decision making and to improve management effectiveness of the Company. Each subcommittee has been constituted under specific terms of reference, in conformity with the listing rules of the Colombo Stock Exchange. The subcommittees are:

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

The terms of reference and reports of the committees are given on pages 74 - 78 of the Annual Report.

CHANGES TO THE BOARD SUBCOMMITTEES

In compliance with the Colombo Stock Exchange directive on disclosures regarding changes to Board subcommittees, we have made provisions for automatic disclosures in case of any such changes. Therefore, all Board subcommittees and all members of Board subcommittee have been listed with the quarterly financial statements released to the Colombo Stock Exchange and shareholders.

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

There were no changes to the Board or Board's subcommittees during the year under review other than the appointment of Mr. Yaoki Hashimoto with effect from 01st April 2021.

DIRECTORS' MEETINGS

The Board of Directors met 8 times during the year under review and 5 circular resolutions were adopted by the Board of Directors of the Company.

INDEPENDENT DIRECTORS

The Board noted that under Rule 7.10.3, it should make a determination annually as to the independence or non-independence of each Non-Executive Director based on a declaration made of their independence or non-independence against the specified criteria and such declaration and other information available to the Board should be set out in the Annual Report with the names of Directors determined to be 'independent'.

The Board assessed the Directors Independence in accordance with standards established by the CSE and Corporate Governance Rules. The Board noted that Mr. R. Seevaratnam and Dr. Harsha Cabral, PC, had served on the Board for a period exceeding nine years from the date of the first appointment.

The Board of Directors having reviewed all the relationship Mr. R. Seevaratnam and Dr. Harsha Cabral, PC has with the Company, and having considered all the facts and circumstances, determined that Mr. R. Seevaratnam and Dr. Harsha Cabral, PC are nonetheless independent and are in any way not impaired in performing the responsibilities of an Independent Director, although they had served on the Board for a period exceeding nine years from the date of the first appointment.

DECLARATION OF DIRECTORS INDEPENDENCE OR NON-INDEPENDENCE

Independent Directors of the Board

1. Dr. Harsha Cabral, PC
2. Mr. R. Seevaratnam
3. Mr. Ravi Dias
4. Mr. Asite Talwatte
5. Dr. Indrajit Coomaraswamy

A signed declaration by the five Independent Directors regarding their independence, was submitted to the Board and was duly evaluated by the Board. The Board assessed the Directors' independence in accordance with standards established by the CSE and Corporate Governance Rules.

RECOMMENDATIONS FOR RE-ELECTION

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

1. To re-elect Mr. Elijah Jeyaseelan Gnanam, who retires by rotation under Article 114 and is eligible for re-election.
2. To re-elect Mr. Yaoki Hashimoto, who retires by rotation under Article 120 and is eligible for re-election.
3. To re-elect as a Director, Dr. Indrajit Coomaraswamy, who is up for retirement under the Articles of Association and Section 211 of the Companies Act No 7 of 2007, for the age limit referred to, in Section 210 of the Companies Act No 7 of 2007, as he is over the age of 70 years.
4. To re-elect as a Director, Mr. Ranjeevan Seevaratnam, who is up for retirement under the Articles of Association and Section 211 of the Companies Act No 7 of 2007, for the age limit referred to, in Section 210 of the Companies Act No 7 of 2007, as he is over the age of 70 years.

5. To re-elect as a Director, Mr. Warnakulasuriya Christopher Fernando, who is up for retirement under the Articles of Association and Section 211 of the Companies Act No 7 of 2007, for the age limit referred to, in Section 210 of the Companies Act No 7 of 2007, as he is over the age of 70 years.
6. To re-elect as a Director, Mr. Arul Selvaraj Gunaseelan Gnanam who is up for retirement under the Articles of Association and Section 211 of the Companies Act No 7 of 2007, for the age limit referred to, in Section 210 of the Companies Act No 7 of 2007, as he is over the age of 70 years.

DIRECTORS' INTERESTS

The Directors' Interests in the Company contracts appear on pages 140 - 144 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.

PUBLIC SHAREHOLDINGS

Tokyo Cement Company (Lanka) PLC is fully compliant with Section 7.13.2 of the Listing Rules of the Colombo Stock Exchange regarding the minimum public holding's requirement set out in section 7.13.1.

As at end March 2022, the percentage of voting shares held by the public was 39.16% and 100% of non-voting shares were publicly held.

DIRECTOR'S / CEO'S SHAREHOLDING - ORDINARY SHARES

Directors / CEO's Shareholding	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021
St. Anthony's Consolidated (Private) Limited	73,507,172	73,507,172	-	-
Mr. A. S. G. Gnanam	14	14	-	-
Mr. S. R. Gnanam - Managing Director/CEO	14	14	-	-
Mr. E. J. Gnanam	14	14	-	-
UBE Singapore Holdings Pte. Ltd.	26,730,000	26,730,000	-	-
Mr. Yaoki Hashimoto (Non-Executive Director & Nominee Director of UBE Singapore Holdings Pte. Ltd.	-	-	-	-
Mr. W. C. Fernando - Director	3,995	3,995	71,280	71,280
Independent Non-Executive Directors				
Mr. R. Seevaratnam	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. Indrajit Coomaraswamy	-	-	-	-
	100,241,209	100,241,209	71,280	71,280

EQUITABLE TREATMENT TO SHAREHOLDERS

The Directors at all times ensured that all shareholders were treated equitably.

INTEREST REGISTER

As stipulated by the Companies Act No. 07 of 2007, Tokyo Cement Company (Lanka) PLC has continued to maintain and update its Interest Registers during the year under review.

RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing rules given in note 32 on pages 140 - 144 of the Annual Report.

APPOINTMENT OF LAWYERS

Having reviewed the dynamics of the external environment, the Board of Directors have determined to appoint company lawyers on a case-by-case basis, based on the Group's legal requirements and required legal specialisations.

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 31st March 2022, is given in notes 29 and 30 on page 135 of the Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation and presentation of Financial Statements of the Group and Company, to reflect a true and fair view of the state of affairs. The Statement of Directors' Responsibilities for the Financial Statements is given on page 94 of the Annual Report.

FINANCIAL STATEMENTS

All financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act, and the Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable to the Group.

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar General of Companies. The consolidated financial statements for the year ended 31st March 2022 have been audited by Messrs BDO Partners, Chartered Accountants.

SIGNIFICANT ACCOUNTING POLICIES

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The Board of Directors wish to confirm that there were no changes to the accounting policies adopted by the Company and the Group during the year.

FINANCIAL PERFORMANCE

The financial performance and operating environment that influenced financial performance, of the Group and Company and plans for the future, have been discussed in detail by the Managing Director in the Managing Director's Review of Operations in pages 32 - 34 of this Annual Report. Therefore, we kindly request all interested stakeholders to refer this statement and also the Chairman's Message on pages 28 - 30 of the Annual Report.

SHAREHOLDERS' INFORMATION

This information is provided in pages 149 - 153 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

The 20 major shareholders and the percentage held by each of them as at 31st March 2022 are given on pages 152 - 153.

DIVIDENDS

The Company had been consistently rewarding the shareholders for the past three decades by way of dividend payouts and several bonus issue of shares. However, the financial year 2021/22 had been a mixed year

for the Group. The Group recorded a loss of Rs. 357.8 Mn and the Company loss of Rs. 615.6 Mn, mainly due to:

- forced opening letter of credit at 180 days credit from supplier exposing the risk of exchange loss,
- LKR devaluation resulting in increased amount payable on import bills of Rs. 5.06 Bn for the financial year 2021/22 for the group (and spilling over to the next quarter ending 30th June 2022 of Rs. 3.18 Bn),
- production losses due to curbs placed by the Central Bank of Sri Lanka on import of raw materials and
- COVID-19, and other political and economic instability in the country.

Taking these factors into consideration, the Board, as a prudent measure, has decided not to recommend dividend payout for the financial year 2021/22.

STATED CAPITAL

The total issued stated capital stood at Rs. 4,239,611,750 as at end March 2022 and consists of 267,300,000 ordinary voting shares and 133,650,000 ordinary non-voting shares.

RESERVES

The Group's total reserves decreased from Rs. 17.7 Bn to Rs. 16.6 Bn by 31st March 2022.

STATUTORY PAYMENTS

The Directors to the best of their knowledge are satisfied that all statutory financial obligations to the government and to employees have been either duly paid, or adequately provided for, in the Financial Statements. A confirmation of the same is included in the statement of directors' responsibilities. In addition, a compliance report is submitted to the Board on a quarterly basis regarding the timely payment of all statutory dues.

EVENTS AFTER THE REPORTING PERIOD

Please refer note 36 on page 148.

GOING CONCERN

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

The preparation of financial statements have been done on the going concern basis, as confirmed in the Statement of Directors' Responsibilities on page 94.

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 79 - 86 of this report.

AUDITORS

The independent auditors report on the financial statements has been included in this Annual Report.

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

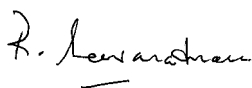
The fees payable to auditors Messrs BDO Partners, Chartered Accountants are given in note 8 on page 116 of the Annual Report. As far as the Directors are aware, the auditors have neither any other relationship with the Company nor any of its subsidiaries, that would have an impact on their independence. 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 103 of the Annual Report.

ANNUAL GENERAL MEETING

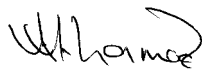
The Fortieth Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held as a virtual meeting without the physical presence of the shareholders, due to economic and other logical conditions not conducive to hold a physical meeting. The Meeting will be held via "ZOOM" Video Conferencing App on Thursday 29th September 2022 at 4.00 p.m. centred Cinnamon Lakeside 115, Sir Chittampalam A Gardiner Mawatha Colombo, Sri Lanka.



Mr. S.R. Gnanam
Managing Director



Mr. R. Seevaratnam
Independent Non-Executive Director



Seccom (Private) Limited
Company Secretaries

18th August 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibility acknowledges the responsibilities of the Directors of Tokyo Cement Company (Lanka) PLC, as defined by the Companies Act No 7 of 2007, for the preparation and presentation of the financial statements and other statutory reports. The responsibilities of the Directors are set out under the following sections of the Companies Act:

- Sections 150(1), 151, 152(1) & 153 of the Companies Act No 7 of 2007, state that the Directors are responsible to ensure compliance with requirements set out therein, to prepare financial statements for each year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the profit and loss of the Company and its subsidiaries of the Group for the financial year.
- In terms of Section 148 of the Companies Act No 7 of 2007, the Directors are also required take appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records, which reflect the true financial position of each such Company and hence the Group.
- In addition to the above, the Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard, to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities, while acknowledging that there is no single system of internal control that could guarantee absolutely against mismanagement or fraud.
- The Directors are also required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered appropriate, to enable them to give their audit opinion.
- In accordance with the above requirement, the responsibility of the Directors, in relation to the financial

statements of Tokyo Cement Company (Lanka) PLC and the consolidated financial statements of the Group, have been discharged as below.

- The Directors of Tokyo Cement Company (Lanka) PLC confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2022, conform to the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No 7 of 2007, and the Listing Rules of the Colombo Stock Exchange.
- The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.
- The financial statements consist of:
 - The Statement of Comprehensive Income and Statement of other Comprehensive Income of the Company and its subsidiaries, which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year.
 - The Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2022 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2022 reflect a true and fair view of the Company and the Group, respectively.
- The Directors have adopted the going concern basis in preparing the financial statements. The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation.

- The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.
- The Auditors were provided with the opportunity to make appropriate inspections of financial records, minutes of Shareholders and Directors' meetings and other documents and to review, and sample check the system of internal controls, as they considered appropriate and necessary, to enable them to form an opinion of the Financial Statements.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies, all contributions, levies, and taxes payable on behalf of, and in respect of, the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in note 30 to the financial statements covering contingent liabilities.

Upholding their responsibilities, the Directors have at all times made all attempts to promote sound business ethics and safety standards, and a culture of compliance within the Group.

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



Seccom (Private) Limited,
Company Secretaries

18th August 2022

INDEPENDENT AUDITOR'S REPORT



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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 audit of the financial statements

Opinion

We have audited the financial statements of Tokyo Cement Company (Lanka) PLC ('the Company') and the consolidated financial statements of the Company and its subsidiaries ('the Group'), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 103 to 148.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our

other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Measurement of Inventories

The Company and the Group had inventories of Rs. 3,866,426,855/- and Rs. 5,459,541,880/- respectively as at 31st March 2022, which represented 33% and 32% respectively of the Company's and the Group's current assets.

The inventory management and controls system relating to inventory maintenance and recording is centralized at the Group level. Further, the value of inventories involves a significant management estimate by the Group at the end of the reporting period. The calculation of inventory quantity is performed based on the consumption of each individual inventory category reported by each component and through verification by management. Further, the calculation of inventory quantity involves measurement factors determined by the external surveyor engaged by the Group.

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

Our audit procedures amongst others included the following:

- Understanding and evaluating the key internal controls surrounding the management's estimate on inventory calculation.
- Assessing the competency, capability and objectivity of the external surveyor engaged by the Group.
- Examining the external surveyor's report and understanding the key estimates made and the approach taken by the surveyor in determining the calculation.
- Testing of the underlying formulae used in the calculations and the validity of data used for such calculations.
- Understanding and evaluating the methodology applied by management to record all appropriate costs into the inventory model and re-performing actual costing calculations to support valuation of inventories.
- Testing the net realizable value of the inventory by comparing with the post year-end sale prices of similar goods.
- Assessing the adequacy of the related disclosures set out in note 16 to the financial statements.

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

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). M.N. Mohamed Nabeel ACA. D. Jerad N. Dias ACA. Madhura V. De Silva FCA, MSc.

INDEPENDENT AUDITOR'S REPORT



Other Information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's Audit. We remain solely responsible for our opinion.



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

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit, and as far as appears from our examination, proper accounting records have been kept by the Company.

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

BDO Partners

CHARTERED ACCOUNTANTS

Colombo
18th August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from contracts with customers	4	52,477,594,950	42,962,431,266	32,157,358,637	22,069,354,476
Cost of sales		(41,065,392,617)	(30,505,273,268)	(27,193,413,071)	(17,967,460,666)
Gross profit		11,412,202,333	12,457,157,998	4,963,945,566	4,101,893,810
Other income	5	45,047,154	49,021,157	12,846,484	44,016,483
		11,457,249,487	12,506,179,155	4,976,792,050	4,145,910,293
Distribution expenses		(5,461,420,115)	(5,059,006,993)	(3,217,667,390)	(2,709,028,477)
Administrative expenses		(1,235,957,052)	(1,197,167,365)	(947,261,204)	(866,236,058)
Profit from operations		4,759,872,320	6,250,004,797	811,863,456	570,645,758
Profit on disposal of vessel		471,788,684	-	471,788,684	-
Dividend income		-	-	2,009,000,000	1,500,000,000
Profit before interest and taxation		5,231,661,004	6,250,004,797	3,292,652,140	2,070,645,758
Finance income	6	82,604,119	75,484,457	34,462,604	24,113,092
Finance expenses	7	(5,603,757,821)	(1,116,492,095)	(3,957,251,977)	(926,780,347)
Profit/(loss) before taxation	8	(289,492,698)	5,208,997,159	(630,137,233)	1,167,978,503
Income tax expenses	9	(68,286,865)	201,978,835	14,565,562	358,729,649
Profit/(loss) for the year		(357,779,563)	5,410,975,994	(615,571,671)	1,526,708,152
Other comprehensive income					
Items that will not be re-classified to the statement of profit or loss					
Re-measurement of defined benefit obligations		88,097,422	(14,805,960)	54,793,256	(11,376,627)
Tax impact on other comprehensive income		(15,057,121)	2,507,137	(9,862,786)	2,047,793
Other comprehensive income/(loss) for the year, net of tax		73,040,301	(12,298,823)	44,930,470	(9,328,834)
Total comprehensive income/(loss) for the year, net of tax		(284,739,262)	5,398,677,171	(570,641,201)	1,517,379,318
Profit/ (loss) for the year attributable to:					
Owners of the parent		(377,647,609)	5,440,256,399	(615,571,671)	1,526,708,152
Non-controlling interest		19,868,046	(29,280,405)	-	-
Profit / (loss) for the year		(357,779,563)	5,410,975,994	(615,571,671)	1,526,708,152
Total comprehensive income/(loss) for the year attributable to:					
Owners of the parent		(305,328,099)	5,428,049,473	(570,641,201)	1,517,379,318
Non-controlling interest		20,588,837	(29,372,302)	-	-
Total comprehensive income/(loss) for the year		(284,739,262)	5,398,677,171	(570,641,201)	1,517,379,318
Basic/Diluted earnings per share (Rs.)					
- Voting	10	(0.94)	13.57	(1.54)	3.81
- Non voting	10	(0.94)	13.57	(1.54)	3.81
Dividend per share					
- Voting	11	-	-	-	2.10
- Non voting	11	-	-	-	2.10

Figures in brackets indicate deductions.

The accounting policies and notes from pages 103 to 148 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	28,555,262,783	28,248,734,618	13,596,876,523	13,389,934,266
Intangible assets	13	64,254,242	75,515,950	25,345,899	34,125,290
Investment in subsidiaries	14	-	-	12,237,176,943	12,237,176,943
Right-of-use assets	15	1,408,962,459	1,518,305,450	1,197,655,188	1,249,100,914
Total non-current assets		30,028,479,484	29,842,556,018	27,057,054,553	26,910,337,413
Current assets					
Inventories	16	5,459,541,880	3,239,784,644	3,866,426,855	2,245,256,668
Trade and other receivables	17	5,363,851,159	4,306,167,422	3,186,707,776	2,657,574,445
Tax receivables	18	-	248,287,940	-	248,287,940
Amount due from subsidiaries	19	-	-	547,442,633	589,094,067
Financial assets at amortised cost	20	8,386,534	7,988,157	-	-
Cash and cash equivalents	21	6,349,580,090	1,489,031,416	4,072,997,493	240,976,328
Total current assets		17,181,359,663	9,291,259,579	11,673,574,757	5,981,189,448
Total assets		47,209,839,147	39,133,815,597	38,730,629,310	32,891,526,861
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	4,239,611,750	4,239,611,750	4,239,611,750	4,239,611,750
Retained earnings		16,596,252,936	17,743,576,035	10,829,500,332	12,242,136,533
Equity attributable to the owners of the parent		20,835,864,686	21,983,187,785	15,069,112,082	16,481,748,283
Non-controlling interest		84,516,314	63,927,477	-	-
Total equity		20,920,381,000	22,047,115,262	15,069,112,082	16,481,748,283
Non-current liabilities					
Interest bearing borrowings	23	1,349,873,335	3,962,571,000	3,750,000,000	3,450,000,000
Deferred tax liabilities	24	1,859,455,057	2,218,343,537	504,266,458	884,225,578
Retirement benefit obligations	25	275,925,307	358,762,229	216,176,559	262,726,645
Lease creditors	26	333,955,726	425,726,490	213,870,467	246,673,204
Total non-current liabilities		3,819,209,425	6,965,403,256	4,684,313,484	4,843,625,427
Current liabilities					
Trade and other payables	27	17,055,440,313	5,362,675,248	11,036,387,426	4,441,816,788
Tax payables	18	159,042,411	14,585,448	126,968,404	-
Amount due to subsidiaries	28	-	-	3,229,357,185	2,963,094,710
Interest bearing borrowings	23	4,187,143,315	4,212,808,150	3,934,567,315	3,965,770,000
Lease creditors	26	86,149,530	94,559,522	32,870,641	35,002,488
Bank overdrafts	21	982,473,153	436,668,711	617,052,773	160,469,165
Total current liabilities		22,470,248,722	10,121,297,079	18,977,203,744	11,566,153,151
Total equity and liabilities		47,209,839,147	39,133,815,597	38,730,629,310	32,891,526,861
Net assets value per share		51.97	54.83	37.58	41.11

Figures in brackets indicate deductions.

The accounting policies and notes from pages 103 to 148 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. H.M. Ajith Kumara

General Manager - Finance

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

Approved and signed for and on behalf of the Board.



Mr. S.R. Gnanam

Managing Director



Mr. W.C. Fernando

Director

Colombo

18th August 2022

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March GROUP	Attributable to owners of the parent			Non-controlling interest	Total equity
	Stated capital	Retained earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01st April 2020	4,239,611,750	12,916,951,562	17,156,563,312	93,299,779	17,249,863,091
Comprehensive income for the year					
Profit/(loss) for the year	-	5,440,256,399	5,440,256,399	(29,280,405)	5,410,975,994
Other comprehensive income/(loss)					
Actuarial loss on retirement benefit obligations	-	(14,693,890)	(14,693,890)	(112,070)	(14,805,960)
Tax relating to other comprehensive income	-	2,486,964	2,486,964	20,173	2,507,137
Total comprehensive income/(loss) for the year	-	5,428,049,473	5,428,049,473	(29,372,302)	5,398,677,171
Dividend to equity holders	-	(601,425,000)	(601,425,000)	-	(601,425,000)
As at 31st March 2021	4,239,611,750	17,743,576,035	21,983,187,785	63,927,477	22,047,115,262
Comprehensive income for the year					
Profit/(loss) for the year	-	(377,647,609)	(377,647,609)	19,868,046	(357,779,563)
Other comprehensive income/(loss)					
Actuarial gain on retirement benefit obligations	-	87,218,408	87,218,408	879,014	88,097,422
Tax relating to other comprehensive income	-	(14,898,898)	(14,898,898)	(158,223)	(15,057,121)
Total comprehensive income/(loss) for the year	-	(305,328,099)	(305,328,099)	20,588,837	(284,739,262)
Dividend to equity holders	-	(841,995,000)	(841,995,000)	-	(841,995,000)
As at 31st March 2022	4,239,611,750	16,596,252,936	20,835,864,686	84,516,314	20,920,381,000

For the year ended 31st March COMPANY	Stated capital	Retained earnings	Total
	Rs.	Rs.	Rs.
	Rs.	Rs.	Rs.
Balance as at 01st April 2020	4,239,611,750	11,326,182,215	15,565,793,965
Comprehensive income for the year			
Profit for the year	-	1,526,708,152	1,526,708,152
Other comprehensive income/(loss)			
Actuarial loss on retirement benefit obligations	-	(11,376,627)	(11,376,627)
Tax relating to other comprehensive income	-	2,047,793	2,047,793
Total comprehensive income for the year	-	1,517,379,318	1,517,379,318
Dividend to equity holders	-	(601,425,000)	(601,425,000)
As at 31st March 2021	4,239,611,750	12,242,136,533	16,481,748,283
Comprehensive income for the year			
Profit/(loss) for the year	-	(615,571,671)	(615,571,671)
Other comprehensive income/(loss)			
Actuarial gain on retirement benefit obligations	-	54,793,256	54,793,256
Tax relating to other comprehensive income	-	(9,862,786)	(9,862,786)
Total comprehensive income/(loss) for the year	-	(570,641,201)	(570,641,201)
Dividend to equity holders	-	(841,995,000)	(841,995,000)
As at 31st March 2022	4,239,611,750	10,829,500,332	15,069,112,082

Figures in brackets indicate deductions.

The accounting policies and notes from pages 103 to 148 form an integral part of these financial statements.

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18th August 2022

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash flow from operating activities					
Profit/(loss) before taxation		(289,492,698)	5,208,997,159	(630,137,233)	1,167,978,503
Adjustments for :					
Depreciation of property, plant and equipment	12 A,B	1,453,294,391	1,356,895,999	767,435,204	692,300,086
Amortisation of intangible assets	13.1 A,B	20,428,482	21,190,090	17,946,165	18,673,271
Depreciation of right-of-use assets	15	109,342,991	57,887,678	51,445,726	51,445,726
Provision for retirement benefit obligations	25	27,633,980	63,584,467	18,777,372	41,840,526
(Profit)/loss on disposal of property, plant and equipment	5	(3,782,222)	12,680,816	(3,782,222)	-
Profit on disposal of vessel		(471,788,684)	-	(471,788,684)	-
Interest expense		504,566,891	1,084,424,685	537,343,475	909,022,338
Write-off of ESC receivables		8,738,426	26,022,163	-	-
Lease interest	7	40,563,512	32,067,410	18,367,493	17,758,009
Unrealised exchange loss		4,044,108,889	-	2,388,006,712	-
Interest income	6	(82,604,119)	(35,908,246)	(34,462,604)	(15,011,938)
Dividend income		-	-	(2,009,000,000)	(1,500,000,000)
Impairment of trade receivables	17.2	-	29,817,570	-	25,510,446
Restatement of liabilities	5	(3,011,254)	(37,876,800)	(3,011,254)	(37,876,800)
Operating profit before working capital changes		5,357,998,585	7,819,782,991	647,140,150	1,371,640,167
(Increase)/decrease in inventories		(2,219,757,236)	252,851,822	(1,621,170,187)	(37,627,125)
(Increase)/decrease in trade and other receivables		(1,068,294,756)	336,057,803	(529,133,331)	24,201,218
Increase/(decrease) in trade and other payables		7,643,180,781	2,866,249,389	4,201,088,533	2,886,671,678
(Increase)/decrease in amount due to/from related parties		-	-	1,440,971,382	2,031,964,424
Cash generated from operations		9,713,127,374	11,274,942,005	4,138,896,547	6,276,850,362
Interest paid		(504,566,891)	(1,084,424,685)	(537,343,475)	(909,022,338)
Income tax paid	18	(47,614,970)	(84,754,749)	-	(26,448,453)
Retirement benefit obligations paid	25	(22,373,480)	(16,493,680)	(10,534,202)	(8,283,245)
Net cash flow from operating activities		9,138,572,033	10,089,268,891	3,591,018,870	5,333,096,326
Cash flow from/(used in) investing activities					
Purchase and construction of property, plant and equipment	12 A,B	(1,862,413,700)	(2,106,911,039)	(1,077,378,605)	(1,481,275,958)
Payments for right-of-use assets		-	(352,522)	-	(352,522)
Intangible assets acquired	13.1 A,B	(9,166,774)	(2,740,309)	(9,166,774)	(220,309)
Interest received		82,205,734	35,543,339	34,462,604	15,011,938
Proceeds from sale of property, plant and equipment		578,162,050	4,500,000	578,162,050	-
Investment in shares - Subsidiary		-	-	-	(200,000,000)
Dividend received		-	-	2,009,000,000	1,500,000,000
Net cash from/(used in) investing activities		(1,211,212,690)	(2,069,960,531)	1,535,079,275	(166,836,851)
Cash flow from/(used in) financing activities					
Repayments of interest bearing borrowings		(13,148,892,480)	(22,151,629,435)	(10,105,980,457)	(13,314,666,507)
Receipts of interest bearing borrowings		10,510,529,990	16,815,373,263	9,242,130,299	9,392,854,022
Dividend paid		(833,508,353)	(595,180,400)	(833,508,353)	(595,180,400)
Lease rentals paid	26	(140,744,268)	(77,405,099)	(53,302,077)	(53,636,363)
Net cash used in financing activities		(3,612,615,111)	(6,008,841,671)	(1,750,660,588)	(4,570,629,248)
Net increase in cash and cash equivalents		4,314,744,232	2,010,466,689	3,375,437,557	595,630,227
Cash and cash equivalents at the beginning of the year	A	1,052,362,705	(958,103,984)	80,507,163	(515,123,064)
Cash and cash equivalents at the end of the year	B	5,367,106,937	1,052,362,705	3,455,944,720	80,507,163

Figures in brackets indicate deductions.

The accounting policies and notes from pages 103 to 148 form an integral part of these financial statements.

NOTES TO STATEMENT OF CASH FLOWS

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Note				
A Cash and cash equivalents at the beginning of the year				
Bank balances and cash in hand	1,489,031,416	429,972,058	240,976,328	205,616,726
Bank overdrafts	(436,668,711)	(1,388,076,042)	(160,469,165)	(720,739,790)
	1,052,362,705	(958,103,984)	80,507,163	(515,123,064)
B Cash and cash equivalents at the end of the year				
Bank balances and cash in hand	6,349,580,090	1,489,031,416	4,072,997,493	240,976,328
Bank overdrafts	(982,473,153)	(436,668,711)	(617,052,773)	(160,469,165)
	5,367,106,937	1,052,362,705	3,455,944,720	80,507,163

Figures in brackets indicate deductions.

The accounting policies and notes from pages 103 to 148 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity – Domicile and legal form

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

1.2 Consolidated financial statements

The consolidated financial statements for the year ended 31st March 2022, comprise “the Company” referring to Tokyo Cement Company (Lanka) PLC as the holding company and “the Group” referring to the companies whose accounts have been consolidated therein.

1.3 Principal activities and nature of operations

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

Entity	Effective holding percentage	Country of incorporation	Nature of business
Company (Parent entity)			
Tokyo Cement Company (Lanka) PLC		Sri Lanka	Manufacturing, importing and marketing of cement and operation of bio-mass power plant
Subsidiaries			
Tokyo Eastern Cement Company (Pvt) Ltd	100%	Sri Lanka	Manufacturing and marketing of cement and value added products and operation of bio-mass power plant
Tokyo Cement Power (Lanka) (Pvt) Ltd	100%	Sri Lanka	Generation of power
Tokyo Super Aggregate (Pvt) Ltd	51%	Sri Lanka	Manufacturing sand and aggregate
Tokyo Supermix (Pvt) Ltd	100%	Sri Lanka	Manufacturing and marketing of ready mix concrete for the local market

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.4 Parent enterprise

Tokyo Cement Company (Lanka) PLC is the holding company of the Group.

1.5 Financial period

The financial period of the Company and its Group represents twelve months from 01st April 2021 to 31st March 2022.

1.6 Date of authorisation for issue

The consolidated financial statements of the Group for the year ended 31st March 2022 were authorised for issue by the Board of Directors on 18th August 2022.

1.7 Responsibility for financial statements

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

These financial statements include the following components:

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

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention, except for the defined benefit obligation (Gratuity), which is measured at the present value of obligation.

2.2 Presentation and functional currency

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

NOTES TO THE FINANCIAL STATEMENTS

the Group uses the currency of the primary economic environment in which they operate as their functional currency which is also Sri Lankan Rupees.

2.3 Statement of compliance

The statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, together with the accounting policies and notes ("financial statements") of the Company and the Group as at 31st March 2022 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No.07 of 2007.

2.4 Going concern

In assessing whether the going concern assumption is appropriate, the management takes into account all available information about the future, which is at least, but is not limited to twelve months from the reporting period such as factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before the management can satisfy themselves that the going concern basis is appropriate.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company and the Group's ability to continue to operate as a going concern. The Management has assessed the anticipated implications of possible lockdowns, low economic growth, changes in government physical and monetary policies and movements of equity and money market on the Group and the Company. In determining the above, significant management judgements, estimates and assumptions including the impact of the current macroeconomic challenges have been considered as of the reporting date and specific disclosures have been made under the relevant notes to the financial statements. Furthermore, management has concluded that the range of possible outcomes considered in arriving

at this judgement including the impacts from COVID-19 pandemic does not give rise to material uncertainties related to the events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and hence have adopted the going concern basis in preparing and presenting these financial statements.

2.5 Comparative information

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

2.6 Materiality and aggregation

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

2.7 Changes in accounting standards

The Group considered the following amendments and improvements, which are effective for annual periods beginning on or after 1st January 2021 and does not expect them to have a significant impact on the Group's financial statements.

- Amendments to SLFRS 16 : Relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic
- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2

2.8 Standards issued but not yet effective

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1: Classification of liabilities as current or non-current

- Amendments to LKAS 1 and SLFRS Practice Statement 2: Disclosure of accounting policies
- Amendments to LKAS 8 : Definition of accounting estimates
- Amendments to LKAS 16 : Prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item.
- Amendments to LKAS 12: Narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences
- Amendments to LKAS 37 : The entity needs to include when assessing whether a contract is onerous or loss-making
- Annual improvements to SLFRS Standards 2018 – 2020 : Classification of liabilities as current or non-current

2.9 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading

- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.10 Basis of consolidations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2022. (A list of subsidiaries is disclosed in note 14 to the financial statements).

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, of other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct

the relevant activities at the time that the decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Inter-company transactions, balances and unrealised gains or losses on transactions among the group of companies are eliminated.

The financial statements of subsidiary companies have been prepared in compliance with the Group's accounting policies.

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

Non-controlling interest

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

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

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

2.11 Significant accounting judgements, estimates and assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

The line items which have the most significant effect on accounting, judgements, estimation and assumptions are as follows:

Critical accounting estimate / judgment	Disclosure note
Going concern	2.4
Useful life of property, plant and equipment	3.3
Impairment of non-financial assets	3.9
Impairment of financial assets	3.10.3
Retirement benefit obligations	3.18.1
Deferred tax liabilities	3.20.2

2.12 Impact of prevailing macroeconomic conditions

The prevailing macroeconomic conditions and their implications have increased the uncertainty of estimates made in the preparation of the financial statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the prevailing macroeconomic conditions and the related actions of stakeholders such as government, businesses and customers.

- the extent and duration of the prevailing macroeconomic conditions due to impact on GDP, capital markets, credit risk of customers, impact of unemployment and possible decline in consumer discretionary spending.
- the effectiveness of Government and Central Bank of Sri Lanka measures that have been put in place in response to the prevailing circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to impairment of financial assets and recoverable amount assessments of non-financial assets, recoverable value of property, plant and equipment and net realizable value of inventory, using assumptions for retirement benefit calculation, determine the temporary difference of deferred tax liability and record the significant amount of unrealised loss.

The impact of prevailing macroeconomic conditions on accounting estimates is discussed under the relevant notes to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

Transactions and balances

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

3.2 Business combination and the goodwill

Acquisition of subsidiaries has been accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred,

measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

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

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or a liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments: Recognition and Measurement are measured at fair value with the changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

The goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of profit or loss and other comprehensive income. After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, the

goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3 Property, plant and equipment

Basis of recognition

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

Basis of measurement

Initial measurement

Property, plant and equipment are initially measured at cost.

Subsequent measurement

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment loss. Such costs include the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group de-recognises the replaced part and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Further, vessel dry docking cost and special survey dry docking cost are also recognised in the carrying amount of the vessel.

Restoration cost

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

De-recognition

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

Depreciation

Depreciation of an asset begins when it is available for use and ceases at earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised. Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives.

If an asset has several components, which can be physically separated from the principal asset and have significantly different useful lives, those shall be recognised separately and depreciated based on their respective useful lives. Significant components are identified based on the components which have a significant cost out of the total value of the principal asset and the components which have significantly different useful economic lives.

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

Category	Years
Buildings and jetty	5-60/ Over the lease period
Furniture and fittings, and equipment	4 - 10
Motor vehicles	4 - 22
Plant and machinery, and equipment	8 -50
Vessel	2 1/2 - 32

Useful lives of property, plant and equipment

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

3.4 Capital work-in-progress

Property that is being constructed or developed for future use as property, plant and equipment is classified as capital work-in-progress and stated at cost until construction or development is completed. The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

An item is included as Capital work-in-progress upon satisfying the recognition criteria stipulated in LKAS 16.

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

3.5 Intangible assets

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

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

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

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

a) Goodwill

The 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.

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

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Impairment is determined for the 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 the 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 the goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to the goodwill are not reversed in future periods.

b) Computer software – Accounting and related software

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

Computer software is amortised over 04 years on a straight line basis. The amortisation period and the amortisation method for computer software are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in the profit or loss.

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

3.6 Investment in subsidiaries

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

3.7 Right-of-use assets recognised under SLFRS 16

a) Right-of-use assets

The Group recognises right-of-use assets when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

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

b) Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low value assets recognition exemption lease payment on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

3.8 Exploration and evaluation of mineral resources

a) Measurement of exploration and evaluation assets

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

- i. Before the exploration for an evaluation of mineral resources, such as expenditure incurred before obtaining the legal right to explore a specific area
- ii. After the technical feasibility and commercial viability of extracting mineral resources is demonstrable
- iii. Expenditure related to the development of mineral resources shall not be recognised as exploration and evaluation assets

b) Measurement after recognition

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

c) Classification of exploration and evaluation assets

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

d) Impairment of exploration and evaluation assets

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

3.9 Impairment of non-financial assets

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

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

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

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

3.10 Financial instruments - Initial recognition and subsequent measurement

3.10.1 Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the Solely Payments of Principal and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both, with the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient others are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss.

The Group's financial assets include cash and short-term deposits, and trade and other receivables.

Subsequent measurement

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

a) Fair value through profit or loss

A financial asset is classified at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss, if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in statement of profit or loss as incurred.

Financial assets at FVTPL are measured initially at fair value, and subsequent therein are recognised in the statement of profit or loss.

b) Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within SLFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income is recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of profit or loss.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

c) Fair value through other comprehensive income

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Company and the Group in a business combination to which SLFRS 3 "Business Combination" applies, are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal of any balance within fair value through other comprehensive income reserve is re-classified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case, the full or partial amount of the dividend is recorded against the associated investments carrying amount.

The Group has debt securities whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Upon disposal of any balance within fair value through other comprehensive income reserve is re-classified directly in the statement of profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement the date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

3.10.2 Financial assets – derecognition

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.10.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.11 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains or losses, including any interest expense, are recognised in profit or loss.

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period, all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

Subsequent measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in the statement of profit or loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

The Group's financial liabilities include interest bearing borrowings, bank overdraft, and trade and other payables which have been explained under notes 21, 23 and 27 to the financial statements.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are

substantially modified such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in the statement of profit or loss.

3.12 Offsetting of financial instruments

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

3.13 Fair value of financial instruments

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

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

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

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

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

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

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

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

3.14 Trade and other receivables

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

3.15 Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Cash and cash equivalents include 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 net of bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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

3.16 Inventories

Inventories are measured at lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the price at which inventories can be sold in the ordinary

course of business less the estimated cost of completion and estimated cost necessary to make the sale.

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

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

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

3.17 Liabilities and provisions

3.17.1 Liabilities

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

Trade and other payables

Trade creditors and other payables are stated at amortised cost.

3.17.2 Provisions, contingent assets and contingent liabilities

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

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

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

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

3.18 Retirement benefit obligations

3.18.1 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 are based on actuarial valuation carried out. The actuarial gains and losses are charged or credited to the statement of other comprehensive income in the period in which they arise.

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd. The actuarial valuations involved making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and the long-term nature of 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 25. 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. Gratuity is presented as non-current liability.

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

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

3.19 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.20 Taxes

3.20.1 Current tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017, Inland Revenue (Amendment) Act No.10 of 2021 and the amendments thereto.

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

Current income tax relating to items recognised directly in equity is recognised in equity and items recognised in other comprehensive income are recognised in other comprehensive income and not in the statement of profit or loss.

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

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

3.20.2 Deferred tax

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

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

- where the deferred tax arising from the initial recognition of the goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- where the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that a sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

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

Deferred tax asset / liability is presented as non-current asset / liability without discounting.

3.20.3 Sales tax

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

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

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

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

3.21 Commitments

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

3.22 Revenue recognition

3.22.1 Revenue from contracts with customers

a) Revenue recognition

The Group recognises revenue when the Group satisfies a performance obligation transferring promised goods or services to a customer, i.e. when the customer obtains the control of those goods or services.

b) Performance obligations and timing of revenue recognition

The Group's revenue is mainly derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgment needed in identifying the point at which control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods.

Under SLFRS 15, the Company determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Company recognises the revenue over time by measuring the progress towards the complete satisfaction of that performance obligation.

c) Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

d) Allocating amounts to performance obligations

For contracts with customers, there is a fixed unit price for each product sold. Therefore, there is no judgment involved in allocating the contract price to each unit in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's stand-alone selling prices (all product lines are capable of being, and are, sold separately).

3.22.2 Other source of income

a) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established and is shown in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

b) Interest income

Interest income is recognised on an accrual basis unless the collectability is in doubt.

c) Other income

All other income is recognised on an accrual basis.

3.23 Expenditure recognition

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

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

3.24 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where the borrowing costs, which are directly attributable to the acquisition, construction or production of qualifying assets which are the assets that necessarily take a substantial period of time to get ready for their 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 capitalisation.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

3.25 Events after the reporting period

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

3.26 Related party transactions

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

3.27 Earnings per share

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Goods transferred at a point in time	52,477,594,950	42,962,431,266	32,157,358,637	22,069,354,476
	52,477,594,950	42,962,431,266	32,157,358,637	22,069,354,476

5. OTHER INCOME

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit on disposal of property, plant and equipment	3,782,222	-	3,782,222	-
Sundry income	38,253,678	11,144,357	6,053,008	6,139,683
Restatement of liabilities	3,011,254	37,876,800	3,011,254	37,876,800
	45,047,154	49,021,157	12,846,484	44,016,483

6. FINANCE INCOME

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest on repo	398,377	364,907	-	-
Interest on money market deposits	82,205,742	35,543,339	34,462,604	15,011,938
Exchange gain	-	39,576,211	-	9,101,154
	82,604,119	75,484,457	34,462,604	24,113,092

7. FINANCE EXPENSES

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest expenses on borrowings	498,771,220	1,057,000,589	434,714,049	902,037,018
Less: Borrowing cost capitalisation	(5,069,402)	-	(5,069,402)	-
Interest on related party borrowings	-	-	104,712,327	-
Interest on lease	40,563,512	32,067,410	18,367,493	17,758,009
Interest expenses on bank overdrafts	10,865,073	27,424,096	2,986,501	6,985,320
Exchange loss	5,058,627,418	-	3,401,541,009	-
	5,603,757,821	1,116,492,095	3,957,251,977	926,780,347

NOTES TO THE FINANCIAL STATEMENTS

7.1 (a) Borrowing cost capitalised

This amount relates to borrowing costs that are directly attributable to the acquisition, construction or production of certain qualifying assets that are being constructed and developed and are shown in note 12 property, plant and equipment. Such borrowing costs are capitalised as part of the cost of the assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably as per LKAS 23.

7.1(b) Rate of capitalisation

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

8. PROFIT/(LOSS) BEFORE TAXATION

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(loss) before taxation is stated after charging all expenses including the following:				
Depreciation on property, plant and equipment	1,453,294,391	1,356,895,999	767,435,204	692,300,086
Amortisation of intangible assets	20,428,482	21,190,090	17,946,165	18,673,271
Directors' emoluments	49,525,000	38,465,000	49,525,000	38,465,000
Loss on disposal of property, plant and equipment	-	12,680,816	-	-
Auditors' remuneration - Audit services	6,709,280	6,274,415	4,200,000	4,000,000
Charity and donations	1,687,672	2,228,894	-	-
Staff cost including all benefits	1,794,640,839	1,428,062,901	946,293,756	734,093,490
Defined benefits cost - Retirement benefit obligations	27,633,981	63,584,467	18,777,372	41,840,526
Defined contribution plan cost - E.P.F. and E.T.F.	155,884,134	127,385,719	81,152,716	67,966,550
Depreciation of right-of-use assets	109,342,991	57,887,678	63,584,467	41,840,526
Research cost	15,197,247	14,270,285	14,139,306	12,771,752
Legal expenses and professional charges	72,405,367	69,743,598	59,453,980	51,189,245
Repairs and maintenance	1,139,838,775	1,021,308,786	802,822,376	630,366,976
Sales commission	1,212,171,512	1,016,917,078	740,385,466	535,812,626
Advertisement expenses	125,768,434	139,283,606	118,795,365	74,855,807
Impairment of trade receivables	-	29,817,570	-	25,510,446

9. INCOME TAX EXPENSES

For the year ended 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current year income tax provision	9.A.1	356,410,508	272,661,363	289,531,025	213,602,865
Under provision in respect of previous years		85,821,958	163,773,268	85,725,319	55,380,825
Deferred taxation provision/(reversal)	9.B	(373,945,601)	(638,413,466)	(389,821,906)	(627,713,339)
		68,286,865	(201,978,835)	(14,565,562)	(358,729,649)

9.A.1 Current year income tax provision

Reconciliation between the current year tax expense and accounting profit/(loss)

For the year ended 31st March		Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(loss) before taxation		(289,492,698)	5,208,997,159	(630,137,233)	1,167,978,503
Income considered separately		(2,197,960,919)	(1,535,908,246)	(2,043,462,604)	(1,515,011,938)
Consolidation adjustment		2,009,000,000	1,509,633,826	-	-
Aggregate disallowable items		5,256,618,522	1,597,823,736	2,784,661,654	818,410,000
Aggregate allowable items		(1,714,474,566)	(1,665,050,077)	(545,426,051)	(642,369,300)
Tax exempt profit		(3,199,608,562)	(5,077,040,626)	-	-
Adjusted income/ (loss) from business		(135,918,223)	38,455,772	(434,364,234)	(170,992,735)
Tax loss not utilised		434,364,234	261,785,565	434,364,234	170,992,735
Tax loss utilised		(132,889,305)	-	-	-
Taxable income from business		165,556,706	300,241,337	-	-
Income considered separately		2,197,960,919	1,535,908,246	2,043,462,604	1,515,011,938
Tax loss utilised		(1,334)	-	-	-
Taxable income		2,363,516,291	1,836,149,583	2,043,462,604	1,515,011,938
Tax liability @24%		45,350,300	8,617,752	8,271,025	3,602,865
Tax liability @18%		29,800,208	54,043,611	-	-
Tax liability @14%		281,260,000	210,000,000	281,260,000	210,000,000
Total tax expense		356,410,508	272,661,363	289,531,025	213,602,865

9.A.2 Current tax attributable to profit or loss and other comprehensive income

For the year ended 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tax attributable to profit or loss	9	356,410,508	272,661,363	289,531,025	213,602,865
Tax attributable to other comprehensive income	9.B	15,057,121	(2,507,137)	9,862,786	(2,047,793)

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSES (CONTD.)

9.A.3 Tax loss carried forward

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tax loss brought forward	2,301,066,528	2,074,966,834	1,742,071,518	1,606,761,654
Adjustment for tax loss	-	(35,685,871)	-	(35,682,871)
Tax loss arising during the year	434,364,234	261,785,565	434,364,234	170,992,735
Tax loss utilised during the year	(132,890,639)	-	-	-
Tax loss carried forward	2,602,540,123	2,301,066,528	2,176,435,752	1,742,071,518

9.A.4 Exempt profit

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

9.B Deferred tax expenses

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Origination / (reversal) of temporary differences arising from				
Accelerated depreciation for tax purposes on freehold property	(9,499,464)	(787,207,144)	(47,453,278)	(753,681,118)
Retirement benefit obligations	(1,773,800)	18,926,817	(1,483,771)	15,738,964
Benefit arising from tax losses	(101,168,388)	165,868,225	(78,185,562)	129,359,170
Right-of-use assets	168,337,258	(5,443,032)	167,141,912	(4,569,335)
Impairment of trade receivables	-	(30,558,332)	-	(14,561,020)
Unrealised exchange loss	(429,841,207)	-	(429,841,207)	-
	(373,945,601)	(638,413,466)	(389,821,906)	(627,713,339)
Other comprehensive income				
Actuarial gain/(loss) on defined benefit obligations	15,057,121	(2,507,137)	9,862,786	(2,047,793)
	(358,888,480)	(640,920,603)	(379,959,120)	(629,761,132)

9.B.1 Deferred tax has been calculated at 18%, 15% and 12% which is expected to apply after the tax exemption period, assuming that the tax rate will not be changed over the specified period.

10. BASIC/DILUTED EARNINGS/(LOSS) PER SHARE

10.1 Basic earnings/(loss) per share

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

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Amount used as the numerator:				
Profit/(loss) attributable to owners of the parent	(377,647,609)	5,440,256,339	(615,571,671)	1,526,708,152
	(377,647,609)	5,440,256,339	(615,571,671)	1,526,708,152
Number of ordinary shares used as the denominator:				
	Nos.	Nos.	Nos.	Nos.
Weighted average number of shares at the year end	400,950,000	400,950,000	400,950,000	400,950,000
- Ordinary voting shares	267,300,000	267,300,000	267,300,000	267,300,000
- Ordinary non-voting shares	133,650,000	133,650,000	133,650,000	133,650,000
Basic earnings per share (Rupee per share)				
- Ordinary voting shares	(0.94)	13.57	(1.54)	3.81
- Ordinary non-voting shares	(0.94)	13.57	(1.54)	3.81

10.2 Diluted earnings per share

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

11. DIVIDEND PER SHARE

For the year ended 31st March	Company	
	2022 Rs.	2021 Rs.
Interim Dividend		
- Ordinary voting shares	-	1.25
- Ordinary non-voting shares	-	1.25
Final Dividend		
- Ordinary voting shares	-	0.85
- Ordinary non-voting shares	-	0.85
Total Dividend		
- Ordinary voting shares	-	2.10
- Ordinary non-voting shares	-	2.10

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

12.A Group

Item	Cost				
	As at 01.04.2021 Rs.	Additions during the year Rs.	Transferred from/ to Rs.	Disposals during the year Rs.	As at 31.03.2022 Rs.
Freehold assets					
Land	1,049,901,532	-	256,964,920	-	1,306,866,452
Buildings and jetty	11,940,568,654	175,800,435	1,311,469,578	-	13,427,838,667
Plant and machinery, and equipment	17,870,170,435	314,231,726	211,868,319	5,010,000	18,391,260,480
Vessels	2,649,681,992	-	-	1,207,443,468	1,442,238,524
Furniture, fittings and equipment	549,817,828	67,622,088	-	410,000	617,029,916
Motor vehicles	2,181,171,855	316,458,372	8,694,000	-	2,506,324,227
	36,241,312,296	874,112,621	1,788,996,817	1,212,863,468	37,691,558,266
Leasehold assets					
Motor vehicles	82,754,000	-	(8,694,000)	-	74,060,000
Sub Total	36,324,066,296	874,112,621	1,780,302,817	1,212,863,468	37,765,618,266
Capital work-in progress	1,890,933,754	988,301,079	(1,780,302,817)	-	1,098,932,016
Grand Total	38,215,000,050	1,862,413,700	-	1,212,863,468	38,864,550,282

12.B Company

Item	Cost				
	As at 01.04.2021 Rs.	Additions during the year Rs.	Transferred from/ to Rs.	Disposals during the year Rs.	As at 31.03.2022 Rs.
Freehold assets					
Land	229,203,216	-	256,964,920	-	486,168,136
Buildings and jetty	7,363,175,441	13,301,994	1,304,720,214	-	8,681,197,649
Plant and machinery, and equipment	7,681,601,791	33,346,946	27,702,500	5,420,000	7,737,231,237
Vessels	2,649,681,992	-	-	1,207,443,468	1,442,238,524
Furniture, fittings and equipment	448,393,951	50,832,749	-	410,000	498,816,700
Motor vehicles	814,911,074	-	-	-	814,911,074
	19,186,967,465	97,481,689	1,589,387,634	1,213,273,468	19,660,563,320
Leasehold assets					
Motor vehicles	74,060,000	-	-	-	74,060,000
Sub Total	19,261,027,465	97,481,689	1,589,387,634	1,213,273,468	19,734,623,320
Capital work-in progress	1,695,989,334	979,896,916	(1,589,387,634)	-	1,086,498,616
Grand total	20,957,016,799	1,077,378,605	-	1,213,273,468	20,821,121,936

	Depreciation				Written down value	
	As at 01.04.2021 Rs.	Charge for the year Rs.	Disposals during the year Rs.	As at 31.03.2022 Rs.	As at 31.03.2022 Rs.	As at 31.03.2021 Rs.
	-	-	-	-	1,306,866,452	1,049,901,532
	2,184,144,226	499,394,490	-	2,683,538,716	10,744,299,951	9,756,424,428
	4,645,882,893	590,467,099	5,420,000	5,230,929,992	13,160,330,488	13,224,287,542
	1,332,033,811	81,859,084	1,104,852,324	309,040,571	1,133,197,953	1,317,648,181
	368,783,809	43,065,681	-	411,849,490	205,180,426	181,034,019
	1,393,094,586	222,485,270	-	1,615,579,856	890,744,371	788,077,269
	9,923,939,325	1,437,271,624	1,110,272,324	10,250,938,625	27,440,619,641	26,317,372,971
	42,326,107	16,022,767	-	58,348,874	15,711,126	40,427,893
	9,966,265,432	1,453,294,391	1,110,272,324	10,309,287,499	27,456,330,767	26,357,800,864
	-	-	-	-	1,098,932,016	1,890,933,754
	9,966,265,432	1,453,294,391	1,110,272,324	10,309,287,499	28,555,262,783	28,248,734,618

	Depreciation				Written down value	
	As at 01.04.2021 Rs.	Charge for the year Rs.	Disposals during the year Rs.	As at 31.03.2022 Rs.	As at 31.03.2022 Rs.	As at 31.03.2021 Rs.
	-	-	-	-	486,168,136	229,203,216
	1,692,950,222	367,969,510	-	2,060,919,732	6,620,277,917	5,670,225,219
	3,383,654,486	266,393,615	5,420,000	3,644,628,101	4,092,603,136	4,297,947,305
	1,332,033,811	81,859,084	1,104,852,324	309,040,571	1,133,197,953	1,317,648,181
	320,866,729	26,162,587	-	347,029,316	151,787,384	127,527,222
	801,787,160	2,491,659	-	804,278,819	10,632,255	13,123,914
	7,531,292,408	744,876,455	1,110,272,324	7,165,896,539	12,494,666,781	11,655,675,057
	35,790,125	22,558,749	-	58,348,874	15,711,126	38,269,875
	7,567,082,533	767,435,204	1,110,272,324	7,224,245,413	12,510,377,907	11,693,944,932
	-	-	-	-	1,086,498,616	1,695,989,334
	7,567,082,533	767,435,204	1,110,272,324	7,224,245,413	13,596,876,523	13,389,934,266

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.C Other Information

- a) During the year, the Group paid Rs. 1,862,413,700/- (2021 - Rs. 2,106,911,039/-) and the Company paid Rs. 1,077,378,605/- (2021 - Rs. 1,481,275,958/-) in relation to acquisition of property, plant and equipment and construction of capital work in progress.
- b) The cost of fully depreciated property, plant and equipment which are still in use as at the reporting date for the Group is Rs. 1,743,207,595/- (2021 - Rs. 1,663,507,437/-) and for the Company is Rs. 1,628,330,515/- (2021 - Rs. 1,548,630,357/-).
- c) Details relating to property, plant and equipment kept as security for borrowings are disclosed in note 31.

12.D Value of land and ownership

Company	Location	Land extent	Number of buildings	Building cost Rs.	Land cost Rs.
Tokyo Cement Company (Lanka) PLC	Elpitiya	Acres 7.50	2	25,322,760	17,906,600
	Colombo	Perches 40.90	-	-	180,982,714
	Negombo	Acres 2.04	-	-	15,638,902
	Dambulla	Acres 5.00	2	104,690,457	14,675,000
	Trincomalee (leasehold)	Acres 44.10	13	2,782,580,799	-
	Peliyagoda (leasehold)	Acres 1.90	5	36,574,092	-
	Colombo Port - 01 (leasehold)	Acres 1.06	1	46,694,838	-
	Colombo Port - 02 (leasehold)	Perches 152.30	1	14,518,965	-
	Wattala	Acres 1.65	-	-	256,964,920
Tokyo Cement Power (Lanka) (Pvt) Ltd	Mahiyanganaya	Acres 19.00	8	713,943,223	13,338,695
Tokyo Eastern Cement Company (Pvt) Ltd	Trincomalee (leasehold)	Acres 11.79	9	1,385,610,407	-
Tokyo Super Aggregate (Pvt) Ltd	Dompe	Acres 10.50	1	96,151,037	60,584,300
Tokyo Supermix (Pvt) Ltd	Jaffna	Acres 6.50	2	6,429,703	8,835,685
	Negombo	Acres 1.97	1	13,059,773	32,859,000
	Kandy	Acres 1.52	-	-	49,933,848
	Weligama	Acres 12.00	1	10,867,509	93,682,327
	Meethotamulla	Acres 2.10	-	-	246,579,102
	Anuradhapura	Acres 2.31	-	-	45,816,160
	Naula	Acres 10.00	-	-	19,469,800
	Ratmalana	Acres 1.00	2	41,664,402	249,599,400

13. INTANGIBLE ASSETS

13.A Group

As at 31st March Item	Note	Written down value			
		Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Goodwill		32,995,007	32,995,007	-	-
ERP and other software	13.1	31,259,235	42,520,943	25,345,899	34,125,290
		64,254,242	75,515,950	25,345,899	34,125,290

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

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

When assessing the impairment, the recoverable amount of the cash generating unit has been determined using the higher of fair value less cost to sell the value in use. Since the value in use of the cash generating unit is higher than the fair value less cost to sell, it has been considered as the recoverable amount where the value in use is based on the present value of the future cash flows of the forecasted business operations of Tokyo Cement Colombo Terminal (Pvt) Ltd as a separate business unit for the following years, using the key assumptions such as discount rate 15% per annum, inflation and general price rate 20% per annum, exchange rate considered from Rs. 300/- to Rs. 420/- through the period made by considering the past experience and external source of information which have been approved by the Board of Directors.

13.1 ERP and other software

13.1.A Group

Item	Cost			Amortisation			Written down value	
	As at 01.04.2021 Rs.	Additions Rs.	As at 31.03.2022 Rs.	As at 01.04.2021 Rs.	For the year Rs.	As at 31.03.2022 Rs.	As at 31.03.2022 Rs.	As at 31.03.2021 Rs.
ERP and other software	165,563,012	9,166,774	174,729,786	123,042,069	20,428,482	143,470,551	31,259,235	42,520,943
	165,563,012	9,166,774	174,729,786	123,042,069	20,428,482	143,470,551	31,259,235	42,520,943

13.1.B Company

Item	Cost			Amortisation			Written down value	
	As at 01.04.2021 Rs.	Additions Rs.	As at 31.03.2022 Rs.	As at 01.04.2021 Rs.	For the year Rs.	As at 31.03.2022 Rs.	As at 31.03.2022 Rs.	As at 31.03.2021 Rs.
ERP and other software	142,234,714	9,166,774	151,401,488	108,109,424	17,946,165	126,055,589	25,345,899	34,125,290
	142,234,714	9,166,774	151,401,488	108,109,424	17,946,165	126,055,589	25,345,899	34,125,290

13.1.C During the year, the Group paid Rs. 9,166,774/- (2021 - Rs. 2,740,309/-) and the Company paid Rs. 9,166,774/- (2021 - Rs. 220,309/-) in relation to acquisition of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENT IN SUBSIDIARIES

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tokyo Cement Power (Lanka) (Pvt) Ltd				
Ordinary shares (2,200,000,010 shares)	-	-	2,200,000,010	2,200,000,010
Tokyo Eastern Cement Company (Pvt) Ltd				
Ordinary shares (7,751,368,000 shares)	-	-	7,751,368,000	7,751,368,000
Tokyo Super Aggregate (Pvt) Ltd				
Ordinary shares (92,112,245 shares)	-	-	92,112,245	92,112,245
Tokyo Supermix (Pvt) Ltd				
Ordinary shares (2,193,696,688 shares)	-	-	2,193,696,688	2,193,696,688
	-	-	12,237,176,943	12,237,176,943

14.1 Partly - owned subsidiary

As at 31st March	2022	2021
Name of the Company		
Tokyo Super Aggregate (Pvt) Ltd	51%	51%
Accumulated balances of non-controlling interest:		
Tokyo Super Aggregate (Pvt) Ltd (Rs.)	84,516,314	63,927,477

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

14.1.1 Summarised statement of profit or loss and other comprehensive income

For the year ended 31st March	2022 Rs.	2021 Rs.
Revenue from contracts with customers	496,553,192	264,776,441
Cost of sales	(391,049,888)	(251,335,994)
Expenses	(63,839,229)	(73,155,206)
Income tax expenses	(1,117,043)	(41,169)
Profit/(loss) for the year	40,547,032	(59,755,928)
Other comprehensive income/(loss)	1,471,003	(187,546)
Total comprehensive income/(loss) for the year	42,018,035	(59,943,474)

14.1.2 Summarised statement of financial position

As at 31st March	2022 Rs.	2021 Rs.
Non-current assets		
Property, plant and equipment	421,928,125	400,503,334
Total non-current assets	421,928,125	400,503,334
Current assets		
Inventories	108,071,881	59,036,478
Trade and other receivables	95,578,954	28,253,391
Cash and cash equivalents	290,911	290,911
Total current assets	203,941,746	87,580,780
Total assets	625,869,871	488,084,114
Equity		
Stated capital	180,612,245	180,612,245
Accumulated losses	(8,129,970)	(50,148,005)
Total equity	172,482,275	130,464,240
Non-current liabilities		
Interest bearing borrowings	334,228,335	83,232,000
Retirement benefit obligations	4,190,170	5,720,472
Deferred tax liabilities	1,439,946	-
Total non-current liabilities	339,858,451	88,952,472
Current liabilities		
Trade and other payables	29,774,956	42,142,239
Interest bearing borrowings	33,000,000	47,602,000
Amount due to related parties	10,171,204	59,756,255
Lease creditors	-	1,636,558
Bank overdraft	40,582,985	117,530,350
Total current liabilities	113,529,145	268,667,402
Total equity and liabilities	625,869,871	488,084,114

14.1.3 Summarised statement of cash flow information

For the year ended 31st March	2022 Rs.	2021 Rs.
Cash flows from/(used in) operating activities	(107,653,587)	36,117,928
Cash flows used in investing activities	(50,132,630)	(5,519,297)
Cash flows from/(used in) financing activities	234,733,582	(2,934,736)
	76,947,365	27,663,895

NOTES TO THE FINANCIAL STATEMENTS

15 RIGHT-OF-USE ASSETS

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	1,518,305,450	1,346,104,855	1,249,100,914	1,267,736,994
Additions during the year	-	230,088,273	-	32,809,646
Depreciation for the year	(109,342,991)	(57,887,678)	(51,445,726)	(51,445,726)
At the end of year	1,408,962,459	1,518,305,450	1,197,655,188	1,249,100,914

The Group recognises the right-of-use assets when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and the lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

15.1 The following are the amounts recognised in profit or (loss) statement for the year ended 31st March.

For the year ended 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation of right-of-use assets	109,342,991	57,887,678	51,445,726	51,445,726
Interest on lease liability	40,563,512	32,067,410	18,367,493	17,758,009
	149,906,503	89,955,088	69,813,219	69,203,735

16. INVENTORIES

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Raw materials	3,176,117,372	1,182,242,088	2,683,380,584	618,009,046
Finished goods	678,857,596	409,909,031	556,709,625	351,706,078
Packing materials	453,760,603	177,339,205	137,145,508	85,348,913
Spares and consumables	1,100,317,813	753,245,033	445,610,785	517,417,306
Goods-in-transit	50,488,496	717,049,287	43,580,353	672,775,325
	5,459,541,880	3,239,784,644	3,866,426,855	2,245,256,668

The inventories have been pledged against borrowings as disclosed in note 31.

17. TRADE AND OTHER RECEIVABLES

As at 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade receivables - Related parties	17.1	830,750,030	819,737,905	1,163,712,323	1,051,779,228
- Others		3,080,389,677	2,789,759,019	1,075,243,524	1,397,739,897
		3,911,139,707	3,609,496,924	2,238,955,847	2,449,519,125
Less: Provision for impairment	17.2	(162,647,569)	(162,647,569)	(80,894,554)	(80,894,554)
		3,748,492,138	3,446,849,355	2,158,061,293	2,368,624,571
Deposits, advances and pre-payments		1,358,634,619	404,648,291	941,196,020	121,620,025
Other receivables		256,724,402	454,669,776	87,450,463	167,329,849
		5,363,851,159	4,306,167,422	3,186,707,776	2,657,574,445

17.1 Trade receivables - Related parties

As at 31st March Name of the related party	Nature of the relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	39,889,357	30,850,270
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	327,747,848	223,665,281
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	135,000	-
Rhino Roofing Products Ltd	Affiliate Company	397,351,630	336,148,813	397,351,630	336,148,813
Rhino Products Ltd	Affiliate Company	342,700,004	436,227,620	342,700,004	436,227,620
St. Anthony's Industries Group (Pvt) Ltd	Affiliate Company	99,225	-	99,225	-
St. Anthony's Homemart (Pvt) Ltd	Affiliate Company	1,050,500	-	1,050,500	-
El-Toro Roofing Products (Pvt) Ltd	Affiliate Company	54,738,759	24,887,244	54,738,759	24,887,244
Escas Diggala (Pvt) Ltd	Affiliate Company	34,809,912	22,474,228	-	-
		830,750,030	819,737,905	1,163,712,323	1,051,779,228

17.2 Provision for impairment

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	162,647,569	132,829,999	80,894,554	55,384,108
Provision recognised during the year	-	29,817,570	-	25,510,446
At the end of the year	162,647,569	162,647,569	80,894,554	80,894,554

17.3 Mitigation of credit risk exposure

The management reviews impairment indications of each debtor on an individual basis and the fair value of trade debtors is subject to net of impairment loss and (no requirement is sought) to the allowance for credit risk.

NOTES TO THE FINANCIAL STATEMENTS

18. TAX RECEIVABLES / (PAYABLES)

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	233,702,492	298,415,632	248,287,940	289,686,113
Under provision in respect of previous years	(85,821,958)	(163,773,268)	(85,725,319)	(55,380,825)
Taxation for the year	(356,410,508)	(272,661,362)	(289,531,025)	(213,602,865)
	(208,529,974)	(138,018,998)	(126,968,404)	20,702,423
Add : ESC transferred from other receivables	1,872,593	286,966,741	-	201,137,064
Income tax paid	47,614,970	84,754,749	-	26,448,453
At the end of the year	(159,042,411)	233,702,492	(126,968,404)	248,287,940
Income tax payables	(159,042,411)	(14,585,448)	(126,968,404)	-
Income tax receivables	-	248,287,940	-	248,287,940
Net income tax receivables/(payables)	(159,042,411)	233,702,492	(126,968,404)	248,287,940

19. AMOUNT DUE FROM SUBSIDIARIES

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tokyo Supermix (Pvt) Ltd	-	-	537,271,421	529,337,813
Tokyo Super Aggregate (Pvt) Ltd	-	-	10,171,212	59,756,254
	-	-	547,442,633	589,094,067

20. FINANCIAL ASSETS AT AMORTISED COST

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Investment in treasury bills	8,386,534	7,988,157	-	-
	8,386,534	7,988,157	-	-

21. CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Favourable balances				
Cash at bank	344,658,121	474,671,879	216,284,665	145,532,458
Money market deposits	5,970,050,448	977,449,157	3,845,013,321	78,293,535
Cash in hand	34,871,521	36,910,380	11,699,507	17,150,335
	6,349,580,090	1,489,031,416	4,072,997,493	240,976,328
Unfavourable balances				
Bank overdrafts	982,473,153	436,668,711	617,052,773	160,469,165

22. STATED CAPITAL

Description	Company			
	At the beginning of the year 01st April 2021 Rs.	Share issue during the year Rs.	At the end of the year 31st March 2022 Rs.	At the end of the year 31st March 2021 Rs.
Value of ordinary shares	4,239,611,750	-	4,239,611,750	4,239,611,750
	4,239,611,750	-	4,239,611,750	4,239,611,750

22.1 Movement in number of ordinary shares

Description	Company			
	At the beginning of the year 01st April 2021	Share issue during the year	At the end of the year 31st March 2022	At the end of the year 31st March 2021
Ordinary shares				
- Voting	267,300,000	-	267,300,000	267,300,000
- Non-voting	133,650,000	-	133,650,000	133,650,000
	400,950,000	-	400,950,000	400,950,000

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 for the voting rights.

NOTES TO THE FINANCIAL STATEMENTS

23. INTEREST BEARING BORROWINGS

23.1 Long-term interest bearing borrowings

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	7,575,379,150	10,921,853,486	6,815,770,000	10,009,600,736
Add: Loans obtained during the year	678,825,332	3,195,838,549	3,178,776,000	3,008,396,549
	8,254,204,482	14,117,692,035	9,994,546,000	13,017,997,285
Less: Settlements during the year	(3,951,755,137)	(6,542,312,885)	(3,544,546,000)	(6,202,227,285)
At the end of the year	4,302,449,345	7,575,379,150	6,450,000,000	6,815,770,000
Current maturity portion	2,952,576,000	3,612,808,150	2,700,000,000	3,365,770,000
Non-current maturity portion	1,349,873,335	3,962,571,000	3,750,000,000	3,450,000,000
	4,302,449,335	7,575,379,150	6,450,000,000	6,815,770,000
Analysis of long-term loans by the year of repayment				
Repayable between one and five years	4,099,291,000	7,531,899,150	5,550,000,000	6,815,770,000
Repayable after five years	203,158,335	43,480,000	900,000,000	-
	4,302,449,335	7,575,379,150	6,450,000,000	6,815,770,000

23.2 Current maturity portion of interest bearing borrowings

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current maturity portion of long-term interest bearing borrowings	2,952,576,000	3,612,808,150	2,700,000,000	3,365,770,000
Short-term borrowings	1,234,567,315	600,000,000	1,234,567,315	600,000,000
Total current interest bearing borrowings	4,187,143,315	4,212,808,150	3,934,567,315	3,965,770,000

23.2.1 Short-term borrowings

As at 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Import demand loans	23.2.2	1,234,567,315	-	1,234,567,315	-
Working capital loans	23.2.3	-	600,000,000	-	600,000,000
		1,234,567,315	600,000,000	1,234,567,315	600,000,000

23.2.2 Import demand loans

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	-	2,589,781,836	-	1,327,981,749
Add: Loans obtained during the year	9,831,704,658	13,019,534,714	7,196,001,772	5,784,457,473
Less: Settlements during the year	(8,597,137,343)	(15,609,316,550)	(5,961,434,457)	(7,112,439,222)
At the end of the year	1,234,567,315	-	1,234,567,315	-

23.2.3 Working capital loans

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	600,000,000	-	600,000,000	-
Add: Loans obtained during the year	-	600,000,000	-	600,000,000
Less: Settlements during the year	(600,000,000)	-	(600,000,000)	-
At the end of the year	-	600,000,000	-	600,000,000

24. DEFERRED TAX LIABILITIES

As at 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year		2,218,343,537	2,859,264,140	884,225,578	1,513,986,710
Charged/(reversal) to statement of profit or loss and other comprehensive income	9.B	(358,888,480)	(640,920,603)	(379,959,120)	(629,761,132)
At the end of the year		1,859,455,057	2,218,343,537	504,266,458	884,225,578

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
24.1 Tax effect on temporary difference on property, plant and equipment	2,658,270,933	2,667,770,397	1,205,828,739	1,253,282,017
Tax effect on temporary difference on retirement benefit obligations	(48,498,143)	(61,781,464)	(38,911,781)	(47,290,796)
Tax effect on tax loss	(468,394,592)	(367,226,204)	(391,758,435)	(313,572,873)
Tax effect on right-of-use assets	178,476,398	10,139,140	173,510,162	6,368,250
Tax effect on impairment of trade receivables	(30,558,332)	(30,558,332)	(14,561,020)	(14,561,020)
Tax effect on unrealised exchange loss	(429,841,207)	-	(429,841,207)	-
	1,859,455,057	2,218,343,537	504,266,458	884,225,578

24.2 Deferred tax for tax holiday companies

For group of companies under BOI tax holidays, deferred tax has been recognised for temporary differences, when reversals of such differences extend beyond the tax exemption period, taking into account the requirements of LKAS-12.

NOTES TO THE FINANCIAL STATEMENTS

25. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	358,762,229	296,865,482	262,726,645	217,792,737
Expenses recognised in profit or loss				
- Current service cost	21,533,868	33,897,918	13,899,224	20,061,252
- Interest cost	32,288,600	29,686,549	23,645,398	21,779,274
- Past service cost	(26,188,488)	-	(18,767,250)	-
	27,633,980	63,584,467	18,777,372	41,840,526
Expenses recognised in other comprehensive income				
- Actuarial losses/ (gains) from change in financial assumptions	(88,097,422)	14,805,960	(54,793,256)	11,376,627
Others				
Payments made during the year	(22,373,480)	(16,493,680)	(10,534,202)	(8,283,245)
At the end of the year	275,925,307	358,762,229	216,176,559	262,726,645

25.1 Sensitivity of assumptions employed in actuarial valuation

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

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

Increase/ (decrease) in discount rate	Increase/ (decrease) in salary escalation rate	Group effect on employee benefit obligations Rs.	Company effect on employee benefit obligations Rs.
1%	-	(64,675,688)	(10,832,649)
-1%	-	79,105,740	12,381,390
-	1%	(53,513,393)	13,765,670
-	-1%	41,120,292	(12,199,837)

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

The principal assumptions used in determining the cost of employee benefits were as follows:

	2022 Rs.	2021 Rs.
a) Discount rate	15%	9%
b) Salary increment rate	10%	10%
c) Retirement age	60 years	55 years
d) Employee turnover ratio	2%	2%

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

26. LEASE CREDITORS

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Gross lease creditor				
At the beginning of the year	2,072,597,087	1,332,994,231	1,071,384,706	1,041,164,742
Add: Facilities obtained during the year	-	817,007,955	-	83,856,327
	2,072,597,087	2,150,002,186	1,071,384,706	1,125,021,069
Less: Payments made during the year	(140,744,268)	(77,405,099)	(53,302,077)	(53,636,363)
At the end of the year	1,931,852,819	2,072,597,087	1,018,082,629	1,071,384,706
Interest in suspense				
At the beginning of the year	1,552,311,075	997,106,281	789,709,014	756,067,820
Add: Facilities obtained during the year	-	587,272,204	-	51,399,203
Less: Charge to the statement of profit or loss	(40,563,512)	(32,067,410)	(18,367,493)	(17,758,009)
At the end of the year	1,511,747,563	1,552,311,075	771,341,521	789,709,014
Net liability to lease creditors	420,105,256	520,286,012	246,741,108	281,675,692
Current maturity portion	86,149,530	94,559,522	32,870,641	35,002,488
Non-current maturity portion	333,955,726	425,726,490	213,870,467	246,673,204
	420,105,256	520,286,012	246,741,108	281,675,692

- 26.1** Current and non-current portions of finance lease obligation over finance charges and capital repayable have been apportioned between the finance lease repayable within one year and repayable after one year.

NOTES TO THE FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES

As at 31st March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Bills payable		14,557,495,580	3,463,490,863	9,351,992,451	3,422,088,940
Creditors - Related parties	Note 27.1	198,909,004	136,429,655	242,837,548	121,556,397
- Others		1,609,786,514	1,251,320,591	1,173,393,936	696,110,925
Other creditors		689,249,215	511,434,139	268,163,491	202,060,526
		17,055,440,313	5,362,675,248	11,036,387,426	4,441,816,788

27.1 Payable to related parties

As at 31st March Name of the related party	Nature of the relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	2,409,129	3,519,006
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	139,241,398	9,263,115
Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary	-	-	8,680,298	-
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	161,737	156,756
St. Anthony's Consolidated (Pvt) Ltd	Affiliate Company	126,448,632	51,994,289	74,644,807	51,994,289
South Asian Investment (Pvt) Ltd	Affiliate Company	16,571,761	15,313,838	16,571,761	15,313,838
St. Anthony's Industries Group (Pvt) Ltd	Affiliate Company	-	424,324	-	384,469
St. Anthony's Homemart (Pvt) Ltd	Affiliate Company	492,669	102,150	206,149	102,150
St. Anthony's Hardware (Pvt) Ltd	Affiliate Company	54,478,498	67,751,720	4,825	39,979,440
Orion City Ltd	Affiliate Company	917,444	843,334	917,444	843,334
		198,909,004	136,429,655	242,837,548	121,556,397

28. AMOUNT DUE TO SUBSIDIARIES

As at 31st March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tokyo Eastern Cement Company (Pvt) Ltd	-	-	3,227,048,056	2,962,074,451
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	2,309,129	1,020,259
	-	-	3,229,357,185	2,963,094,710

29. CAPITAL AND OTHER COMMITMENTS

29.1 Capital commitments

The approximate amount of capital expenditure approved by the directors and no provision is made as at 31st March 2022 in the financial statements for the Group is Rs. 2,254,167,735/- (2020/21 Rs. 1,192,801,902/-) and for the Company is Rs. 2,243,712,935/- (2020/21 Rs. 907,400,102/-).

29.2 Other commitments

29.2.1 Company

- i) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Biomass power for a period of 20 years commencing from the year 2008.
- ii) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to purchase Coal Ash from the Norochcholai power plant for a period of 5 years commencing from the year 2018.

29.2.2 Subsidiary companies

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

- i) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Biomass power for a period of 20 years commencing from the year 2011.
- ii) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Solar power for a period of 20 years commencing from the year 2019.

b) Tokyo Eastern Cement Company (Pvt) Ltd

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

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

30.1 Contingent liabilities

There were no material contingent liabilities for the Company and the Group as at the reporting date.

30.2 Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS

31. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities:

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2022 Rs.	Balance outstanding as at 31.03.2021 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	a. Term loans					
	i. Commercial Bank of Ceylon PLC	2,000,000,000	-	300,170,000	Repayable in 59 equal monthly installments of Rs.33,330,000/- and a final installment of Rs.33,530,000/- plus interest.	(a) Mortgage over plant, machinery and project assets of Tokyo Eastern Cement Company (Pvt) Ltd. (b) Stock and book debt of the Company.
	ii. Commercial Bank of Ceylon PLC	1,100,000,000	-	365,600,000	Repayable in 26 equal monthly installments of Rs.40,800,000/- and a final installment of Rs.39,200,000/-.	(a) Stock and book debt of the Company.
	iii. Commercial Bank of Ceylon PLC	6,000,000,000	2,250,000,000	3,750,000,000	Repayable in 48 equal monthly installments of Rs.125,000,000/- plus interest.	(a) General terms and conditions documents/ contract forms relating to term loans. (b) Stock and book debt of the Company.
	iv. Hatton National Bank PLC	3,000,000,000	1,200,000,000	2,400,000,000	Repayable in 30 equal monthly installments of Rs.100,000,000/- plus interest.	(a) Registered primary mortgage bond for Rs.3,000 Mn over the leasehold property at China Bay, Trincomalee and everything standing thereon (including the existing building and /or the buildings which are to be constructed in the future together with any further developments, modifications or alterations thereto) with all fixtures, fittings, services and such other rights attached or appertaining thereto. (b) Stock and book debt of the Company.
	v. Inter-company loan from Tokyo Eastern Cement Company (Pvt) Ltd	3,000,000,000	3,000,000,000	-	Repayable in 60 equal monthly installment of Rs.50,000,000 plus interest (After a capital grace period of 02 years).	-

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2022 Rs.	Balance outstanding as at 31.03.2021 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	b. Short term loan					
	i. Commercial Bank of Ceylon PLC	600,000,000	-	600,000,000	Repayable in 6 equal monthly installment of Rs.100,000,000 plus interest.	(a) Stock and book debt of the Company.
	c. Import demand loans					
	i. Commercial Bank of Ceylon PLC	2,000,000,000	755,420,207	-	Each loan to be settled within 120 days from date of grant.	(a) General terms and conditions documents/ contract forms relating to import demand loans. (b) Stock and book debt of the Company.
	ii. Hatton National Bank PLC	1,600,000,000	479,147,107	-	Each loan to be settled within 120 days from date of grant.	(a) Registered primary mortgage bond for Rs.3,200 Mn over the leasehold property at China Bay Trincomalee and everything standing thereon (including the existing buildings and / or the building which are to be constructed in the future together with any further developments, modifications or alterations thereto) with all fixture, fittings, services and such other rights attached or appertaining thereto.
	d. Overdraft facilities					
	i. Commercial Bank of Ceylon PLC	511,000,000	254,556,541	134,007,559	On demand	(a) General terms and conditions relating to overdraft. (b) Stock and book debt of the Company.
	ii. Sampath Bank PLC	50,000,000	117,812	26,461,606	On demand	-
Tokyo Eastern Cement Company (Pvt) Ltd	a. Term loan					
	i. Commercial Bank of Ceylon PLC	75,000,000	-	63,451,543	On demand	(a) General terms and conditions relating to overdraft.

NOTES TO THE FINANCIAL STATEMENTS

31. ASSETS PLEDGED (CONTD.)

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2022 Rs.	Balance outstanding as at 31.03.2021 Rs.	Repayment	Security pledged
Tokyo Cement Power (Lanka) (Pvt) Ltd	a. Term loan i. Sampath Bank PLC	95,000,000	80,250,000	86,470,000	Rs.70,000,000 in 144 monthly instalments after a capital grace period of 06 months Rs.25,000,000 in 84 monthly installments.	(a) Corporate guarantee for Tokyo Cement Company (Lanka) PLC.
Tokyo Super Aggregate (Pvt) Ltd	a. Term loans i. Commercial Bank of Ceylon PLC	127,000,000	247,216,232	-	Repayable in 84 monthly installments as follows: First 12 equal months Rs. 1,700,000/- Next 12 equal months Rs. 2,150,000/- Next 12 equal months Rs. 2,600,000/- Next 12 equal months Rs. 3,050,000/- Next 12 equal months Rs. 3,500,000/- Next 12 equal months Rs. 3,950,000/- and Next 12 equal months Rs. 4,550,000/-	(a) Insurance policy for Rs.57 Mn executed over machinery. (b) Corporate guarantee for Rs.585 Mn of Tokyo Cement Company (Lanka) PLC.
	ii. Commercial Bank of Ceylon PLC	258,000,000	120,012,103	-	Repayable in 84 monthly installments as follows: First 12 equal months Rs. 800,000/- Next 12 equal months Rs. 850,000/- Next 12 equal months Rs. 900,000/- Next 12 equal months Rs. 1,050,000/- Next 12 equal months Rs. 1,500,000/- Next 12 equal months Rs. 1,600,000/- Next 11 equal months Rs. 3,800,000/- and final instalment of Rs. 4,800,000/-	(a) Mortgage bond for Rs. 50Mn to be executed over machinery.
	b. Overdraft facility					
	i. Commercial Bank of Ceylon PLC	100,000,000	40,582,985	117,530,350	On demand	(a) General terms and conditions related to overdraft.

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2022 Rs.	Balance outstanding as at 31.03.2021 Rs.	Repayment	Security pledged
Tokyo Supermix (Pvt) Ltd	a. Term loans					
	i Commercial Bank of Ceylon PLC	450,000,000	150,000,000	240,000,000	Repayable in 60 equal monthly installments of Rs.7,500,000/-.	(a) Primary mortgage Bond for Rs. 118Mn executed over the property situated at Rathmalana Land owned by Tokyo Supermix (Pvt) Ltd.
	ii Commercial Bank of Ceylon PLC	20,000,000	6,800,000	10,760,000	Repayable in 59 equal monthly installments of Rs.330,000/-, and a final installments of Rs.530,000/-.	(a) Mortgage over land marked lot 1 depicted in plan No 217/119 dated 11/11/2017 situated at Naula, Matale containing an extent of A11-R2-P36.5.
	iii Commercial Bank of Ceylon PLC	273,333,000	66,921,000	111,537,000	Repayable in 8 equal monthly installments of Rs.10,000,000/-, repayable in 51 equal monthly installments of Rs.3,718,000/-, and a final instalment of Rs.3,715,000/-.	(a) Mortgage bond for Rs.273.3Mn was executed over 10 Nos. of mixture trucks and 4 Nos. of pump cars.
	iv Commercial Bank of Ceylon PLC	326,667,000	-	17,566,150	Repayable in 60 equal monthly installments of Rs.5,444,450/-.	(a) Mortgage bond for Rs.33.5Mn was executed over 7 Nos. of mixture trucks. (b) Mortgage bond for Rs.33.6Mn was executed over 4 Nos. of mixture trucks. (c) Mortgage bond for Rs.259.57Mn was executed over trucks and pumpcars when they were imported.
	v Commercial Bank of Ceylon PLC	225,000,000	181,250,000	162,442,000	Repayable in 36 equal monthly installments of Rs. 6,250,000/-.	-
	b. Overdraft facility					
	i Commercial Bank of Ceylon PLC	200,000,000	166,971,566	87,441,228	On demand	(a) General terms and conditions relating to overdraft.

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS

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

	Dr. Harsha Cabral, PC	Mr. S.R. Gnanam	Mr. A.S.G. Gnanam	Mr. E.J. Gnanam	Mr. R. Seevaratnam	Mr. Ravi Dias	Mr. W.C. Fernando	Mr. Asite Talwatte	Mr. Indrajith Commaraswamy	Mr. Yaoki Hashimoto
Tokyo Eastern Cement Company (Pvt) Ltd	X	X	X	X	X	X	X	-	-	-
Tokyo Cement Power (Lanka) (Pvt) Ltd	X	X	X	X	X	X	X	-	-	-
Tokyo Super Aggregate (Pvt) Ltd	X	X	-	-	-	-	X	-	-	-
Tokyo Supermix (Pvt) Ltd	X	X	X	X	X	X	X	-	-	-
St. Anthony's Consolidated (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
St. Anthony's Hardware (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
South Asian Investment (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
Rhino Roofing Products Ltd	-	X	X	X	-	-	-	-	-	-
Rhino Products Ltd	-	X	X	X	-	-	-	-	-	-
EL - Toro Roofing Products Limited	-	X	X	X	-	-	-	-	-	-
Orion City Ltd	-	X	X	X	-	-	-	-	-	-
Supermet Building Solutions Ltd	-	X	X	X	-	-	-	-	-	-
Escas Diggala (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
St. Anthony's Industries Group (Pvt) Ltd	-	-	X	-	-	-	-	-	-	-
St. Anthony's Homemart (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-

Mr. Yaoki Hashimoto was appointed as non-executive director of the Company with effect from 01st April 2021.

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

For the year ended 31st March	Nature of the relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.

Subsidiary Companies

(a) Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary Company				
i. Fund transfers from/(to)		2,592,695	187,855,641	2,592,695	213,555,641
ii. Expenses incurred by the Company		5,798,407	694,922	4,291,566	628,258
iii. Purchase of ready mix concrete		140,245	1,182,393	-	-
iv. Purchase of raw materials		34,533,905	-	33,558,520	-
v. Purchase of cement		-	55,417	-	55,417
vi. Rent expenses		1,560,000	1,170,000	-	-
vii. Payments made		25,853,607	1,454,659	24,878,222	-
viii. Sale of fixed asset		410,000	-	410,000	-
ix. Settlements received		151,465	-	-	-

For the year ended 31st March	Nature of the relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
(b) Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary Company				
i. Fund transfers from/(to)		4,359,562,814	6,221,492,616	4,359,562,814	6,195,792,616
ii. Expenses incurred on behalf of the Company		90,192,534	68,777,744	90,192,534	68,711,080
iii. Sale of raw materials		1,257,485,950	311,733,639	1,257,485,950	311,733,639
iv. Interest payment		104,712,327	-	104,712,327	-
v. Purchase of ready mix concrete		3,541,925	3,559,931	-	-
vi. Purchase of raw materials		763,197,090	249,421,884	748,233,376	238,733,869
vii. Income from lab testing		1,955,150	4,424,225	1,955,150	4,424,225
viii. Dividend received		2,009,000,000	1,500,000,000	2,009,000,000	1,500,000,000
ix. Sale of cement		1,845,247,432	1,113,266,265	-	-
x. Sales commission		12,420,348	11,811,444	-	-
xi. Settlements received		695,056,916	1,186,546,909	1,256,113,421	272,341,309
xii. Payments made		3,084,394,870	124,732,690	678,113,896	120,800,160
xiii. Loan obtained		3,000,000,000	-	3,000,000,000	-
(c) Tokyo Super Aggregate (Pvt) Ltd	Subsidiary Company				
i. Expenses incurred by the Company		7,279,669	11,904,470	4,956,561	3,785,216
ii. Fund transfers from/(to)		44,628,490	3,112,159	44,628,490	3,112,159
iii. Aggregate purchases		389,156,721	236,249,070	56,144	51,532
iv. Income from lab testing		273,700	251,000	273,700	251,000
v. Payments made		373,683,172	264,219,254	583,172	-
(d) Tokyo Supermix (Pvt) Ltd	Subsidiary Company				
i. Investment in Stated Capital		-	200,000,000	-	200,000,000
ii. Expenses incurred by the Company		1,935,233	9,418,128	428,392	1,298,874
iii. Fund transfers from/(to)		11,320,000	2,774,831	11,320,000	2,774,831
iv. Purchase of ready mix concrete		9,985,295	16,612,237	6,303,125	11,869,914
v. Purchase of sand and metal		389,100,577	236,197,538	-	-
vi. Sales of cement		1,954,366,827	1,241,063,764	109,119,395	127,797,499
vii. Sale of other raw materials and spare parts		13,988,329	11,569,113	-	644,098
viii. Income from lab testing		1,731,100	296,200	1,731,100	296,200
ix. Sale of power		1,657,916	854,951	1,657,916	854,951
x. Sales incentive paid		13,077,756	12,910,116	657,408	1,098,672
xi. Rent income		7,993,108	2,520,000	4,110,000	1,350,000
xii. Settlements received		498,991,538	1,604,035,609	110,923,903	688,375,349
xiii. Payments made		1,834,927,494	284,376,758	6,494,580	16,224,974

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (CONTD.)

32.2

For the year ended 31st March	Nature of the relationship	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Other Related Companies					
(a) St. Anthony's Consolidated (Pvt) Ltd	Affiliate				
i. Sales commission	Company	1,103,779,284	937,871,224	641,123,030	464,828,646
ii. Bonus for marketing staffs		30,522,895	25,132,010	30,522,895	25,132,010
iii. Marketing department reimbursement		46,965,703	37,565,134	25,552,983	22,846,922
iv. Payments made		1,161,567,298	1,121,814,637	694,720,935	582,116,894
(b) St. Anthony's Hardware (Pvt) Ltd	Affiliate				
i. Purchase of chemicals	Company	574,891,080	343,774,101	271,186,355	151,101,592
ii. Sale of CLC blocks		89,000	-	89,000	-
iii. Purchase of consumables		5,479,675	18,574,248	2,822,548	16,303,310
iv. Purchase of solar power system		-	507,880	-	-
v. Income from lab testing		-	14,100	-	14,100
vi. Settlements received		96,120	15,228	96,120	15,228
vii. Payments made		618,152,840	341,961,891	313,983,518	140,700,040
(c) South Asian Investment (Pvt) Ltd	Affiliate				
i. Sales commission	Company	99,262,436	70,759,903	99,262,436	70,759,903
ii. Payments made		105,844,874	64,905,858	105,844,874	64,905,858
(d) Rhino Roofing Products Ltd	Affiliate				
i. Sale of cement	Company	2,187,418,240	1,535,118,241	2,187,418,240	1,535,118,241
ii. Purchase of roofing sheets		-	218,036	-	218,036
iii. Settlements received		2,301,208,882	1,509,738,878	2,301,208,882	1,509,738,878
iv. Payments made		-	218,036	-	218,036
(e) Rhino Products Ltd	Affiliate				
i. Sale of cement	Company	1,911,927,289	1,441,346,186	1,911,927,289	1,441,346,186
ii. Settlements received		2,158,409,092	1,369,580,525	2,158,409,092	1,369,580,525
(f) Escas Diggala (Pvt) Ltd	Affiliate				
i. Sale of concrete	Company	89,852,481	77,162,476	-	-
ii. Settlements received		84,704,996	62,420,834	-	-
(g) St. Anthony's Industries Group (Pvt) Ltd	Affiliate				
i. Sale of cement	Company	91,875	88,148	91,875	88,148
ii. Purchase of consumables		932,510	2,024,196	620,571	1,938,994
iii. Settlements received		70,550	24,650	70,550	24,650
iv. Payments made		1,381,789	1,768,680	1,005,040	1,716,516

For the year ended 31st March	Nature of the relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
(h) Orion City Ltd	Affiliate Company				
i. Rent expense		10,508,901	10,940,281	10,508,901	10,940,281
ii. Rent paid		3,049,280	3,129,956	3,049,280	3,129,956
iii. Payments made		13,484,072	13,226,903	13,484,072	13,226,903
(i) St. Anthony's Homemart (Pvt) Ltd	Affiliate Company				
i. Sale of cement		19,885,712	203,761	373,583	203,761
ii. Sale of CLC blocks		2,068,194	959,306	2,068,194	959,306
iii. Sale of innovation product		1,317,766	1,364,525	-	-
iv. Purchase of consumables		10,631,167	14,177,032	6,773,005	10,622,677
v. Settlements received		18,487,320	2,186,896	2,116,470	950,623
vi. Payments made		9,875,195	14,078,651	6,669,006	10,524,296
(j) EL - Toro Roofing Products Limited	Affiliate Company				
i. Sale of cement		212,898,176	96,601,693	212,898,176	96,601,693
ii. Settlements received		200,078,516	87,515,808	200,078,516	87,515,808

32.3 Collaterals or corporate guarantees given to related parties

The Company and the Group have not provided assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes except as referred to in note 31.

32.4 Terms and conditions of transactions with related parties

The sales to, and purchases from, related parties are made on terms equivalent to those that prevail at arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2021 - Nil). This assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

32.4.1 Amounts due to / from related parties

The amounts due to / from related parties are disclosed in notes 17.1, 19, 27.1 and 28.

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

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

a) Compensation of key management personnel

For the year ended 31st March	2022 Rs.	2021 Rs.
Directors' Emoluments and other key management personnel's remuneration	164,819,417	124,673,727
Non-cash benefits	-	-
	164,819,417	124,673,727

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (CONTD.)

32.5 Transactions with key management personnel of the Company or its parent (Contd.)

32.5.2 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:

For the year ended 31st March	2022 Rs.	2021 Rs.
a) Short-term employee benefits	164,819,417	124,673,727
b) Post-employment benefits	-	-
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
	164,819,417	124,673,727

32.6 Non-recurrent related party transactions

There were no non-recurrent related party transactions other than the following in which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower per 31st March 2021 audited financial statements of the Company, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Name of the related party	Relationship	Nature of transaction	Value of the related party transactions entered into during the financial year (Rs.)	Value of related party transactions as a % of equity and as a % of total assets	Terms and conditions of the related party transactions	The rationale for entering into the transactions
Tokyo Eastern Cement Company (Pvt) Ltd	Fully owned subsidiary	Inter-company fund arrangement	3,000,000,000	18% and 9% respectively	Inter-company loan repayable in 60 equal monthly installments with two years capital grace period.	Convert short term dues to long term tenure.

The Related Party Transactions Review Committee has reviewed the relevant related party transactions, approved the transactions and given directions to make immediate disclosure to Colombo Stock Exchange in respect of the non-recurrent transactions.

32.7 Recurrent related party transactions

There were no recurrent related party transactions in which aggregate value exceeds 10% of the consolidated revenue of the Group as per the 31st March 2021 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

32.8 Subsidiary Companies

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Introduction

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

(a) Market Risk

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

(b) Interest rate risk

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

The Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter part of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped to bridge the gap between policy and market interest rates.

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

Group	Increase/ (Decrease) in interest rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2022	1%	(6,143,789)	(6,143,789)
	-1%	6,143,789	6,143,789
2021	1%	(18,966,938)	(18,966,938)
	-1%	18,966,938	18,966,938
Company	Increase/ (Decrease) in interest rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2022	1%	(4,584,527)	(4,584,527)
	-1%	4,584,527	4,584,527
2021	1%	(8,923,290)	(8,923,290)
	-1%	8,923,290	8,923,290

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

33.1 Introduction (Contd.)

(c) Foreign currency risk

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

The Sri Lankan Rupee witnessed significant volatility, particularly during the latter part of the year. Whilst the exchange rate was maintained at stable levels during the year, as per the guidelines issued to the banks by the Central Bank of Sri Lanka (CBSL), the currency depreciated sharply in March 2022 once the CBSL allowed a free float of the currency which resulted in a steep depreciation of the Rupee by 31st March 2022. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. This resulted in a series of measures such as the continuation of certain import controls and stipulations on foreign currency conversions and remittances. The lack of confidence in the market however resulted in a sharp reduction in foreign currency employment remittances which exacerbated the liquidity situation. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. The Group was able to navigate the liquidity challenges by matching its obligations through the banking system.

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

Group

For the year ended 31st March	Increase/ (Decrease) in exchange rate	2022		2021	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
Exchange rate					
USD	1%	(256,819,114)	(256,819,114)	(177,254,256)	(177,254,256)
	-1%	256,819,114	256,819,114	177,254,256	177,254,256

Company

For the year ended 31st March	Increase/ (Decrease) in exchange rate	2022		2021	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
Exchange rate					
USD	1%	(180,238,609)	(180,238,609)	(111,118,972)	(111,118,972)
	-1%	180,238,609	180,238,609	111,118,972	111,118,972

(d) Credit risk

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

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

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

(e) Liquidity Risk

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

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Group and the Company's financial liabilities at 31st March 2022, based on contractual undiscounted payments.

Group

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Interest bearing borrowings	4,169,243,315	954,545,000	82,340,000	59,970,000	67,760,000	203,158,335	5,537,016,650
Lease creditors	82,102,644	59,021,732	23,682,203	24,039,314	22,016,520	209,242,843	420,105,256
Trade and other payables	17,055,440,313	-	-	-	-	-	17,055,440,313
Bank overdrafts	982,473,153	-	-	-	-	-	982,473,153
	<u>22,289,259,425</u>	<u>1,013,566,732</u>	<u>106,022,203</u>	<u>84,009,314</u>	<u>89,776,520</u>	<u>412,401,178</u>	<u>23,995,035,372</u>

Company

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Interest bearing borrowings	3,934,567,315	1,050,000,000	600,000,000	600,000,000	600,000,000	900,000,000	7,684,567,315
Lease creditors	32,870,641	22,353,739	18,511,335	16,988,130	15,606,353	140,410,910	246,741,108
Amount due to subsidiaries	3,229,357,185	-	-	-	-	-	3,229,357,185
Trade and other payables	11,036,387,426	-	-	-	-	-	11,036,387,426
Bank overdrafts	617,052,773	-	-	-	-	-	617,052,773
	<u>18,850,235,340</u>	<u>1,072,353,739</u>	<u>618,511,335</u>	<u>616,988,130</u>	<u>615,606,353</u>	<u>1,040,410,910</u>	<u>22,814,105,807</u>

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets for which fair value approximates carrying value

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

35. CAPITAL MANAGEMENT

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

36. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period which require adjustments, or disclosures in these financial statements.

37. COMPARATIVE INFORMATION

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

SHAREHOLDER AND INVESTOR INFORMATION

DISTRIBUTION OF VOTING ORDINARY SHARES AS AT 31ST MARCH 2022

Category	Number of Shareholders	Number of Shares Held	Holding %
1 - 1,000	4,104	1,167,321	0.44
1,001 - 10,000	2,268	8,480,770	3.17
10,001 - 100,000	720	21,622,537	8.09
100,001 - 1,000,000	115	30,485,106	11.40
1,000,001 - 99,999,999	16	205,544,266	76.90
TOTAL	7,223	267,300,000	100.00

DISTRIBUTION OF NON VOTING SHARES AS AT 31ST MARCH 2022

Category	Number of Shareholders	Number of Shares Held	Holding %
1 - 1,000	3,271	1,066,389	0.80
1,001 - 10,000	2,429	9,462,205	7.08
10,001 - 100,000	912	27,446,426	20.53
100,001 - 1,000,000	187	51,665,655	38.66
1,000,001 - 99,999,999	15	44,009,325	32.93
TOTAL	6,814	133,650,000	100.00

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021
St Anthony's Consolidated (Pvt) Limited	73,507,172	73,507,172	-	-
South Asian Investment (Pvt) Limited	53,820,756	53,820,756	-	-
Capital City Holdings (Pvt) Limited	8,019,367	8,019,367	-	-
St Anthony's Hardware (Pvt) Limited	545,292	545,292	-	-
TOTAL	135,892,587	135,892,587	-	-

SHAREHOLDER AND INVESTOR INFORMATION

DIRECTOR'S / CEO'S SHAREHOLDINGS

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021	No of Shares Held 31st March 2022	No of Shares Held 31st March 2021
St. Anthony's Consolidated (Private) Limited	73,507,172	73,507,172	-	-
Mr. A.S.G. Gnanam	14	14	-	-
Mr. S.R. Gnanam - Managing Director/CEO	14	14	-	-
Mr. E.J. Gnanam	14	14	-	-
Ube Singapore Holdings Pte. Ltd	26,730,000	26,730,000	-	-
Mr. Yaoki Hashimoto (Non Executive and Nominee Director of UBE Singapore Pte. Ltd)	-	-	-	-
Mr. W.C. Fernando - Director	3,995	3,995	71,280	71,280
Independent Non Executive Directors				
Mr. R. Seevaratnam	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. Indrajit Coomaraswamy	-	-	-	-
	100,241,209	100,241,209	71,280	71,280
Total Shares in Issue	267,300,000	267,300,000	133,650,000	133,650,000

MARKET PRICE PER SHARE

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2022 Rs.	31st March 2021 Rs.	31st March 2022 Rs.	31st March 2021 Rs.
Highest for the Period	77.40	90.00	72.00	82.00
Lowest for the Period	32.20	19.20	26.00	16.00
Value as at the end of the year	33.90	66.70	26.30	60.60

SHARE TRADING FROM 01ST APRIL 2021 TO 31ST MARCH 2022

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2022	31st March 2021	31st March 2022	31st March 2021
No of Transactions	55,315	79,211	81,543	95,743
No of Shares Traded	78,605,559	199,201,094	155,862,783	304,462,664
Value of share traded (Rs)	4,659,603,487	10,919,568,421	7,994,964,679	15,558,734,714

PERCENTAGE OF PUBLIC SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2022	31st March 2021	31st March 2022	31st March 2021
The percentage of shares held by public	39.16%	39.16%	100%	100%
No of Public Shareholders	7,214	6,636	6,814	6,572

MARKET CAPITALISATION

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March 2022	31st March 2021	31st March 2022	31st March 2021
Market Capitalisation (Rs. Billion)	9.06	17.80	3.51	8.10
Total Market Capitalisation of the CSE (Rs. Billion)	3,826.50	3,111.26	3,826.50	3,111.26
As a Percentage of the total Market Capitalisation (%)	0.24	0.57	0.09	0.26

Total Float Adjusted Market Capitalisation of Voting Ordinary Shares as at 31st March 2022 Was Rs. 3,548,471,652/- with reference to the rule no.7.6 (iv) of continuing listing requirements of CSE.

Total Float Adjusted Market Capitalisation of Non-Voting Ordinary Shares as at 31st March 2022 Was Rs. 3,514,995,000/- with reference to the rule no.7.6 (iv) of continuing listing requirements of CSE.

As the Float Adjusted Market Capitalisation is less than Rs. 5 billion for the voting ordinary and non voting shares, Tokyo Cement Company (Lanka) PLC complies with option 3 for the minimum requirement of public share holding. (as per the rule no. 7.13.1 (a) of continuing listing requirement of the CSE.)

SHAREHOLDER AND INVESTOR INFORMATION

TWENTY LARGEST VOTING SHAREHOLDERS AS AT

	31st March 2022 No of Ordinary Shares	%	31st March 2021 No of Ordinary Shares	%
St. Anthonys Consolidated (Pvt) Ltd	73,507,172	27.5	73,507,172	27.5
South Asian Investment (Pvt) Ltd	53,820,756	20.1	53,820,756	20.1
Ube Singapore Holdings Pte. Ltd	26,730,000	10.0	26,730,000	10.0
Marina Bay Holding And Investment Pte.Ltd.	16,058,930	6.0	16,058,930	6.0
Capital City Holdings (Private) Limited	8,019,367	3.0	8,019,367	3.0
J.B. Cocoshell (Pvt) Ltd	6,856,967	2.6	7,712,535	2.9
Citibank Newyork S/A Norges Bank Account 2	3,812,168	1.4	Not in Top 20 List	
Employees Trust Fund Board	3,530,981	1.3	921,578	0.3
Northern Trust Company S/A Apollo Asia Fund Limited	3,245,603	1.2	3,245,603	1.2
Amana Bank PLC/Hi-Line Trading Pvt Ltd.	3,091,563	1.2	Not in Top 20 List	
Amana Bank PLC/Mr. Mohamed Nayaz Deen	1,389,232	0.5	Not in Top 20 List	
Peoples Leasing & Finance PLC/Mr. D.M.P. Disanayake	1,165,270	0.4	3,209,263	1.2
Mr. R. Maheswaran	1,096,940	0.4	1,096,940	0.4
Miss M.P. Radhakrishnan	1,096,939	0.4	1,096,939	0.4
Miss A. Radhakrishnan	1,096,939	0.4	1,096,939	0.4
Hatton National Bank Plc/Sri Dhaman Rajendram Arud	1,046,369	0.4	1,000,000	0.4
DFCC Bank Plc A/C 1	870,000	0.3	Not in Top 20 List	
Union Assurance PLC - Universal Life Fund	854,543	0.3	Not in Top 20 List	
Mr. M.S.M. Nibras	824,944	0.3	Not in Top 20 List	
Rubber Investment Trust Ltd A/C No 01	775,000	0.3	Not in Top 20 List	
TOTAL	208,889,683	78.0	197,516,022	73.8

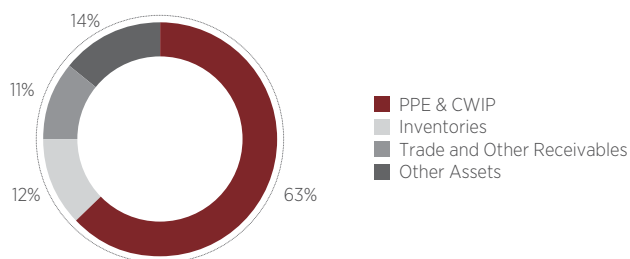
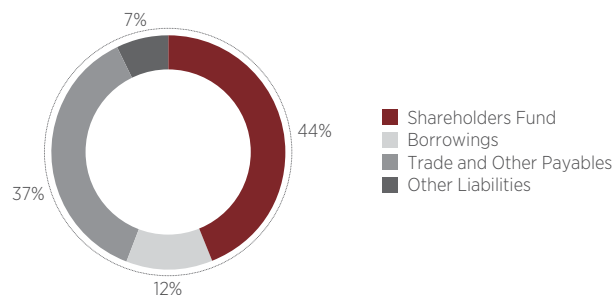
TWENTY LARGEST NON VOTING SHAREHOLDERS AS AT

	31st March 2022 No of Ordinary Shares	%	31st March 2021 No of Ordinary Shares	%
Northern Trust Company S/A Apollo Asia Fund Limited	10,561,789	7.9	10,561,789	7.9
Serendip Investments Limited	6,608,204	4.9	6,608,204	4.9
Employees Provident Fund	5,643,524	4.2	5,643,524	4.2
Deutsche Bank Ag As Trustee For Jb Vantage Value E	3,343,706	2.5	3,498,706	2.6
GF Capital Global Limited	2,826,000	2.1	2,826,000	2.1
Deutsche Bank Ag-National Equity Fund	2,600,699	1.9	3,382,944	2.5
Mr. K.A.S.R. Nissanka	2,000,000	1.5	Not in Top 20 List	
Mercantile Investments And Finance PLC	1,818,299	1.4	975,000	0.7
DFCC Bank Plc A/C 1	1,695,025	1.3	2,722,515	2.0
Seylan Bank PLC/Shermal Hemaka Jayasuriya	1,249,539	0.9	Not in Top 20 List	
Bank of Ceylon No. 1 Account	1,199,941	0.9	Not in Top 20 List	
Amana Bank PLC/Hi-Line Trading Pvt Ltd.	1,141,294	0.9	Not in Top 20 List	
Mr. Y.A.H. Rajkotwala	1,139,726	0.9	1,139,726	0.9
National Savings Bank	1,135,906	0.8	Not in Top 20 List	
Mr. D.R. Ponnampereuma	1,045,673	0.8	Not in Top 20 List	
Mr. V.A.D.L.W.Perera	873,030	0.7	873,030	0.7
Mr. M.A.Jafferjee	859,826	0.6	Not in Top 20 List	
Mr. K.P.R.D. De Silva	850,199	0.6	Not in Top 20 List	
Mr. A.N. Esufally	839,199	0.6	Not in Top 20 List	
Mr. K.C. Vignarajah	824,888	0.6	Not in Top 20 List	
TOTAL	48,256,467	36.0	38,231,438	28.5

FIVE YEAR SUMMARY

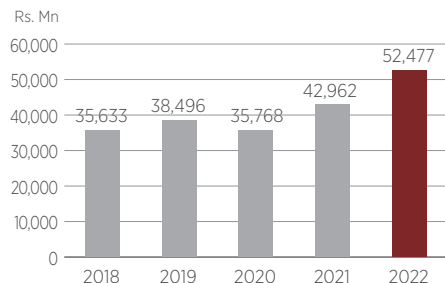
For the year ended 31st March Rs. Mn	2022	2021	2020	2019	2018
OPERATING RESULTS					
Turnover	52,477	42,962	35,768	38,496	35,633
Gross profit	11,412	12,457	10,256	7,888	8,472
Profit before taxation	(289)	5,209	2,629	(1)	2,572
Income tax expense	(68)	202	(312)	(475)	(243)
Profit after taxation	(358)	5,411	2,318	(476)	2,329
Non-controlling interest	20	(29)	-	16	(15)
Profit attributable to ordinary shareholder	(378)	5,440	2,318	(492)	2,343
As at 31st March Rs. Mn					
STATEMENT OF FINANCIAL POSITION					
Assets					
Non Current Assets					
Property, plant and equipment	28,555	28,249	27,494	27,626	26,772
Intangible assets	64	76	94	116	53
Operating lease prepayment	-	-	-	427	431
Right-of-use assets	1,409	1,518	1,346	-	-
Total non current assets	30,028	29,843	28,934	28,169	27,256
Current Assets					
Inventories	5,460	3,240	3,493	3,636	2,530
Trade and other receivable	5,372	4,562	5,291	6,315	4,498
Cash and cash equivalent	6,350	1,489	430	341	718
Total current assets	17,182	9,291	9,214	10,292	7,746
Total assets	47,210	39,134	38,148	38,461	35,002
Equity and Liabilities					
Capital and Reserves					
Stated capital	4,240	4,240	4,240	4,240	4,240
Retained earnings	16,596	17,743	12,917	10,682	11,189
	20,836	21,983	17,157	14,922	15,429
Non - controlling interest	84	64	93	94	62
Total equity	20,920	22,047	17,250	15,016	15,491

As at 31st March Rs. Mn	2022	2021	2020	2019	2018
Non Current Liabilities					
Interest bearing borrowing	1,350	3,963	7,215	4,853	5,761
Deferred tax liabilities	1,859	2,218	2,859	2,726	2,544
Retirement benefit obligations	276	359	297	225	182
Lease creditors	334	426	294	19	5
Total non current liabilities	3,819	6,966	10,665	7,823	8,492
Current Liabilities					
Trade and other payables	17,215	5,377	2,507	4,814	2,639
Short term borrowings	4,187	4,213	6,296	9,212	7,196
Lease creditors	86	94	42	7	3
Bank overdrafts	983	437	1,388	1,589	1,181
Total current liabilities	22,471	10,121	10,233	15,622	11,019
Total equity and liabilities	47,210	39,134	38,148	38,461	35,002
INVESTOR INFORMATION					
Earnings per share - Voting Ordinary Share (Rs.)	0.94	13.57	5.78	(1.23)	6.01
Earnings per share - Non Voting Ordinary Share (Rs.)	0.94	13.57	5.78	(1.23)	6.01
Dividend per share - Voting Ordinary Share (Rs.)	-	2.10	1.50	0.30	1.25
Dividend per share - Non Voting Ordinary Share (Rs.)	-	2.10	1.50	0.30	1.25
Return on equity (%)	(1.81)	24.68	13.44	(3.28)	15.03
Interest cover (Time)	0.47	5.67	2.39	1.00	3.65
Market price per share (Rs.) - Voting	33.90	66.70	22.50	20.70	54.00
Market price per share (Rs.) - Non Voting	26.30	60.60	20.00	18.50	46.00
Price earnings ratio (Times) - Voting	36.06	4.92	3.89	(16.83)	8.99
Price earnings ratio (Times) - Non Voting	27.98	4.47	3.46	(15.04)	7.65
Assets turnover ratio (Times)	1.11	1.10	0.94	1.00	1.02
Net asset per share (Rs.)	51.97	54.83	42.79	37.22	38.48

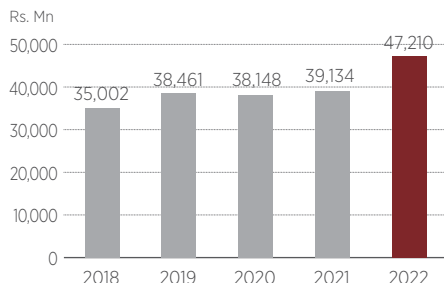
COMPOSITION OF ASSETS**COMPOSITION OF LIABILITIES**

FIVE YEAR SUMMARY GRAPHICAL REVIEW

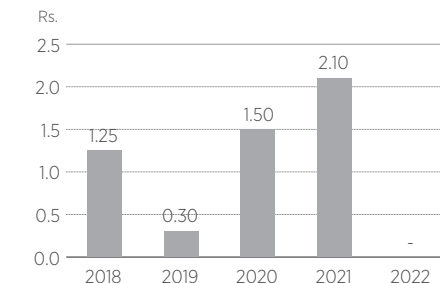
GROUP REVENUE



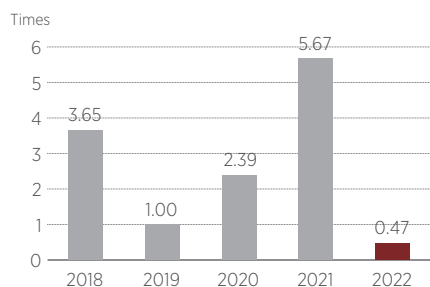
TOTAL ASSETS



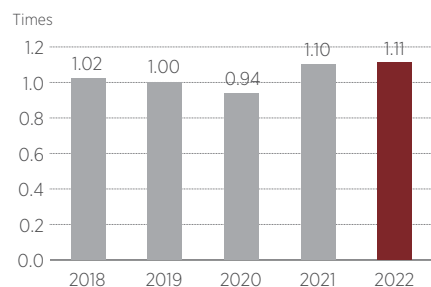
DIVIDEND PER SHARE



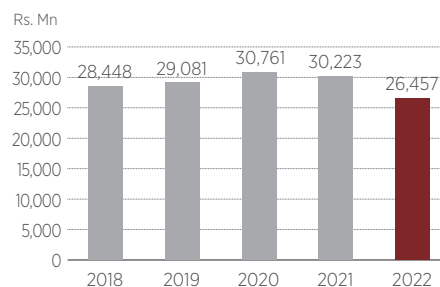
INTEREST COVER



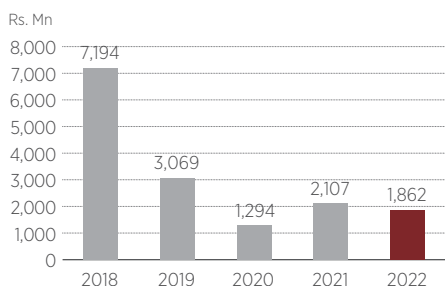
ASSETS TURNOVER



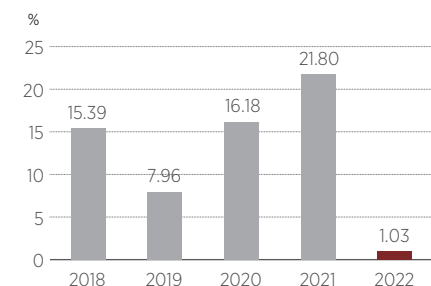
CAPITAL EMPLOYED



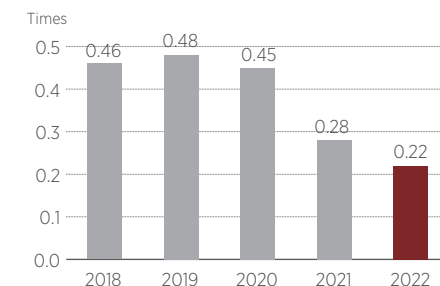
CAPITAL INVESTMENTS



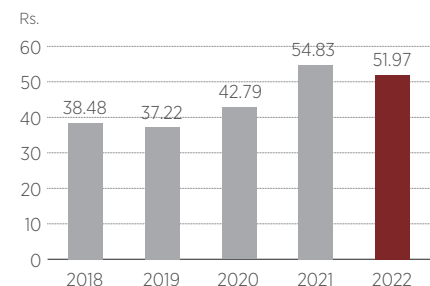
RETURN ON CAPITAL EMPLOYED



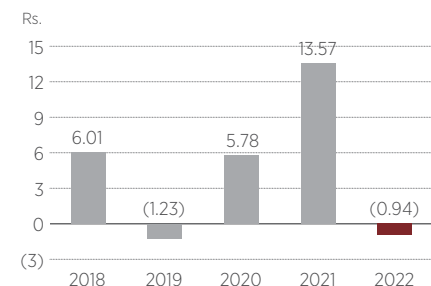
GEARING RATIO



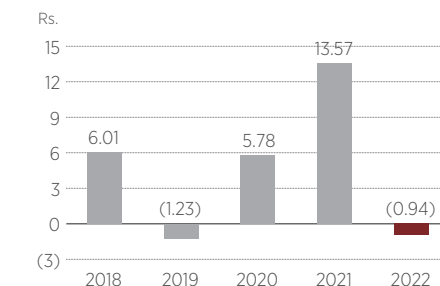
NET ASSETS PER SHARE



EARNINGS PER SHARE - NON VOTING



EARNINGS PER SHARE - VOTING



NOTES

NOTES

NOTICE OF MEETING

(VIRTUAL MEETING WITHOUT THE PHYSICAL PRESENCE)

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held as a Virtual Meeting Without the Physical Presence of the Shareholders, due to rising concerns over the spread of coronavirus and health concerns. The Meeting will be held via 'ZOOM' App. Thursday 29th September 2022 at 4.00 p.m. centred at the 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Cinnamon Lakeside, Dukes Court - Room 2, Sri Lanka. The business to be brought before the Meeting to transact will be :

AGENDA

Normal Business

1. To receive and **adopt** the Report of the Directors, the Statement of Audited Accounts for the year ended 31 st March 2022 and the Report of the Auditors thereon.
2. 2.1 To **re-elect** Mr. Elijah Jeyaseelan Gnanam who retires by rotation in terms of Article 114 of the Articles of Association.
- 2.2 To **re-elect** Mr. Yaoki Hashimoto who retires by rotation in terms of Article 120 of the Articles of Association.
- 2.3 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 resolutions has been given by a member for the purpose : THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Ranjeevan Seevaratnam who is over 70 years and that he be re-elected a Director of the Company.
- 2.4 To **re-elect** as a director Mr. Waranakulasuriya Christopher Fernando 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. Waranakulasuriya Christopher Fernando who is over 70 years and that he be re-elected a Director of the Company.

- 2.5 To **re-elect** as a director Dr. Indrajit Coomaraswamy 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 resolutions 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 Dr. Indrajit Coomaraswamy who is over 70 years and that he be re-elected a Director of the Company.
- 2.6 To **re-elect** as a director Mr. Arul Selvaraj Gunaseelan Gnanam 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 resolutions 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. Arul Selvaraj Gunaseelan Gnanam who is over 70 years and that he be re-elected a Director of the Company.

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

(An Auditor is deemed to be re-appointed at the Annual General Meeting of the Company under Article 180 of the Articles of Association).

4. To **authorise** the Directors to determine contributions to charities.
5. 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 2022

Notes

1. A member entitled to vote at the above meeting is entitled to appoint a proxy to vote instead of him.
2. A proxy need not be a member of the Company. A form of proxy accompanies this notice.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, 469 - 1/1, Galle Road, Colombo 3 not later than 48 hours before the time appointed for the commencement of the Meeting.

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 2022 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 Re-election of Directors

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

RESOLVED that Mr. Yaoki Hashimoto, Director of the Company, who retires by rotation in terms of Article 120 of the Articles of Association and being eligible for appointment be and is hereby re-appointed as Director of the Company.

Re-election of Directors

Age Limit not to Apply

THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Ranjeevan Seevaratnam who is over 70 years of age 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. Waranakulasuriya Christopher Fernando who is over 70 years of age 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 Dr. Indrajit Coomaraswamy who is over 70 years of age 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. Arul Selvaraj Gunaseelan Gnanam who is over 70 years of age and that he be re-elected a Director of the Company

Resolution 3 Re-appointment of Auditors

Shareholders noting Article 180 of the Articles of Association which states that at each Annual General Meeting the retiring Auditor or Auditors shall, without any resolution being passed, be deemed to have been re-appointed until the conclusion of the next ensuing Annual General Meeting : RESOLVED that Directors are hereby authorised 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 4 Donations

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

FORM OF PROXY

VOTING ORDINARY SHARES

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

I/We
(ID No :) of
being a member /members * of the Company hereby appoint
of (ID No :)or failing him
any one of the following directors;

- | | |
|--|---|
| ☐ Dr. Harsha Cabral, PC | ☐ Mr. Warnakulasuriya Christopher Fernando |
| ☐ Mr. Simon Rajaseelan Gnanam | ☐ Mr. Yaoki Hashimoto |
| ☐ Mr. Arul Selvaraj Gunaseelan Gnanam | ☐ Mr. Ravi Dias |
| ☐ Mr. Ranjeevan Seevaratnam | ☐ Mr. Asite Talwatte |
| ☐ Mr. Elijah Jeyaseelan Gnanam | ☐ Dr. Indrajit Coomaraswamy |

as my/our Proxy to represent me/us and * / to vote for me/us on my/our behalf at the Fortieth Annual General Meeting of the Company to be held as Virtual Meeting Without the Physical Presence of the Shareholders. The Meeting will be held via 'ZOOM' App. On Thursday 29th September 2022 at 4.00 p.m. 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 2022 and the Report of the Auditors thereon.	☐	☐
2. To re-elect Mr. Elijah Jeyaseelan Gnanam as a Director of the Company.	☐	☐
3. To re-elect Mr. Yaoki Hashimoto who retires by rotation in terms of Article 120 of the Articles of Association.	☐	☐
4. To authorise the Directors to fix the remuneration payable to the Auditors.	☐	☐
5. To authorise the Directors to determine contributions to charities.	☐	☐
6. 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.	☐	☐
7. To re-elect as a director Mr. Warnakulasuriya Christopher Fernando and being over the age of 70 years for which special notice has been received from a member for the purpose.	☐	☐
8. To re-elect as a director Dr. Indrajit Coomaraswamy and being over the age of 70 years for which special notice has been received from a member for the purpose.	☐	☐
9. Re-elect as a director Mr. Arul Selvaraj Gunaseelan Gnanam and being over the age of 70 years for which special notice has been received from a member for the purpose.	☐	☐

.....
Signature of Shareholder/s

Dated : September, 2022

Notes:

- Please delete the inappropriate words.
- Instructions as to completion are enclosed.
- Members are requested to inform the changes if any, in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.
- Members are invited to direct all correspondence relating to matters on shares, dividends, change of addresses etc. to the Company's Secretaries quoting their register folio number.
- If you maintain an account with Central Depository Systems (Private) Limited, we advise 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 Fortieth Annual General Meeting of
TOKYO CEMENT COMPANY (LANKA) PLC

I/We

(ID No :) of

being a member /members * of the Company hereby appoint

of (ID No :)or failing him
any one of the following directors;

Dr. Harsha Cabral, PC	of Colombo	or failing him
Mr. Simon Rajaseelan Gnanam	of Colombo	or failing him
Mr. Arul Selvaraj Gunaseelan Gnanam	of Colombo	or failing him
Mr. Elijah Jeyaseelan Gnanam	of Colombo	or failing him
Mr. Ranjeevan Seevaratnam	of Colombo	or failing him
Mr. Ravi Dias	of Colombo	or failing him
Mr. Warnakulasuriya Christopher Fernando	of Colombo	or failing him
Mr. Asite Talwatte	of Colombo	or failing him
Mr. Yaoki Hashimoto	of Singapore	or failing him
Dr. Indrajit Coomaraswamy	of Colombo	

as my /our Proxy to represent me/us and * on my/our behalf at the Fortieth Annual General Meeting of the Company to be held as Virtual Meeting Without the Physical Presence of the Shareholders. The Meeting will be held via MICROSOFT TEAMS App. On Thursday 29th September 2022 at 4.00 p.m. as a virtual meeting and at any adjournment thereof.

.....
Signature of Shareholder/s

Dated : September, 2022

Notes:

1. Please delete the inappropriate words.
2. Members are requested to inform the changes if any , in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.
3. Members are invited to direct all correspondences relating to matters on shares, dividends, change of addresses etc to the Company's Secretaries quoting their register folio number.
4. If you maintain an account with Central Depository Systems (Private) Limited, we advice you to inform them directly through your broker with regard to your change of address and dividend mandate.

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4. In the case of a proxy signed by an attorney, the power of attorney must be deposited at the Registered Office for Registration.
5. In the case of non-resident Shareholders, the stamping, if necessary, will be attended to, on return of the completed form of proxy to the Registered Office of the Company in Sri Lanka.

CORPORATE INFORMATION

NAME OF THE COMPANY	: Tokyo Cement Company (Lanka) PLC
COMPANY REGISTRATION NO	: PQ 115
LEGAL FORM	: A Public Quoted Company with Limited Liability, Incorporated in Sri Lanka in 1982 and Listed on 1st January 1984
BOARD OF DIRECTORS	: Dr. Harsha Cabral PC Chairman and Independent Non-Executive Director Mr. S.R. Gnanam Managing Director Mr. W.C Fernando Director Mr. A.S.G. Gnanam Non-Executive Director Mr. E.J. Gnanam Non-Executive Director Mr. Yaoki Hashimoto Non-Executive Director & Nominee Director of Ube Singapore Holdings Pte. Ltd (Appointed on 1st April 2021) Mr. R. Seevaratnam Independent Non-Executive Director Mr. Ravi Dias Independent Non-Executive Director Mr. Asite Talwatte Independent Non-Executive Director Dr. I. Coomaraswamy Independent Non-Executive Director
COMPANY SECRETARY	: Seccom (Private) Limited, (Company Secretaries) 1E - 2/1, De Fonseka Place, Colombo 5 Phone: +9411 2590176, Fax: +9411 2581618 Email: kmaahamed@hotmail.com kmaahamed@yahoo.com
HEAD OFFICE	: 469 - 1/1, Galle Road, Colombo 3 Phone +9411 2558100, Fax: +9411 2500897 Web Site: www.tokyocement.lk Email: agm@tokyocement.lk
SUBSIDIARY COMPANIES	: Fully Owned Tokyo Cement Power (Lanka) (Private) Limited Tokyo Eastern Cement Company (Private) Limited Tokyo Supermix (Private) Limited 51 % Owned Tokyo Super Aggregate (Private) Limited
AUDITORS	: BDO Partners, (Chartered Accountants) 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 2
BANKERS	: Commercial Bank of Ceylon PLC Sampath Bank PLC Bank of Ceylon Hatton National Bank PLC

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