TOKYO CEMENT COMPANY (LANKA) PLC

ANNUAL REPORT 2020/21

EMPOWERING
THE SRI LANKAN JOURNEY

EMPOWERING THE SRI LANKAN JOURNEY

Life is a journey of growth, shaped by the countless individuals and communities we meet along the way. Here at Tokyo Cement, our story is built on the partnerships we have founded over the course of our existence; modelled around the many Sri Lankans who have defined our journey thus far.

The year under review saw the entire nation experience unprecedented challenges and change; yet we maintained our course– recording a powerful performance against all odds, while advancing our mission to uplift Sri Lankans from all walks of life, and support our economy's growth.

Now, as we venture forth hand in hand with the people of our nation, we're transforming both our future and theirs– relying on a unique range of products and services designed to reinforce and strengthen our progress with every step.

We're augmenting value with every step we take. We're empowering the Sri Lankan journey.

TOKYO CEMENT COMPANY (LANKA) PLC

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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.

PERFORMANCE HIGHLIGHTS

	Group		Company	
For the year ended 31st March	2021	2020	2021	2020
PERFORMANCE (Rs. Mn)				
Turnover	42,962	35,768	22,069	21,511
Cost of Sales	(30,465)	(25,512)	(17,958)	(16,234)
Gross Profit	12,497	10,256	4,111	5,277
Profit Before Tax	5,209	2,629	1,168	790
Profit After Tax	5,411	2,318	1,527	817
Total Comprehensive Income	5,399	2,296	1,517	800
INFORMATION TO SHAREHOLDERS (Rs.)				
Earnings Per Share - Voting	13.57	5.78	3.81	2.04
Earnings Per Share - Non Voting	13.57	5.78	3.81	2.04
Dividend Per Share - Voting	-	-	2.10	1.50
Dividend Per Share - Non Voting	-	-	2.10	1.50
Net Asset Value Per Share	54.83	42.79	41.11	38.82
Market Value Per Share - Voting	66.70	22.50	66.70	22.50
Market Value Per Share - Non Voting	60.60	20.00	60.60	20.00
KEY FINANCIAL INDICATORS				
Gross Profit Margin (%)	29.09	28.67	18.63	24.53
Return on Capital Employed (ROCE) (%)	21.80	16.18	9.82	9.10
Interest Cover (Times)	5.67	2.39	2.26	1.56
Price Earnings Ratio - Voting (Times)	4.92	3.89	17.51	11.03
Price Earnings Ratio - Non Voting (Times)	4.47	3.46	15.91	9.80
Current Ratio	0.92:1	0.90:1	0.52:1	0.79:1
Quick Asset Ratio	0.60:1	0.56:1	0.32:1	0.52:1
Dividend Payout Ratio (%)	-	-	55.12	73.53

TRUNOVER (GROUP)
Rs. 42.9 Bn
[2019/20 Rs. 35.8 Bn]

GROSS PROFIT (GROUP)
Rs. 12.5 Bn
[2019/20 Rs. 10.3 Bn]

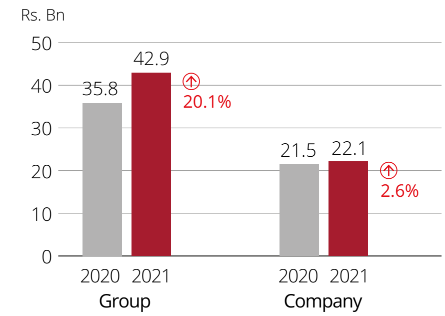
PROFIT AFTER TAX (GROUP)
Rs. 5.4 Bn
[2019/20 Rs. 2.3 Bn]

TURNOVER (COMPANY)
Rs. 22.1 Bn
[2019/20 Rs. 21.5 Bn]

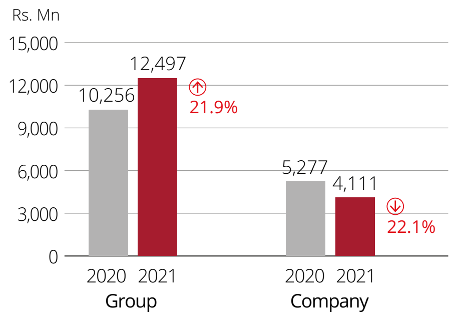
GROSS PROFIT (COMPANY)
Rs. 4.1 Bn
[2019/20 Rs. 5.3 Bn]

PROFIT AFTER TAX (COMPANY)
Rs. 1.5 Bn
[2019/20 Rs. 0.8 Bn]

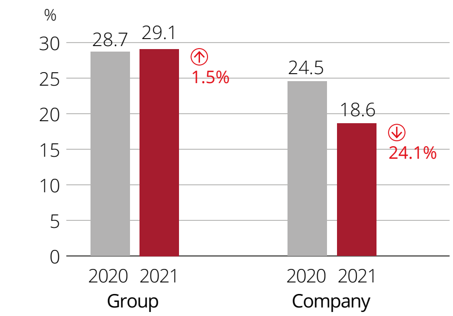
Revenue



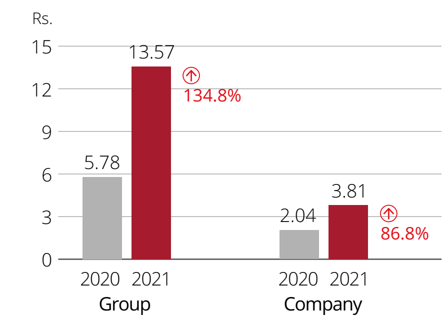
Gross Profit



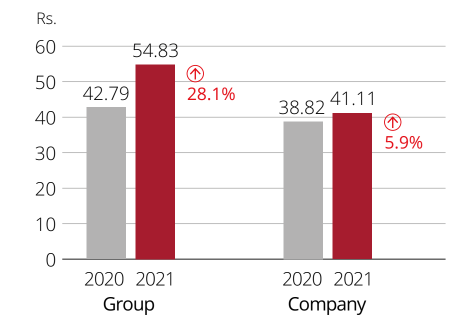
Gross Profit Margin



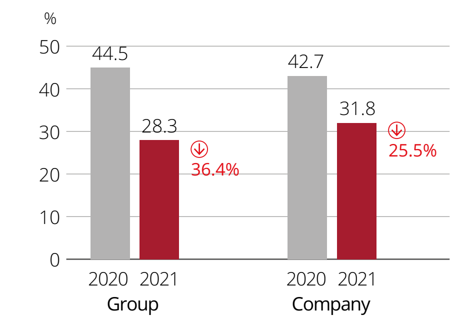
Earning Per Share



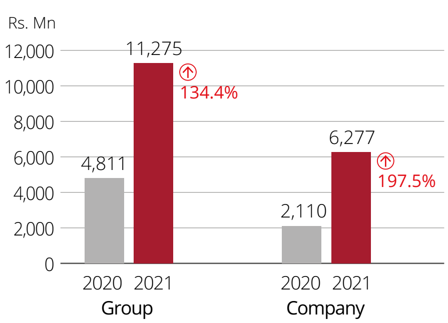
NAV Per Share



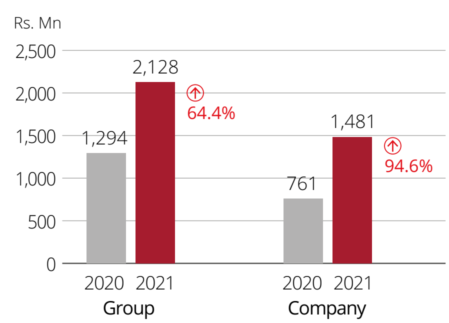
Gearing Ratio



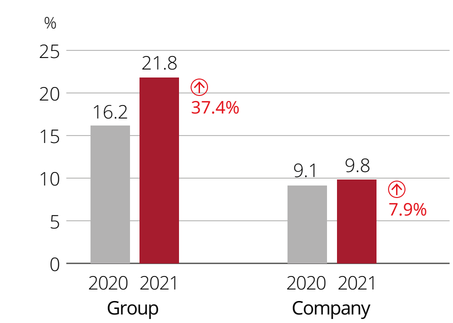
Cash Generated from Operation



Capital Expenditure



ROCE



DIVIDEND PER SHARE

Rs. 2.10

[2019/20 Rs. 1.50]

CAPITAL EXPENDITURE (GROUP)

Rs. 2.1 Bn

[2019/20 Rs. 1.3 Bn]

CASH GENERATED FROM OPERATIONS (GROUP)

Rs. 11.3 Bn

[2019/20 Rs. 4.8 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

NIPPON CEMENT

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 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.)

FOR HIGH RISE BUILDINGS | FOR BRIDGES | FOR HOUSES | FOR MARINE & MARSH | CORROSION RESISTANT | UNDERGROUND TANKS | FOR READY MIX CONCRETE

OUR PRODUCTS

NIPPON CEMENT

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.

RAPID STRENGTH DEVELOPMENT

FOR STRUCTURES

FOR BRIDGES

FOR HOUSES

PRECAST CONCRETE

FOR READY MIX CONCRETE

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.

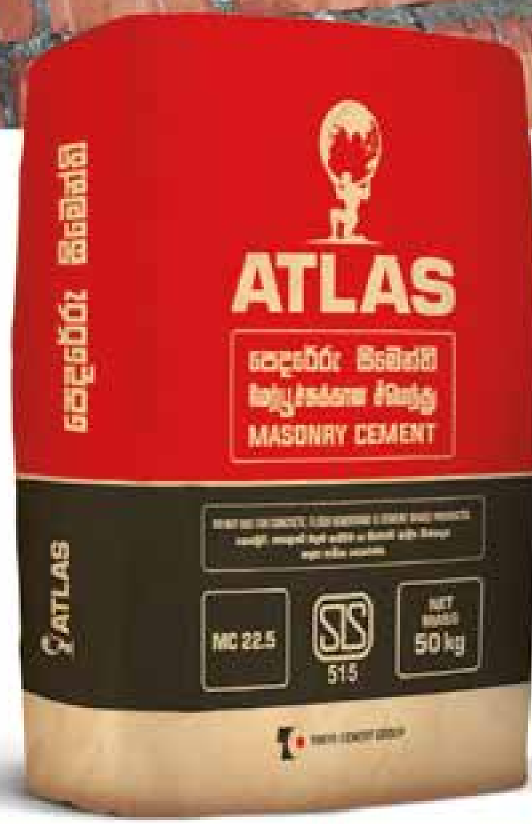
OUR PRODUCTS

ATLAS

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

NATION'S No 1 TILE ADHESIVE

TOKYO SUPERBOND

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

JUST ADD WATER

25KG

MAX. TILE SIZE 2FTX2FT

INDOOR ONLY

NEWLY LAID FLOOR ONLY

WALLS & FLOORS

ANTI SLIP

OUR PRODUCTS

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 50ft² 3mm thickness

JUST ADD WATER

25KG

HIGH FLEXIBILITY

MAX. TILE SIZE 4FTX10FT

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

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.

OUR PRODUCTS

WEATHERSHIELD PLASTER

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 12.5 mm thickness | JUST ADD WATER | 25KG

ADD PIGMENT | BETTER FINISH | DIRECT ON CONCRETE | WATERPROOF | WETHERPROOF

TOKYO SUPERSEAL

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 it are for sealing bathrooms, overhead slabs, walls, joints etc.

COVERAGE AREA 80ft²
3 mm thickness
2 coats

JUST ADD WATER

WATER & SEWAGE TANKS | SWIMMING POOLS | BATHROOMS & KITCHENS | APPLY WITH FLOAT / BRUSH | ROOF SLABS | WATERPROOF | WEATHERPROOF

OUR PRODUCTS

2K WATERPROOFER

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.

25-30ft²

PREVENTS WATER PENETRATION

GOOD ADHESION

CRACK BRIDGING ABILITY

RESISTANCE TO CHLORIDE ION DIFFUSION

COMPATIBLE WITH CERAMIC TILE ADHESIVES

NON CORROSIVE

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 water will result in lower strength.

OUR PRODUCTS

TOKYO SUPERFLOW

FLOORING COMPOUND

TOKYO SUPERFLOW FLOORING COMPOUND is a self leveling cementitious flooring compound which can be applied manually or by pump to achieve rapid, flat 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.

40ft²

JUST ADD WATER

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

TOKYO SUPERMIX

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.

100ft²

JUST ADD WATER

PAVEMENTS DRIVEWAYS

HORIZONTAL SLABS

SIMPLE STRUCTURES

SAME AS TRUCK MIX

LESS WASTE

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.

EMPOWERING LOCAL COMMUNITIES

EXECUTIVE REVIEWS

At Tokyo Cement our business is focused on uplifting communities in the rural areas of Sri Lanka, enriching their lives with opportunities that truly recognise their hard work towards building and sustaining the nation.

CHAIRMAN'S STATEMENT

"The Tokyo Cement Team has delivered a stellar performance, under possibly the most unusual economic circumstances experienced by the Group.

The Group profits increased to Rs. 5.4 Bn this year, boosting the ROA and ROE to 13.8% and 24.7%.

It gives me great pleasure to welcome our shareholders to the 39th Annual General Meeting of Tokyo Cement Company (Lanka) PLC and to present the audited financial statements and Annual Report for the Financial Year 2020/21.

Tokyo Cement has reported the best financial year of its history, with the highest revenue and profit to date. This demonstrates the exceptional resourcefulness and preparedness of the Group, in the wake of an unprecedented global crisis that debilitated global trade and local economic activities, for much of the year.

The year commenced with the onset of the Covid-19 pandemic, which exposed the Sri Lankan economy and the construction sector to hitherto never experienced challenges, including total work stoppages. It goes without saying, that Tokyo Cement's business activities were unavoidably impacted by these changes, including lockdowns and transportation restrictions, upending business as usual. Despite the turbulent business environment, the current financial results amply demonstrate how effectively the Group succeeded in overcoming such obstacles to achieve its corporate objectives. Therefore, I congratulate the Managing Director and the Tokyo Cement Team on a stellar performance, under possibly the most unusual economic circumstances experienced by the Group.

The financial results speak for themselves with the Group profits increasing by Rs. 2.3 Bn from the previous year to Rs. 5.4 Bn, which has boosted the ROA and ROE from 6.1% and 13.4% in the previous year, to 13.8% and 24.6% respectively in the year under review.

This excellent financial performance is an outcome of years of strategic investments in production reengineering and capacity expansion. This enabled Tokyo Cement to immediately increase locally manufactured cement supply following the enactment of cement import restrictions. As the largest cement manufacturer in the country, Tokyo Cement had installed capacity to rapidly expand production when the demand for cement resurged, ensuring the country did not run short of cement to restart both household and commercial construction projects.

While Tokyo Cement did its part to support the construction industry, the Group had to absorb a large cost increase attributed to the rise in clinker prices, the rapid depreciation of the Rupee and significant increase of freight costs. As cement is a price-controlled commodity, Tokyo Cement could not increase its retail prices to reflect the increased production costs. Therefore, unless there is a resolution with regards to a price increase, all local cement manufacturers will face difficulties in the new financial year in meeting demand for cement.

Undeterred by market disruptions, Tokyo Cement had maintained its stringent quality standards as the hallmark of its manufacturing culture. The Company has, at all times, ensured the highest quality products for Sri Lankan consumers, at all costs. Ensuring the health and safety of employees was another priority during the year, and as a responsible employer, Tokyo Cement took all necessary actions to protect all employees and extended our support to families of employees and dealers, to endure this difficult period.

As a highly ethical Company, Tokyo Cement continued to contribute towards many social and environmental conservation projects during the year and even expanded the scope of its social responsibility activities. In addition to the ongoing CSR projects that continued, new projects were started during the year, such as the initiation of our Fountain of Life project which provides clean drinking water. During the year, the project was deployed in three villages in Jaffna, and one in Medawachchiya. We plan to expand this project across the island in the new financial year, providing access to essential drinking water in rural parts of the country.

Tokyo Cement has demonstrated an exceptional level of resourcefulness and preparedness, in the wake of an unprecedented global crisis, that debilitated global trade and local economic activities.

GROSS PROFIT (GROUP)

Rs. 12.5 Bn

[2019/20 Rs. 10.3 Bn]

PROFIT FROM OPERATIONS (GROUP)

Rs. 6.3 Bn

[2019/20 Rs. 4.5 Bn]

As the second outreach exercise initiated this year, Tokyo Cement opened the A.Y.S. Gnanam Village Heartbeat Empowerment Centre in Dambulla, to provide free educational support for school children and vocational training for young people. The venture has been received with great enthusiasm by the local community and the Company looks forward to further enhance its impact in the upcoming years. I invite you to visit our CSR Overview to learn more about our ongoing and newly initiated social responsibility programs.

As always Tokyo Cement has maintained the highest level of governance in all its activities during the year and the Company did not face any penalties, or fines for non-compliance with any applicable regulations.

CHAIRMAN'S STATEMENT

This excellent financial performance is an outcome of years of strategic investments in production reengineering and capacity expansion. This enabled Tokyo Cement to immediately increase locally manufactured cement supply following the enactment of cement import restrictions.

The Tokyo Cement Board expanded with the addition of one member during the year, with Dr. Indrajit Coomaraswamy returning to the board as an Independent Non-Executive Director. While welcoming back Dr. Coomaraswamy, I also extend a warm welcome to Mr. Yaoki Hashimoto, who replaces Mr. Susumu Ando as Nominee and Non-executive Director of UBE Singapore PTE, representing our Japanese partner UBE Industries, Ltd., Japan. I take this opportunity to thank Mr. Ando for all the support extended to the Board, during his tenure.

Concluding an exceptional year, I would like to thank the Board of Directors and the Managing Director for the able stewardship during this unprecedented time. I acknowledge the invaluable contributions at all levels of the Tokyo Cement Team, including our dealer network and all employees, in making this the most successful year in the history of the Company. I also extend my appreciation to the shareholders of Tokyo Cement and our customers for their loyalty and look forward to their continued support.

Sincerely

Dr. Harsha Cabral, PC
Chairman

16th July 2021

MESSAGE FROM THE JOINT VENTURE PARTNER

> Despite Covid-19 containment restrictions that prevailed in Sri Lanka and across the globe, Tokyo Cement not only continued its operations with minimum interruptions, but was also able to expand its outputs and sales.

On behalf of UBE Singapore Holdings Pte. Ltd., it is my great pleasure to extend our congratulations to Tokyo Cement Company (Lanka) PLC on a fantastic year in the midst of a global pandemic that had severe repercussions on economies and industries across the globe. We are fully aware of the numerous difficulties the Company had to surmount, while steering the business forward to achieve the set targets.

Tokyo Cement's strategic foresight in capacity expansion and product diversification has enabled the Group to withstand macroeconomic shocks with confidence and respond to market changes with speed. Despite Covid-19 containment restrictions that prevailed in Sri Lanka and across the globe, Tokyo Cement not only continued its operations with minimum interruptions but was also able to expand its outputs and sales.

While we continued to remain closely engaged with Tokyo Cement's progress during the year, unfortunately, some of our ongoing technical collaboration activities were impeded due to the travel restrictions. However, we hope to resume these interactions as soon as health and safety protocols between our countries permit.

The partnership between our two organizations continues to strengthen as we work together to achieve our common objective, that is to deliver superior products that exceed customer expectations.

I would also like to salute Tokyo Cement on its decision to continue funding its many social and environmental responsibility projects despite these uncertain times. In addition to Tokyo Cement's economic contributions through its business activities, these CSR projects create greater value for the country and its people.

As the world braces for further uncertainty, we will stand by Tokyo Cement and extend our fullest support towards the success of its endeavours.

Sincerely

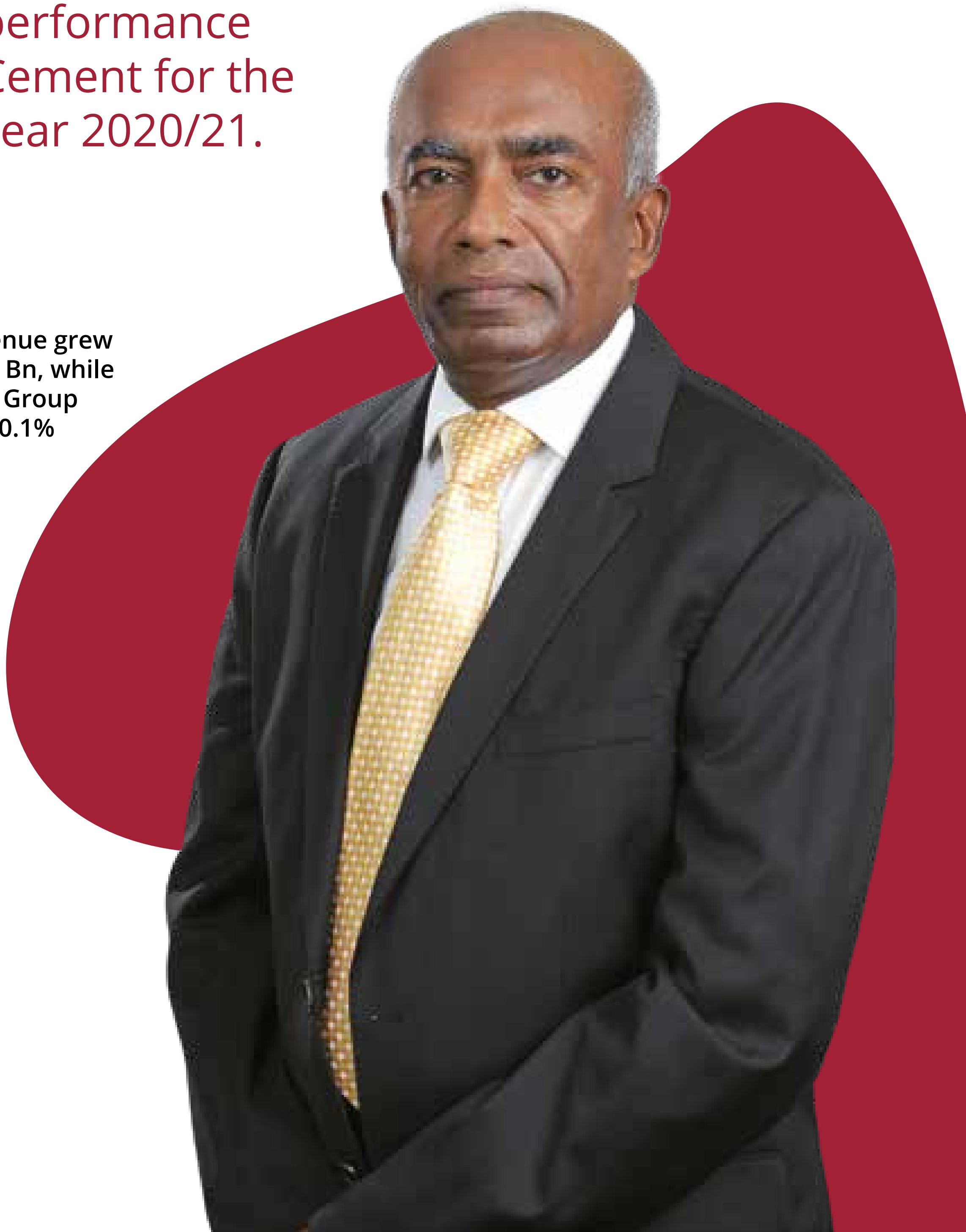
Masato Izumihara
President and Representative Director
Ube Industries, Ltd.

16th July 2021

MANAGING DIRECTOR'S REVIEW

"Despite the tumultuous start of the year, filled with continuous market disruptions, I am pleased to report an excellent performance by Tokyo Cement for the Financial Year 2020/21.

The Company revenue grew by 2.6% to Rs. 22.1 Bn, while the Tokyo Cement Group revenue grew by 20.1% to Rs. 42.9 Bn.



In the financial year under review, across all industries, business as usual was no longer an option. Tokyo Cement's Board and management were quick to understand the reality of the situation, and deploy necessary measures required to continue operations, under extraordinary circumstances. As one of the first large scale manufacturers to resume production after initial lockdowns, we immediately implemented protocols and precautions to keep our workforce and customers safe, as we placed our engines back in motion, with the help of tools such as videoconferencing for reporting on operations across the island. We developed new distribution channels, restructured expenditure, connected suppliers and merchant payments and collections via digital mediums, proactively expanded negotiations across supply chain sources to avoid shortages and delays, prevalent across the globe. I want to acknowledge this year's performance as a testament to the strength and ingenuity of our team, who rose to the call for "all hands on deck" to weather the storm.

Despite the tumultuous start of the year, filled with continuous market disruptions caused by the emergence of Covid-19, Tokyo Cement closed the year with a record-breaking financial performance. I am pleased to report to our shareholders an excellent performance by your company for the Financial Year 2020/21.

The first three quarters of this financial year signalled the trajectory change towards a healthy bottom line, even though this trend did not continue in the last quarter, due to multiple negative factors effecting our profitability.

While these macro environmental factors have continued to shift towards a less favourable position in the new financial year, we are extremely happy that Tokyo Cement was able to maximise the opportunities for growth presented during most part of the year under review.

The government's strategic decision to enact import restrictions on luxury items, nonessentials, and products that local industries had the capacity to produce, presented an essential opening for local cement manufacturers to maximise unique growth opportunities.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs. 5.4 Bn

[2019/20 Rs. 2.3 Bn]

COST TO INCOME (GROUP)

85.4%

[2019/20 87.4%]

FINANCIAL REVIEW

Despite weeks of island wide curfew at the start of the year, and intermittent regional lockdowns, the country experienced a 12.6% growth in demand for cement during the financial year, whilst experiencing an overall 3.0% contraction during the calendar year. This growth is indicative of the notable increase in demand during the last financial quarter, surpassing the lost momentum of the first three quarters. In this milieu, Tokyo Cement, which had invested in strategic capacity expansions, was in an advantageous position to increase outputs. Consequently, the Company was able to grow its revenue by 2.6% (Rs. 558 Mn) year-on-year to Rs. 22.1 Bn while the Tokyo Cement Group achieved a revenue growth of 20.1% (Rs. 7.2 Bn) to Rs. 42.9 Bn.

Several changes in the macro business environment can be attributed to this unique situation. To conserve forex, the government made a strategic decision to place import restrictions on luxury items, nonessentials, and products that local industries had the capacity to produce. This was an essential opening for local cement manufacturers, as bag and bulk cement importers, who in the previous year made up almost 46% of local consumption, faced challenges maintaining supply chains with shifting ground conditions and increased expenditures.

In this environment, Tokyo Cement, as the nation's largest cement manufacturer was poised to absorb this market share, having continuously built-up capacity to 3.0 Mn Metric Tonnes (MTA) over the years. The restrictions on imports allowed Tokyo Cement to not just achieve growth in turnover through market share gains, but to reach record capacity utilisation, thereby increasing profitability.

Despite Tokyo Cement's turnover growth, the construction industry as a whole contracted by 13.2% in 2020, with cement consumption contracting 3.0% in the calendar year. The construction industry was hampered by lockdowns, travel restrictions, worksite shutdowns, dwindling workforces, and unavailability of other building materials due to import restrictions and disrupted local production.

Due to these challenges, larger construction projects were delayed or stalled, driving down demand for ready mix concrete, and consequently contracting bulk cement demand. However, our sales teams pivoted to capture retail and small project demand, through increase of bag cement turnover contribution.

Tokyo Cement's gross profit grew by 21.9% (Rs. 2.2 Bn) to Rs. 12.5 Bn while the cost of sales declined to 19.4% facilitating a healthy Gross Profit (GP) margin, largely due to substitution of imported cement with locally manufactured cement in the group's sales mix. The GP margin of the company

MANAGING DIRECTOR'S REVIEW

remained strong until the last quarter of the year when the full weight of the rupee depreciation, increased raw material costs, and rising freight and fuel costs, began to bear down. The rupee depreciated 4.9% during the 12 months from April 1, 2020, to March 31, 2021 pushing up the US Dollar from Rs. 192.65 at the start of the year to Rs. 202.04 by the end of the year. As a result of the increase in fuel prices, charter vessel rates increased by approximately 300% year on year.

Company expenditure increased by 6.5% (Rs. 1.3 Bn) during the year to Rs. 21.5 Bn, due to increased production volume, and the resultant increase of raw material costs. At Group level total operating costs came to Rs. 36.7 Bn which is a year-on-year increase of 17.4%, which includes the additional costs incurred to implement new health and safety measures for employees and other stakeholders. However, cost containment measures were introduced wherever appropriate to soften the impact on the bottom-line. For instance, some raw materials that are permitted under the SLSI standards for cement blending, were sourced from the local market, instead of importing. This helped cushion costs to a great extent as we increased production. Therefore, the Company's cost to income ratio was contained at 85.4% compared to 87.4% in the previous year.

From an organization point of view, this outstanding performance permitted us to safeguard our employees from the effects of pandemic related income loss to a great extent.

Although market conditions remained unstable for much of the year, Tokyo Cement Group did not cut down on its social responsibility activities either. In fact, we increased our CSR allocations for the year and initiated two impactful projects to uplift the lives of our people. One such cause was to facilitate access to clean drinking water in the North and North Central provinces through our Fountain of Life Program. In another new community welfare initiative, the A.Y.S. Gnanam Construction Training Institute in Dambulla was given a new lease of life as a Village Heartbeat Centre, that provides educational programs and after-school activities for children, and vocational training programs for adults. Please refer the CSR Overview for details on these and other CSR projects operated by Tokyo Cement.

The Profit Before Tax (PBT) of the Company increased by 47.9% (Rs. 378.4 Mn) to Rs. 1.17 Bn, while the Group PBT grew by 98.1% (Rs. 2.6 Bn) to Rs. 5.21 Bn. The Profit After Tax (PAT) of the Company increased by 86.9% (Rs. 709.8 Mn.) to Rs. 1.52 Bn, while the Group PAT increased by 133.4% (Rs. 3.1 Bn.) to reach Rs. 5.4 Bn. This allowed the shareholders equity to increase from Rs. 2.3 Bn in the previous financial year, to Rs. 5.4 Bn.

During the year, the Group invested Rs. 2.1 Bn on capital projects. This included the construction of silos at the Port of Colombo, to store cement for distribution to Western and Southern markets. The construction of the silos is scheduled for completion by the 3rd Quarter of 2021. Bigger storage capacity at the port is expected to give Tokyo Cement a competitive edge, facilitating faster distribution within the Western province. Furthermore, we commenced a capacity enhancement project in Trincomalee to increase cement production by 1 Mn MT, which will continue in 2021.

OUTLOOK FOR THE NEW FINANCIAL YEAR

Across the board, global raw material, oil and freight rates have been on the rise in 2021 and we anticipate sustained cost increases during 2021/22, which will erode profitability. Between January to March 2021, charter vessel rates have increased by 300% against January 2020, while oil prices have increased by 117% since January 2020. Meanwhile, we anticipate further depreciation of the rupee in 2021/22 which will add to import costs. Disruptions expected with the resurgence of Covid-19 since April 2021, may result in further market contractions for cement in 2021/22. Most construction sites have stalled due to the difficulties contractors have to face in the current situation. Further, local cement manufacturers will face heightened competition from a new entrant to the market, expanding supply, while demand may at best flatline or decline.

While the outlook is not favourable, Tokyo Cement is confident of its brand equity and market position as an international standard supplier of cement and related products. Therefore, provided there are no significant interruptions to operations, we will continue to expand existing cement manufacturing capacity further, to meet the needs of our customers.

I have great confidence in the capabilities and commitment of the Tokyo Cement team, as clearly demonstrated during the current financial year. Our sales and marketing teams, production staff, and other support staff have done a remarkable job and I thank them for their hard work and dedication. I would also like to thank the Board for their guidance during the year and our shareholders and customers for placing their confidence on the strengths of Tokyo Cement.

Sincerely

Mr. S.R. Gnanam
Managing Director

16th July 2021

BOARD OF DIRECTORS

DR. HARSHA CABRAL, PC
Chairman

Dr. Cabral is a President's Counsel in Sri Lanka with thirty-three years' experience in the field of Company Law, Intellectual Property Law, Commercial Law, Securities Laws, International Trade Law & Commercial Arbitration. 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. He holds a Doctorate in Corporate Law from University of Canberra, Australia.

Dr. Cabral is a 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). He is also a Fellow of the Institute of Chartered Secretaries & Administrators (UK).

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 member of the Board of Investment (BOI) of Sri Lanka, a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka and a member of the Corporate Governance Faculty of the Institute of Chartered Accountants of Sri Lanka. Dr. Cabral is also a member of the Cabinet Appointed Committee to draft the National Trade Policy, Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, Senior Advisor to the Ministry of Justice on the new House of Justice Project, Senior Advisor to the Ministry of Justice on Commercial Law Reform and the Chairman, Intellectual Property Law Reform Project of the Ministry of Justice.

As a member of the Council of Legal Education in Sri Lanka, as a member of the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a Founder Board Member of the Sri Lanka International Arbitration Centre, as a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, as a member of the National Science Foundation, and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka), Dr. Cabral has contributed immensely to the legal academia and the corporate community of Sri Lanka.

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. Dr. Cabral was a senior Director of the Union Bank of Sri Lanka. Dr. Cabral serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, 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, CCCICLP Alternative Dispute Resolution Centre (Guarantee) Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT) and he serves on several Audit Committees, Nomination Committees, Remuneration Committees and the Related Party Transaction Committee, chairing most of them.

Dr. Cabral has also authored several books in the field of Company Law, Intellectual Property Law and Commercial Arbitration.

MR. S. R. GNANAM
Managing Director

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

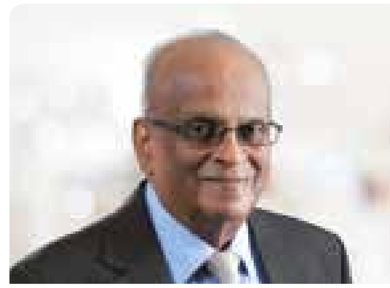
BOARD OF DIRECTORS

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

Mr. A.S.G. Gnanam graduated from the Illinois Institute of Technology in Industrial Engineering in 1973. He has been on the Board since 1999. He is the Managing Director of St. Anthony's Industries Group (Pvt) Ltd and St. Anthony's Property Developers (Pvt) Ltd, Chairman Rhino Roofing Products Ltd and Director of many private companies. He is also a Director of WaterTec India (Pte) Ltd. He has experience in leading manufacturing organizations which are considered pioneers in the local industry and has personally been involved in conceptualising, developing and bringing to the market many firsts for the 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. 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. He was appointed to the Board of McLarens Holdings Limited as an Independent Director in February 2021.

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.

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. 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 1995/1996. 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 currently chairs the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka.

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

BOARD OF DIRECTORS

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 on both macro-economic and structural issues at National and Inter-governmental 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.

MR. YAOKI HASHIMOTO
Non-Executive Director

Mr. Yaoki Hashimoto joins the Board of Tokyo Cement Company (Lanka) PLC from 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.

MR. SUSUMU ANDO
Non-Executive Director

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

Mr. Ando completes his tenure at the Board of Tokyo Cement Company (Lanka) PLC in March 2021.

EMPOWERING NATIONAL PROGRESS

MANAGEMENT DISCUSSION & ANALYSIS

At Tokyo Cement we are committed to build a pathway of opportunity for our stakeholders, enabling each of them to reach their fullest potential and partake in a collective journey to build a progressive nation and economy.

ECONOMIC REVIEW

Health-related concerns severely affected the performance of construction activities to contract by 13.2% in 2020. This was reflected in the total cement sales of the country, which recorded a contraction of 3.0% in 2020.

OVERVIEW

The Sri Lankan economy contracted by 3.6% in 2020 (compared to 2.3% growth shown in 2019) recording the deepest recession since independence. This was driven by mobility restrictions and other containment measures imposed locally and worldwide, with a view to preventing the spread of Covid-19 pandemic.

The overall size of the Sri Lankan economy declined to USD 80.7 Billion in 2020 from USD 84.0 Billion in 2019. Similarly, GDP per capita declined to USD 3,682 in 2020 from USD 3,852 recorded in 2019.

All sectors of the economy contracted during 2020 compared to 2019. For instance, Agriculture contracted by 2.4% (compared to 1.0% growth in 2019), Industry contracted by 6.9% (compared to 2.6% growth in 2019), and Services contracted by 1.5% (compared to 2.2% growth in 2019) as shown below in Graph 1. The Industries Sector that includes the sub-sectors; Manufacturing, Mining and Quarrying, Construction and Economic Infrastructure (ie: Electricity, Gas, Water and Waste Management), which require workers to be physically present, suffered the largest shocks in 2020. Therein, the Manufacturing sector contracted by 3.9% and Construction sector by 13.2% as shown in Graph 2.

This overall degrowth in 2020 was mainly driven by the year-on-year contraction of 16.4%, experienced during the first financial quarter (Q1 FY21), due to the nationwide lockdown measures imposed from mid-March through June 2020 to contain the first wave of Covid-19 outbreak. The economy began to recover in the second financial quarter (Q2 FY21) as the first wave was brought under control and containment measures were relaxed.

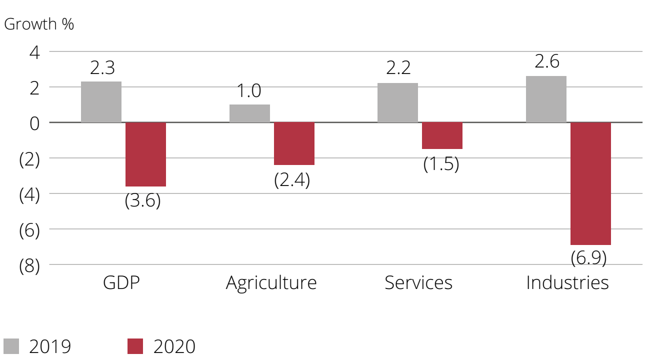
The growth momentum was disrupted again in the third financial quarter (Q3 FY21) due to the rise of a second wave of Covid-19 infections. Despite the situation, the government resorted to targeted lockdowns and travel restrictions during the October – November period, instead of island-wide curfews to minimise the impact on economic activity.

CONSTRUCTION SECTOR

Health-related concerns severely affected the performance of construction activities to contract by 13.2% in 2020 compared to 4.0% growth recorded in 2019. Similarly, mining and quarrying activities, mainly those that provide inputs to construction, also contracted by 12.5% in 2020 compared to 2.8% growth recorded in 2019.

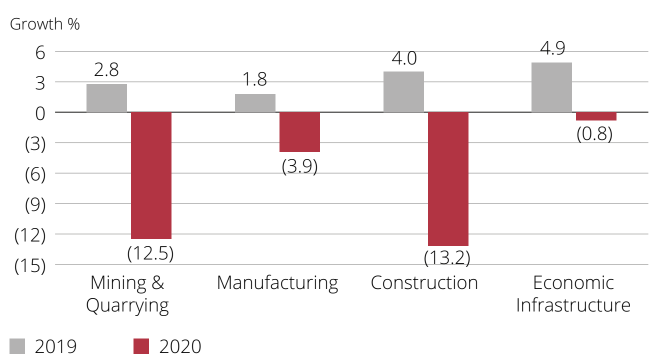
Graph 1:

Annual Growth Rates : GDP and Selected Sectors (2019 vs 2020)



Graph 2:

Annual Growth Rates : Sub Sectors of the Industry Sector (2019 vs 2020)



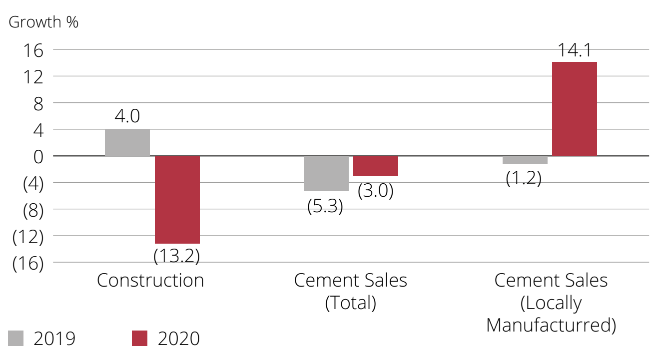
The contraction in construction activities was reflected in the total cement sales of the country, which recorded a contraction of 3.0% in 2020 compared to a 5.3% drop in 2019*. Moreover, building material imports also contracted, partly due to the policy measures adapted to encourage import substitution industries. However, this in turn increased the demand for local supplies and provided an imputes to local manufacturers to enhance their output. For instance, sales of locally manufactured cement increased by 14.1% in 2020 compared to the 1.2% drop recorded in 2019, as shown in Graph 3 below.

The construction sector related business surveys conducted by the Central Bank of Sri Lanka, revealed that most of the construction firms experienced a subdued performance, especially during the first quarter of the financial year, due to the health-related concerns that arose with the pandemic (Central Bank Annual Report 2020).

* *The values indicated in the Economic Review are for the calendar year (instead of financial year) unless otherwise stated. For instance, cement consumption increased by 12.6% in 2020/21 financial year compared to a 3.0% drop recorded in 2020 calendar year.*

Graph 3:

Annual Growth Rates : Construction Sector vs Cement Consumption (2019 vs 2020)



Despite the disruptions, the Road Development Authority (RDA) continued to carry out its development activities during 2020. Construction of several power projects continued at a slower pace due to Covid-19 related restrictions. Housing and urban development activities led by the Government remained subdued in 2020.

GOVERNMENT FINANCED CONSTRUCTION PROJECTS

In 2020, the government implemented several construction projects related to Road Development, Power Generation and Housing and Urban Development in particular. (Source: Central Bank Annual Report 2020)

Road Development

Despite the disruptions caused by the pandemic, particularly during the period from mid-March to end-April, the Road Development Authority (RDA) continued to carry out its development activities during 2020.

Development activities targeted at improving the expressway network in the country continued to progress during the year. The extension of the Southern Expressway Project from Matara to Hambantota and the development of an expressway link to Mattala continued during the year.

The RDA has incurred Rs. 226 Billion in 2020 for the maintenance and development of Road Infrastructure recording a 48% increase, compared to 2019. Of this budget, the RDA spent Rs. 99.7 Billion on development of expressways, Rs. 92.6 Billion on the development of highways, while spending Rs. 17.5 Billion on the construction of bridges and flyovers.

Power Generation

Construction activities of several power projects continued at a slower pace due to Covid-19 related restrictions. Construction activities of the Uma Oya hydropower project (120 MW), the Moragolla hydropower project (30.5 MW) and the Broadlands hydropower project (35 MW) were under progress during the year, achieving physical progress of 96%, 26% and 78%, respectively, by the end of 2020.

Housing and Urban Development

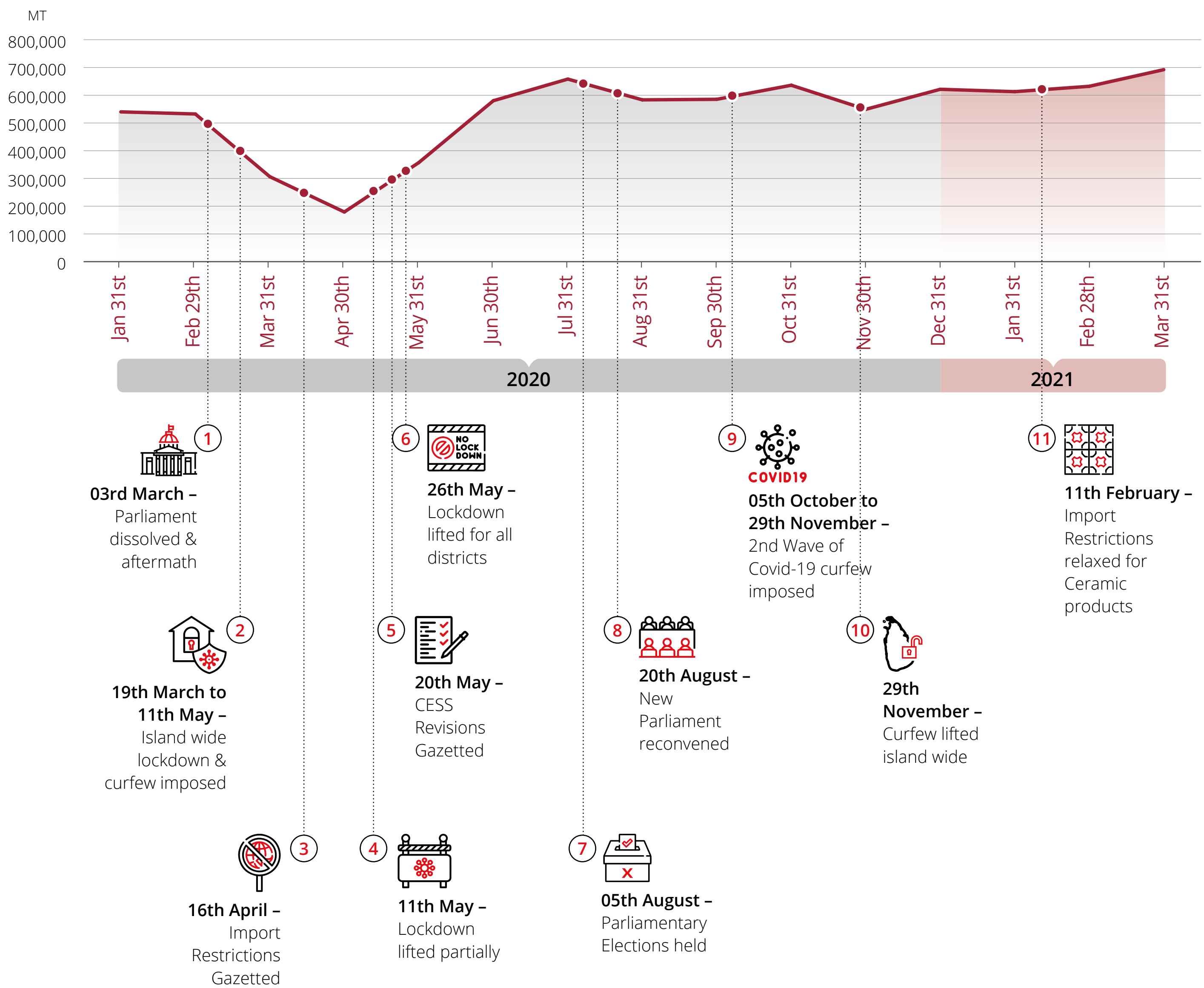
Impacted by the adverse consequences of the Covid-19 pandemic, housing and urban development activities led by the Government remained subdued in 2020.

The Urban Development Authority (UDA) continued to carry out the Middle-Income Housing project in 2020, which seeks to provide housing for government employees and professionals at reasonable prices. Accordingly, the 'Oval View' and 'Lake Crest' government servants' housing schemes were completed during 2020. Further, the UDA commenced an Upper-Middle Income Housing Project in Borella, comprising 400 housing units.

The National Housing and Development Authority (NHDA) launched a new housing programme catering to the requirements of low-income families. Under this programme, the NHDA's plan is to construct 10,000 housing units and to provide a grant of Rs.600,000 for at least one low income earning family per Grama Niladhari division.

ECONOMIC REVIEW

Timeline: Sri Lanka's Monthly Cement Consumption and Critical Events



2020

1 03rd March – Parliament dissolved & aftermath

- 03rd March – President dissolves Parliament and announces General Election date.
- Government action such as granting various approvals, virtually comes to a standstill for about 45 days (up to 15th April).

2 19th March to 11th May – Island wide lockdown & curfew imposed

- 10th March – 1st Sri Lankan tested positive for Covid-19.
- 19th March – Island wide lockdown initiated.
- 08th April – Permission granted to partially operate the factory, subject to strict guidelines issued by the health authorities.
- Delays in construction activities due to lockdown and monsoon rains.

3 16th April – Import Restrictions Gazetted

- As a measure to safeguard against currency depreciation, the Government of Sri Lanka published a Gazette Notification to restrict imports of a wide range of items including Cement.

2020

- Import of Bag Cement suspended for 3 months (Nevertheless, permission granted for LCs opened prior to 15th April, 2020).
- Tile imports are prohibited to allow local manufacturers to supply local demand. Tile importers make up the majority of Tokyo Cement tile adhesive consumption.
- 23rd April - Import of Bulk Cement permitted, subject to a 6 month credit facility granted.
- Domestic Cement Manufacturers enhanced their respective capacity utilisation and thereby saved valuable foreign exchange to the country.

4 11th May – Lockdown lifted partially

- Lockdown lifted after 52 days in all districts, excluding Colombo & Gampaha Districts.
- Construction work resumed and Cement sales started to increase.

5 20th May – CESS Revisions Gazetted

- CESS rates for imported Clinker and Cement revised in 2 stages with effect from 03rd June, 2020 & 01st July, 2020.

6 26th May – Lockdown lifted for all districts

- Curfew lifted during daytime in Colombo and Gampaha Districts after 66 days of complete lockdown.
- Construction work accelerated.
- Latent demand leads to rapid increase in Sales (Cement) island wide.

7 05th August – Parliamentary Elections held

- Work progress in state institutions slows down pending the appointment of a new Cabinet of Ministers.

8 20th August - New Parliament reconvened

- New Cabinet of Ministers appointed and Government Officials began to discharge their duties (such as granting various approvals) at a faster rate.

9 05th October to 29th November – 2nd Wave of Covid-19 curfew imposed

- 05th October – 2nd wave of Covid-19 began (Minuwangoda)
- 12th October – Gampaha District lockdown.
- 29th October – Quarantine curfew imposed on Western Province.

10 29th November – Curfew lifted island wide

- 29th November – Curfew lifted in all districts except for 27 Police Areas.

2021

11 11th February, 2021 – Import Restrictions relaxed for Ceramic products

- 11th February – Import of some selected Ceramic items permitted subject to a 6 – month Credit Facility granted.
- Created a positive impact on Construction Industry addressing the shortages of some essential Ceramic items in the market.

ECONOMIC REVIEW

CEMENT INDUSTRY: PERFORMANCE

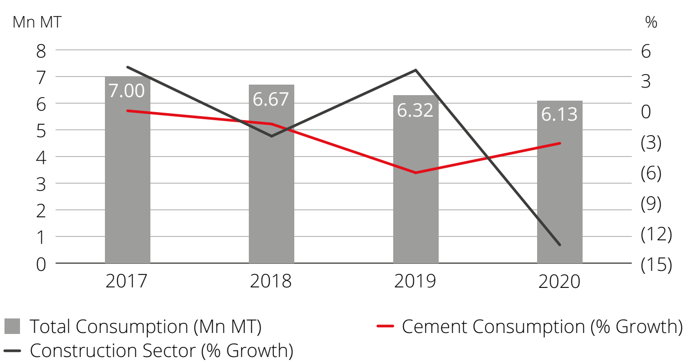
Growth in Local Cement Production despite a sharp decline in Construction Industry

Sri Lanka's Cement Consumption has gradually declined by 12.4% from 7.0 Mn MT in 2017, to 6.13 Mn MT in 2020 as shown in Graph 4. In the meantime Installed Production Capacity of Local Cement Manufacturers has increased from 4.5 Mn MT in 2017, to 5.7 Mn MT in 2020 recording a 26.7% increase as depicted in Graph 5 below.

Similarly, the Local Cement Production has shown a steady growth from 3.19 Mn MT in 2017 to 3.85 Mn MT in 2020, whereas, Cement Imports have declined from 3.81 Mn MT in 2017, to 2.28 Mn MT in 2020. In the year 2020, Local Cement Production increased by 14.1% and Cement Imports declined by 22.6%.

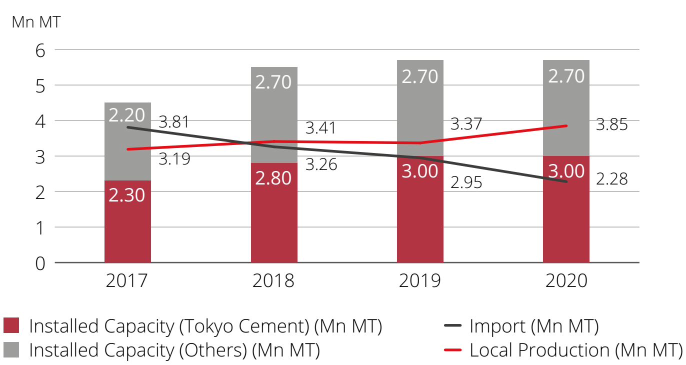
Graph 4:

Cement Consumption & Construction Sector Growth



Graph 5:

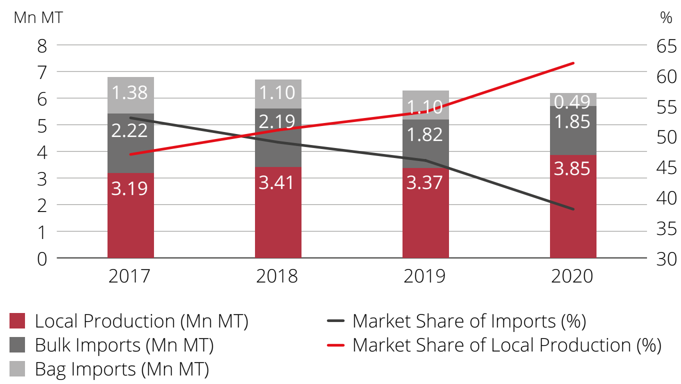
National Cement Consumption by Local Production & Imports



As shown in Graph 6 below, the Market Share of Local Cement Production has increased from 47% in 2017 to 62% in 2020, whereas, the share of Cement Imports has declined from 53% to 38% during the same period. Moreover, in the year 2020, imports of Bag Cement has declined by 56% and imports of Bulk Cement has marginally increased by 1.6%.

Graph 6:

Market Share : Cement Imports vs Local Production



Realised Local Production and Net Foreign Exchange Saving

Tokyo Cement has continously invested in expansion of its local production capacity, from 1.8 Mn MT in 2016 to 3.0 Mn MT in 2020. Yet, the average realised production during the same period has been less than 65% of its installed capacity, particularly due to the unfavourable policy environment for Local Cement Manufacturers, in comparison to Importers of Bag Cement.

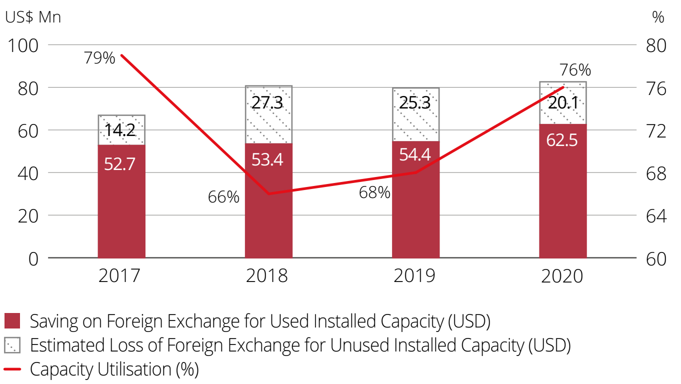
The estimated Net Foreign Exchange Savings made by the Company exceeds USD 60 Mn per year since 2016.

Unused Installed Capacity and Estimated Loss of Foreign Exchange Outflow

The unutilised production capacity has been a major concern for the local cement manufactureres, particularly since 2014. The country has lost a significant amount of valuable foreign exchange annually due to the underutilisation of installed capacity by domestic cement manufacturers. Assuming an 85% capacity utilisation, Tokyo Cement could have saved additional USD 20 Mn worth of foreign exchange in 2020, as shown in Graph 7. Therefore, Tokyo Cement has the overall ability to save the nation approximately USD 80 Mn annually if the necessary policy environment is in place, to ensure at least 85% capacity utilisation.

Graph 7:

Tokyo Cement : Foreign Exchange Savings, Estimated Loss of Foreign Exchange Outflow & Utilised Capacity



MRP vs Exchange Rate

The exchange rate that remained relatively stable prior to the initial lockdown, underwent a significant depreciation thereafter during the period from mid-March to mid-April 2020 (depreciated by 6.0% against USD) with the spread of the Covid-19 pandemic.

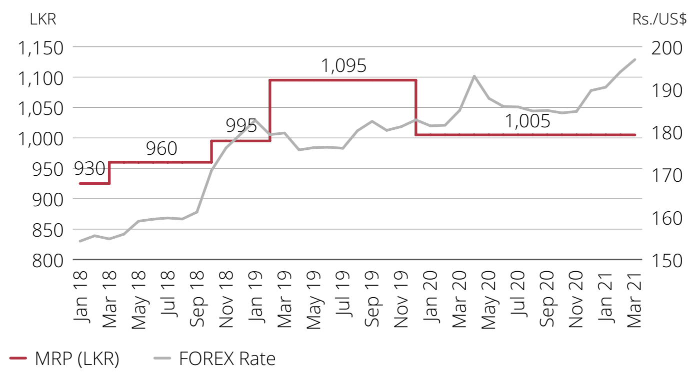
To contain depreciation pressures, the government introduced foreign exchange controls in April 2020. Outward remittances were suspended, while inward remittances have been exempted from certain regulations and taxes. Import restrictions were imposed on motor vehicles, agricultural products, construction materials and consumer durables. Further, a special deposit account was introduced for commercial banks with higher rates of interest to attract overseas funds. These measures contributed to a gradual appreciation of the currency in the second half of 2020 and the exchange rate remained somewhat stable up to November 2020. A build up of pressure on the exchange rate was again witnessed towards the end of November, driven by speculative market behavior due to sovereign rating down grades and the gradual increase in imports. The annual depreciation of the Sri Lankan Rupee was recorded as 2.2% against US Dollar at the end 2020. Similarly, Sri Lankan Rupee depreciated against the Euro (11.2%), Japanese Yen (7.5%), Sterling Pound (6.2%) by the end of 2020 and remained unchanged against the Indian Rupee.

Due to a shortage of foreign currency, the exchange rate further depreciated by 6.5% from January through March 17, 2021. The sharp decline of the Sri Lankan Rupee in turn has affected the cost of procuring imported materials for cement industry, such as Clinker, Gypsum, packing materials and machinery spare parts; thereby raising the cost of production. However, the Maximum Retail Price (MRP) for Cement remained unchanged at Rs.1,005 (per 50Kg bag) since December 2019. These movements are shown in Graph 8 below.

Despite the significant increase in production costs, Cement recorded the lowest average annual growth in price at 3.9%. The retail price increment of Cement is marginal in comparison to Steel, which has recorded the highest average annual growth rate of 13.8%, during the period of 2016 to 2020.

Graph 8:

Maximum Retail Price vs Exchange Rate

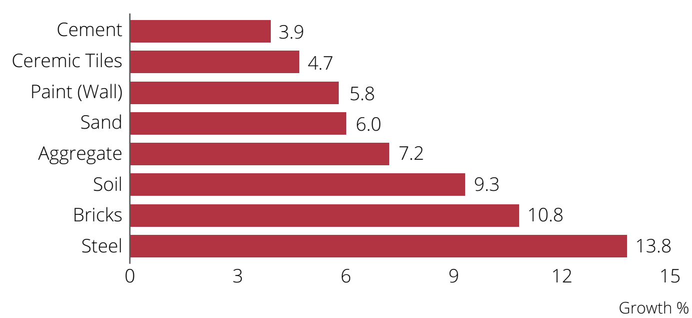


Building Material Prices

Retail prices of some building materials have increased significantly since 2016. This in turn has created a negative impact on the cost of construction activities in Sri Lanka. Average annual growth rates of retail prices of some selected building materials are shown in Graph 9 below. It is evident that Steel has recorded the highest average annual growth rate of 13.8% during the period of 2016 to 2020, followed by Bricks (10.8%), Soil (9.3%), Aggregate (7.2%), Sand (6.0%), Paint (Wall) (5.8%), Ceramic Tiles (4.7%) and Cement (3.9%).

Graph 9:

Building Material Prices : Average Annual Growth Rates (2017 to 2020)



ECONOMIC REVIEW

TOKYO CEMENT : VALUE CREATION

Tokyo Cement Value Chain describes the full chain of activities in bringing its products and services to market. Primary Activities are directly involved in producing and selling the product to targeted customers, whereas Support Activities play an important role in coordinating and facilitating the primary activities.

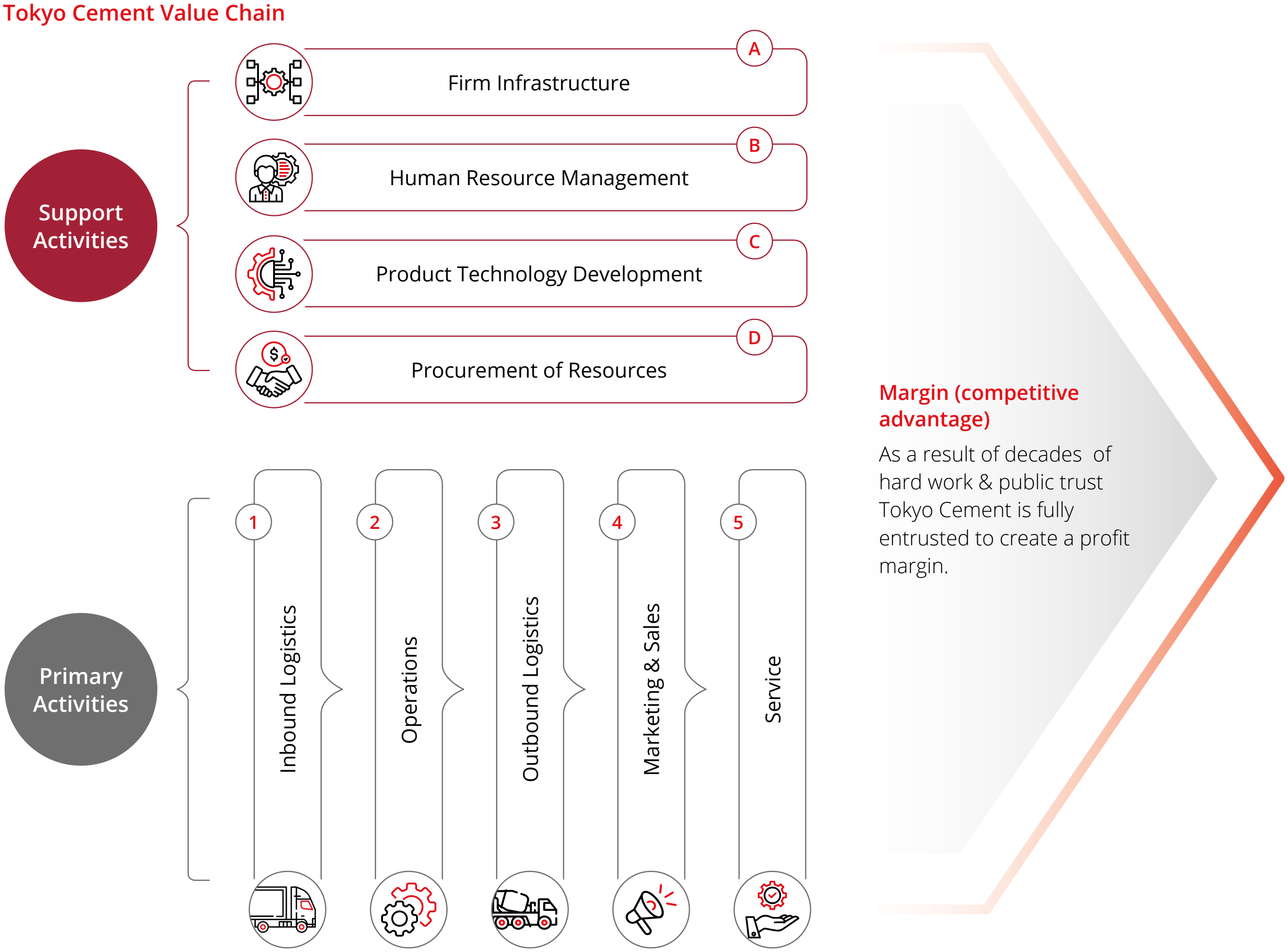
The value creation of the Company is evident through the process undertaken. It begins with suppliers of materials and services (Inbound Logistics), continues to add value through production and service implementation (Operations), followed by distribution networks (Outbound Logistics), marketing, sales and after-sales service.

Investments in Local Value Addition

Tokyo Cement's local value addition process is strategically designed so that the economic benefits generated through its business activities are permeated amongst as many local entities and individuals as possible. Starting from local suppliers and contractors of raw materials for its manufacturing process, to local logistics and marketing service providers who help take its range of products to the end consumers, Tokyo Cement's primary business process involves thousands of small to large scale local entities, whose economic mobility is tightly linked with that of the company.

Further, the company engages in numerous local community outreach and development programmes that seek to enhance the quality of life of its fellow citizens. Tokyo Cement invests in technological developments, training programs and knowledge-sharing to enhance the adeptness of the engineering and construction professionals of the country. This encompasses organizational and professional engagements with diverse stakeholder groups. In addition, the Company has also initiated numerous CSR programmes which create further benefits to the greater society and towards conservation of the environment.

Tokyo Cement Value Chain



1

Inbound Logistics (Inputs)

- Two Cement Terminals (Colombo Port & Trincomalee Jetty)
- Shipping management & operations
- Local transportation
- Suppliers of Raw Materials
  - Raw minerals and by-products
  - Sand & 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 & Flooring compounds
  - Water proofers
  - Wall plasters & 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 & Bulk Cement Storage
- Warehousing
- Order processing & scheduling
- Transportation
- Distribution Network
  - Regional Agents
  - Retailers
  - Construction Sites
- Ready-mix concrete transportation pumping and onsite quality control

4

Marketing & 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

A

Firm Infrastructure

- A-Listed Company (Colombo Stock Exchange)
- Strategic Planning
- Operational Management
- Quality Management
- Legal and Regulatory Affairs
- Finance and Accounting
- Marketing and Sales

B

Human Resource Management

- Recruitment
- Retention
- Training and development
- Employee health and welfare

C

Product & Technology Development

Continuous improvement in product & process

- R & D Centre
- Adopt new technologies
- Equipment maintenance
- New product design & research
- Product differentiation and climatisation
- Market testing

D

Procurement of Resources

- Supplier Management
- Funding
- Sub-Contracting
- Specifications
  - Raw Materials
  - Other Consumable Items
  - Assets – Machinery, Lab Equipment, Office Equipment, Buildings

ECONOMIC REVIEW

A FEW OF THE APPLICABLE POLICY MEASURES ADAPTED BY THE GOVERNMENT IN 2020/2021

- Corporate Income Tax: revised as follows with effect from 01st January 2020.
  - Standard Rate: reduced from 28% to 24%
  - Construction Industry: reduced from 28% to 14%
  - Manufacturing Industry: reduced from 28% to 18%
- Income Tax Exemptions: granted for Dividends paid by a resident company to any non-resident with effect from 01st January 2020.
- Ports & Airports Development Levy (PAL): PAL on Cement Clinkers was reduced to 7.5% from 10% with effect from 01st January 2020.
- Commodity Export Subsidy Scheme (CESS): CESS on Cement Clinkers & Cement items was revised as follows:

Item	CESS Prevailed w.e.f. 28.11.2017	CESS Revision w.e.f. 03.06.2020	CESS Revision w.e.f. 01.07.2020
Cement clinkers	-	1.00 Rs/Kg	-
Portland cement: White cement, whether or not artificially coloured.	8.0%	3.00 Rs/Kg	2.00 Rs/Kg
Water-proof cement, boiler cement and similar compositions.	8.0%	3.00 Rs/Kg	2.00 Rs/Kg
Other Portland cement imported in packings of 50 kg and below.	14.0%	5.00 Rs/Kg	3.00 Rs/Kg
Other Portland cement imported in packings of over 50 kg or in bulk.	8.0%	3.00 Rs/Kg	2.00 Rs/Kg

Import Control Regulations: As a measure to safeguard against currency depreciation, the Government of Sri Lanka published a series of Gazette Notifications to restrict import of a wide range of items including Cement & Building Materials.

16 April 2020 : Import of Bag Cement suspended.
Import of Bulk Cement Permitted subject to a 6-month credit facility granted.

22 May 2020 : Import of Bag Cement and Bulk Cement Permitted subject to a 6-month credit facility granted.

17 August 2020 : Articles of Cement imported under Import Control License suspended.

11 February 2021 : A list of Ceramic Items including sanitary fixtures permitted to import under a minimum of 06 months credit basis.

FUTURE OUTLOOK AND WAY FORWARD

Downward Risks to the Outlook Persist. Achieving the expected growth recovery of 3.4% in 2021 (Central Bank Annual Report, 2020) appears to be rather doubtful, as we are subjected to some crucial downward risks faced by the country at this moment. These include high debt and low foreign reserves, in addition to considerable delays in the national vaccination programme. It is an enormous challenge for the economy to recover, given the large refinancing requirements, constrained market access and rating downgrades.

Upward Pressure on Exchange Rates. The exchange rate movements in 2020 are likely to remain susceptible due to many challenges to be faced by the country. They include the further spread of the pandemic, shortage of foreign reserves, increasing oil prices and decline in export earnings.

Rating Downgrades Constrain Sri Lanka's Market Access. All major international ranking agencies have downgraded Sri Lanka's sovereign credit rating in 2020. Those rating downgrades constrained Sri Lanka's market access to financial markets. In 2020, credit rating agencies downgraded Sri Lanka's sovereign rating to the substantial risk investment category.

(i) S&P to B- in September and to CCC+ with a stable outlook in December 2020

(ii) Moody's by two notches to Caa1 with a stable outlook in September 2020

(iii) Fitch to B- in April and to CCC in November 2020.

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

Sri Lanka needs to improve its competitiveness to raise growth. 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.

Reduce the Country's Over Dependency on Debt Creating Foreign Inflows and Improve Business Rankings. 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 investment.

It's evident that except for Liner Shipping connectivity where Sri Lanka has been ranked 20th against 178 countries, in all other indicators Sri Lanka has been positioned far below the expectations. For instance, Doing Business Index (99th), Paying taxes (142nd), Enforcing contracts (164th) and Resolving insolvency (94th) out of 190 countries. Similarly, in terms of enforcing legal contracts, Sri Lanka was ranked 164th with an average time of 1,318 days for resolving a legal matter. Moreover, for Paying Taxes, Sri Lanka was ranked at 142nd position reflecting the high number of tax payments by a corporate (36 per year) and the average time spent on paying taxes (129 hours per annum).

A considerable slowdown in overall economic growth in 2021 is inevitable, and it may push the Construction Sector growth downwards for the second consecutive year, and thereby reduce the demand for building materials including cement.

Keep faith in "Made in Sri Lanka" initiative. The Government is expected to provide a conducive policy environment to promote the "Made in Sri Lanka" drive. We anticipate that due consideration is given to greater local value addition, maximum installed capacity utilisation, product diversification, import substitution, foreign exchange savings and to protect local industries against unfair trading practices.

Under such circumstances, the local cement manufacturing industry is fully geared to supply the total cement requirement of the construction industry in Sri Lanka for the next two decades, without depending on imported cement.

Dr. Nihal Samarappuli
Director - Economic Research

MANAGEMENT DISCUSSION AND ANALYSIS

Tokyo Cement was poised to immediately supply the sudden influx of latent demand, thereby absorbing market share with the resumption of construction activities.

OPERATIONS REVIEW

Performance of Tokyo Cement

While the Sri Lankan economy grappled to regain momentum in a market backdrop devastated by the ongoing Covid-19 pandemic, Tokyo Cement was placed amidst a unique set of economic circumstances that resulted in a remarkably strong performance during the year.

The Financial Year 2020-21 began with precautionary provisions to prevent the spread of the pandemic; commencing with island-wide lockdowns, replaced by intermittent regional curfews, and inter-district travel restrictions. For the first time in Tokyo Cement's history there was a complete halt in cement production, and national consumption, as the Government enforced a strict island-wide lockdown from the 20th of March to the 7th of April. Travel restrictions impeded movement of goods and labour between regions, slowing the progress of larger construction sites. With transportation systems grinding to a halt, workers were confined to their hometowns, and construction sites were compelled to shut down.

Meanwhile, the government's strategy to reduce forex deficits through substitution of imported goods; for those which could be locally produced, came in the form of import restrictions, and extended credit periods, which curbed import of cement. As local manufacturers had ample capacity to fulfil domestic demand, these import restrictions encouraged Tokyo Cement to boost production capacity and output to record levels, absorbing the market share of importers along the way.

Due to the Port of Colombo remaining inaccessible for most part of the year, delays were accrued by labour shortages, resulting in costly and deferred unloading of imported cement and other construction materials. However, Tokyo Cement could operate its designated jetty unimpeded, allowing for uninterrupted supply of raw materials into the production line. This allowed Tokyo Cement's Trincomalee facility to ramp up production towards the end of the first quarter, albeit initially at a lower capacity utilisation.

By mid-April, permission was granted to operate the factory with limited staff and subject to stringent health guidelines. While larger infrastructural projects recommenced gradually with workers returning to sites, Tokyo Cement factory operations resumed coinciding with the lifting of travel restrictions. The Tokyo Cement team, demonstrating extreme dedication in the face of this hitherto unprecedented challenge, rallied to resume operations and regain momentum.

As the country's largest cement manufacturer, Tokyo Cement was poised to immediately supply the sudden influx of latent demand, thereby absorbing market share with the resumption of construction activities. Even though the retail sales channel was not fully operational due to hardware shops and distributors remaining closed, larger construction sites maintained the sales pull for bulk cement. Meanwhile, the household sector maintained a steady momentum, with small scale domestic constructions, renovations and expansions pushing bagged cement demand.

Tokyo Cement was able to maintain this advantageous streak during the first two quarters only to be set back in the third quarter, due to the increase in charter vessel rates, as a result of rising oil prices against the fast-depreciating rupee. We were able to soften this negative impact to a certain extent, by maximising the use of our own vessels for transportation. Global material prices too saw a sharp increase in a backdrop hampered by pandemic related worker shortages and supply interruptions. This increase in cost of manufacturing, in corelation to the increase in production volumes, resulted in a negative impact on the bottom line that continued in the fourth quarter, despite recording the highest sales revenue.

Performance of Tokyo Cement Power

Pioneering the renewable energy movement in the local corporate sector, Tokyo Cement Group is 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. The Mahiyangana power plant also generates 600Kw of electricity using solar power.

This year proved to be one of the most challenging for Tokyo Cement's renewable energy programme. Due to the acute shortage of agricultural waste; caused by the pandemic-related disturbances to transport logistics of the supply chain, Tokyo Cement Power plants operated amidst great difficulty. This caused the Mahiyangana Dendro Power Plant to shut down for 16 days, disrupting electricity supply to the grid. The two Biomass power plants in Trincomalee, that supply electricity to the cement plants, were shut down for 9 days on average during the initial nationwide lockdown period.

Tokyo Cement's sustainable fuel wood tree planting programmes engage nearly 2,500 farming families creating hundreds of direct and indirect employment opportunities in the rural farming sector.

This community trade business model enables critical cash flow to the rural economies in the respective areas. As such, these disruptions to the supply chains caused a heavy blow to the livelihood of the framing communities in the areas surrounding the three power plants.

Despite the many hardships, the Mahiyangana Power Plant was able to supply electricity to the national grid, generated through its 600Kw rooftop solar power plant, in addition to the 5MW of Dendro power.

Performance of Cement-Based Value-Added Products

As part of the Government's decision to curtail USD outflow, importation of tiles was restricted from June onwards. This allowed local tile manufacturers, who cumulatively held 55% of the market share prior to the embargo, to capture even more of the total local demand.

A segment of TOKYO SUPERBOND customers consisted of large-scale tile importers, whose business was curtailed due to the import restrictions.

Despite the overall contraction of the tile market within the financial year by approximately 35%, TOKYO SUPERBOND was able to gain a marginal growth, noteworthy in the given circumstances. Key factors contributing to the said achievements include, the focus given to key projects, the strengthening of the distributor network over the years, and the diversification of the value-added range.

This year, Tokyo Supermix introduced several construction solutions that address very specific customer requirements. The ability to supply bespoke concrete mix designs with consistent quality is a key strength of Tokyo Supermix.

Other Cement-based Product categories such as Plaster Mixes and Water proofers contributed considerably to the revenue gains during the financial year. Wall plasters, water proofers, flooring compounds and screed mortars all saw considerable growth year-on-year, as the sales focus was realigned to make up for a shrinking tile adhesive market.

Performance of Tokyo Supermix

TOKYO SUPERMIX has become the primary concrete supplier to many prominent commercial and infrastructure development projects. The ability to consistently meet specific performance standards, while guaranteeing uninterrupted supply, backed by a reliable customer service, gives TOKYO SUPERMIX an unmatchable competitive advantage.

Due to the pandemic related market restrictions this year, TOKYO SUPERMIX had to grapple with supply shortage of raw materials, especially metal and sand. The rupee depreciation pushed up overall cost of production. Given the range of market complexities, TOKYO SUPERMIX sales declined by 19.9% year-on-year. Amidst this challenging economic environment TOKYO SUPERMIX was able to recover from its negative financial position in the previous year. This can be largely attributed to internal cost management, increased productivity, and savings on interest payments.

Demand for concrete was sustained by the domestic sector, driven by the low interest environment. Staying agile to this shift in demand, TOKYO SUPERMIX introduced a Hotline to simply 'Order-A-Slab' via phone. This was backed by awareness creation on the drawbacks and quality concerns associated with hand mixed concrete. These concerted efforts drove a notable increase in sales volume and market share.

Building on the strong relationship with industry professionals, TOKYO SUPERMIX continued the training programmes targeting Engineers and Technical Officers in both state and private sector. This year, the programme was extended to Masons, a critical influencer group in driving consumer demand.

TOKYO SUPERMIX has a positive outlook for the new financial year with the revival of many major infrastructure projects. This includes projects such as the expansion of the Bandaranaike International Airport, where TOKYO SUPERMIX is setting up an exclusive RMC plant.

Fortifying its leadership position, TOKYO SUPERMIX introduced several unique construction solutions during the year that address very specific customer demands. This includes a type of LOW-HEAT CONCRETE, an EXPANSIVE / SHRINKAGE-COMPENSATING CONCRETE, an economical FLOWABLE SCREED, a LIGHTWEIGHT CONCRETE for filling level variance without significant increase in load, and an environmentally friendly PERVIOUS CONCRETE that allows water to drain through the substrate in outdoor applications. As the market leader in Ready Mix Concrete, TOKYO SUPERMIX will continue to introduce cost effective innovations that uplift the Sri Lankan construction industry to be on par with global standards.

Performance of Tokyo Super Aggregate

Tokyo Super Aggregate supplies sand and metal to TOKYO SUPERMIX Ready Mix Concrete plants. The plant produces different types of aggregate including 3/4 metal, chips and Manufactured Sand; marketed under the brand name TOKYO SUPERSAND. This facilitates an uninterrupted supply of aggregates with a consistent quality and price for TOKYO SUPERMIX. During the year, the Company used various forums addressing construction industry professionals, to increase awareness on the benefits of Manufactured Sand.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKETING AND SALES

Demand for Tokyo Cement products showed steady growth throughout the year, in a milieu where importation of cement was restricted. Sales and distribution that were interrupted due to the initial island wide curfews, soon resumed as travel restrictions were lifted in most parts of the country. Tokyo Cement sales and distribution teams ensured an uninterrupted supply of cement, while abiding by the strict health guidelines. Digital technologies were leveraged to support the sales and distribution operation for improved efficiency.

A key highlight under marketing this year, is the production of a corporate brand building TV commercial, which focused on the overall local value creation by the Tokyo Cement Group. This TV commercial captured every aspect of the value contribution to the Sri Lankan economy through Tokyo Cement's local manufacturing process and corporate social responsibility initiatives.

The new corporate TV Commercial highlights Tokyo Cement Group's total value creation to uplift the nation

In addition, mainstream media advertising was carried out encompassing print, signage, TV, and radio mediums for the value-added products. A series of TV commercials were developed for Tile Adhesives, Water-proofers, and the Wall Plaster range. Alternative Media, including digital and social media advertising were used extensively to get closer to various customer segments.

A market research conducted by Survey Research Lanka (SRL) was commissioned at the beginning of the year to evaluate the brand positioning of TOKYO SUPERBOND Tile Adhesive in the market.

The series of TV commercials on Value-Added Products focused on the efficiency improvements delivered to consumers

The research affirmed TOKYO SUPERBOND as the Country's most preferred and trusted Tile Adhesive Brand. This market position was highlighted in all promotional material developed for TOKYO SUPERBOND, reassuring customers of their right purchasing decision.

Novel Media

As traditional promotional and marketing activities were hindered by the prevailing pandemic situation, Tokyo Cement seamlessly switched onto its already established digital channels to ensure brand visibility throughout the year. Social media platforms of the company became the primary engagement channel, heavily utilised to communicate with customers, potential clients, and other stakeholders.

Stakeholder Engagement

Stakeholder Segment	Engagement
SHAREHOLDERS	• The Company was able to fortify the relationships built with the shareholder community notwithstanding the challenges faced during the year. • We were compelled to host the Shareholders' AGM for 2019/20 as a virtual meeting in accordance with the prevalent health guidelines. • In addition to the AGM, all routine investor communications were conducted on time.
CUSTOMERS	• Almost all consumer fairs that are held annually were postponed or called off this year, considering the global pandemic situation. The one exception was the BUILD SL Exhibition held in October 2020 at the BMICH, in which Tokyo Cement participated. • Social media presence was enhanced through online marketing and advertising campaigns on popular platforms such as Facebook, Instagram, and YouTube. • Radio advertising for TOKYO SUPER CEMENT, TOKYO SUPERBOND Tile Adhesives, TOKYO SUPERSEAL Water-proofers and TOKYO SUPERCAST Plaster Master, continued to gain market reach. • Television commercials for TOKYO SUPER CEMENT, TOKYO SUPERBOND Tile Adhesives, TOKYO SUPERSEAL Water-proofers, TOKYO SUPERCAST Plaster Master and the newly produced corporate TV commercial were aired during popular primetime programs and the cricket tournaments that attracted a large viewership.
SUPPLIERS	• We were able to build on the strong relationship with the key suppliers to ensure an uninterrupted supply of raw materials. • Supplier engagements were continually optimised to maintain Tokyo Cement's competitiveness amidst changing market dynamics.

INDUSTRY ASSOCIATIONS & PROFESSIONAL INSTITUTES	• Educational seminars conducted by Tokyo Cement for Masons, Technical Officers, Engineers and Contractors, resumed immediately after the lockdown period. During this year, the Company's training and development team engaged over 1,500 construction sector professionals through these awareness building sessions carried out in all sales regions.
	• Continuing the engagement with the premier Structural Engineers' association, Tokyo Cement Group sponsored the Annual Sessions and four Question Time Seminars of the Society of Structural Engineers (SSE-SL).
	• Membership in the following key trade organizations enabled the Company to keep abreast of the market trends and consumer demand shifts, especially by local industry players adjusting to a new normal mode of operations during the pandemic outbreak.
	  · 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 research symposium of the Department of Civil Engineering at the Engineering Faculty of the University of Peradeniya • The research symposium of the Faculty of Engineering of the University of Ruhuna was also sponsored by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Segment	Engagement
DEALERS & DISTRIBUTORS	• Tokyo Cement's field sales teams in every region continued to maintain the close relationships built with the channel partners. The team extended their support to dealers and distributors to overcome the many challenges brought on by the pandemic situation. • Regional pocket meetings organised by the main distributors helped maintain the sales momentum with the dealers. • The Annual Dealer Convention was held in two sessions in line with the prevalent social gathering guidelines at the time. At these events, top performing dealers and distributors were rewarded for their continued commitment to build their business success on the strengths of Tokyo Cement Group.

Best performers among the Tokyo Cement Dealer & Distribution Network were recognised for their outstanding contribution towards achieving collective success

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 noncompliance, 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 conducts quality assurance tests on raw material inputs, in addition to all 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 11 TOKYO SUPERMIX Ready Mix Concrete plants • Tokyo Super Aggregate (Pvt) Ltd - pending certification
ISO 14001: 2015	• Tokyo Cement Factory in Trincomalee • Tokyo Super Aggregate (Pvt) Ltd - pending certification
ISO 17025: 2005 (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 11 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. Therein, they conduct training sessions for Tokyo Cement sales teams, to better understand the technical features of different cement and cement-based 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.

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

New Product Introductions

ATLAS MASONRY CEMENT

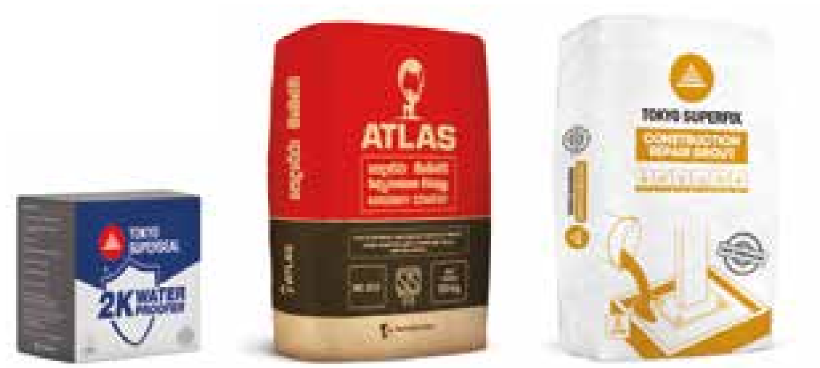
Tokyo Cement introduced ATLAS MASONRY CEMENT, certified under the SLS 515:2018 standard, in selected markets in mid-2020. This is a specially formulated cement recommended exclusively for masonry and plastering work, offering a finer finish, increased workability, and durability. During its introductory phase ATLAS MASONRY CEMENT was made available in selected markets and received rapid acceptance by masons and builders.

TOKYO SUPERFIX

TOKYO SUPERFIX CONSTRUCTION REPAIR GROUT is a non-shrinking cementitious grout mortar specially formulated for general civil engineering works, such as anchor bolting, structural crack repair, and basic mortar work that does not require a higher strength cement. Due to its non-shrinking properties TOKYO SUPERFIX CONSTRUCTION REPAIR GROUT can be used to fill voids between a base plate and a substrate, such as in grouting stanchions and machinery base plates.

TOKYO SUPERSEAL 2K WATER PROOFER

TOKYO SUPERSEAL 2K WATER PROOFER is an industry-grade, two component water proofing solution specially formulated to prevent water ingress in concrete and mortar structures. It is a flexible water proofing product, compatible with a variety of tile adhesives and cement mortar applications, making it a versatile and cost-efficient product to enter the market.



Three new products were introduced to the market during FY2020/21

HARNESSING MODERN TECHNOLOGIES

Tokyo Cement's technology strategy was a key component of its success during the current financial year, where traditional face-to-face engagements and traditional sales and marketing methods were curtailed due to Covid-19 containment measures. Digital solutions enabled the Tokyo Cement teams to communicate, coordinate, and monitor business activities, while enabling cost and efficiency gains.

The ERP system in place was continually enhanced for greater efficacy, with new tools and capabilities being introduced for improved management oversight and control. The ERP System was further finetuned to accommodate diverse operational requirements, that comprise primary manufacturing process and ancillary service procurement and production processes, as in the case of Biomass Energy generation. In addition, the HRIS system was also upgraded to incorporate better flexibility and ease of access for all levels of management and staff. Special emphasis is placed on aligning Tokyo Cement's internal cyber security practices with global standards and as such several measures were deployed in adherence with the recommendations given by third-party security consultants.

MANAGEMENT DISCUSSION AND ANALYSIS

Tokyo Cement is proud to record that despite heightened market uncertainties, the Company was able to safeguard employees from the effects of pandemic related income loss to a great extent.

Employees who completed long service milestones were recognised by the management.

EMPOWERING THE TOKYO CEMENT TEAM

All Covid-19 health and safety standards were stringently deployed at all locations of Tokyo Cement operations during the year ensuring the safety of all employees. These measures included temperature checks, sanitizing and personal hygiene procedures. In the new normal of working from home, systems were adapted to work from anywhere, and the HRIS system was enhanced for greater flexibility, providing enhanced convenience for employees and their supervisors.

Tokyo Cement is proud to record that despite the heightened market uncertainty, all salaries were paid on time, bonuses were released, and annual increments were granted to its employees. Except for the annual trips for employees and their families, that were impeded by the travel restrictions, all welfare activities were continued, demonstrating the Company's strong commitment towards employee wellbeing.

Annual performance appraisals were conducted, and employees were rewarded for their performance. Retention of skilled employees remains a priority and the Company organised its long service recognition awards to acknowledge employees with exceptional service periods across the Group.

Knowledge sharing sessions were conducted to equip employees with the necessary tools to maintain their performance. A noteworthy mention comes from the internal IT team, where several members had successfully completed their master's degree programs strengthening the team's competence.

The Group's fitness and wellness club continued to remain popular with the regular participation of many staff members. The wellness club kept up the momentum on physical fitness and metal wellbeing, by switching the weekly fitness programmes to online sessions.

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 employee related statutory payments 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 1,431 as of March 31, 2021.

Group workforce as at end of year 31.03.2021

Company	2020-21		2019-20	
	Non-Executives	Executives	Non-Executives	Executives
Tokyo Cement Company (Lanka) PLC	398	119	379	108
Tokyo Cement Power (Lanka) (Pvt) Ltd	66	9	65	9
Tokyo Eastern Cement Company (Pvt) Ltd	191	11	161	9
Tokyo Supermix (Pvt) Ltd	529	75	549	66
Tokyo Super Aggregate (Pvt) Ltd	29	4	30	5
Total	1,213	218	1,184	197

EMPOWERING ECOSYSTEMS FOR WELL-BEING

CSR OVERVIEW

Our socio-environmental inititatives, stand proof of our commitment to transform the construction industry, empower fellow Sri Lankans to reach their fullest potential, and conserve the precious natural gifts endowed on our motherland. These programmes further affirm our mission of becoming a sustainable business entity and an exemplary corporate citizen.

CSR OVERVIEW

INTRODUCTION

Despite the challenges we had to overcome during this year, Tokyo Cement Group, as the country's leading cement and concrete manufacturer, was determined not to waiver from our commitment to fulfil the socio-environmental responsibilities. We continued our multipronged efforts to enrich the country, its people, and the environment with the same passion in which they were launched, in affiliation with a group of equally committed partner organizations.

It gives us great pleasure to share with you the success stories and the significant project milestones achieved by each of the programmes during the year. We are even more delighted to have kicked off two profound outreach initiatives this year, that are bound to etch the Tokyo Cement name in the hearts of thousands of Sri Lankans for many years to come.

These project outcomes reflect hours of hard work, planning and meticulous follow-up by our corporate sustainability management team with various project partners who share our vision of creating greater value for our country. Further signifying our unwavering resolute to do everything in our capacity to empower our very own construction industry, transform fellow Sri Lankan lives to reach their fullest potential, and conserve the precious natural gifts endowed on our island.

ON THE ENVIRONMENT

Tokyo Cement Group, over the years, was able to make significant contributions to conserve the unique biodiversity of our country. By emphasising on critically endangered ecosystems that require immediate intervention, we were able to draw attention and rally many stakeholder groups to take action to restore the natural ecological balance.

This year, we highlight several key achievements of our most prominent conservation efforts that stand proof of the drive behind each project charter and the tenacity of our project partners, who work in tandem to achieve the overall project goals whilst surmounting various challenges that come our way.

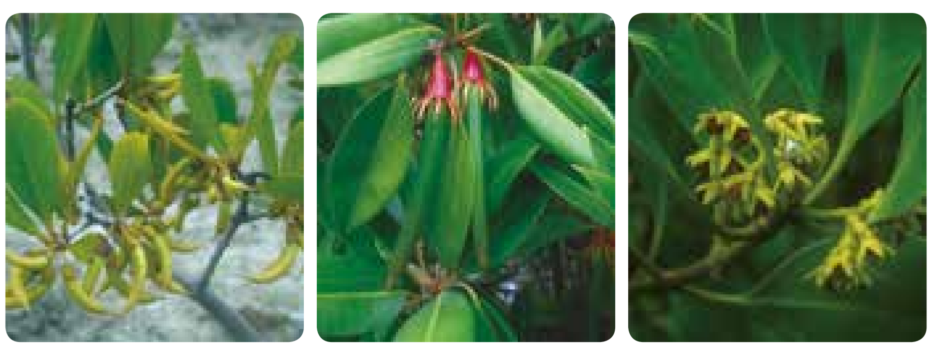
It is noteworthy to mention that our coral reef and mangrove conservation programmes were featured on the 'Compendium of Best Biodiversity Practices in the Tourism & Hospitality Sector' published by Biodiversity Sri Lanka this year, further affirming our leadership role in environmental conservation.

Mangroves Reforestation

We, together with our partners, the Sri Lanka Navy Eastern Command, successfully added 4,000 new mangrove saplings during this year. This brings the total to 69,000 mangrove trees planted along the Trincomalee Bay area in the North-Eastern coastline through the Tokyo Cement Mangrove Reforestation Project.

A view of the Tokyo Cement plant across the Cod Bay mangrove forest

Each year the mangrove nursery at Tokyo Cement Factory, produces nearly 7,000 plants that get planted along the coast from Trincomalee to Jaffna with help from The Sri Lanka Navy.



Specimens of mangrove species propagated at the Tokyo Cement Mangrove Nursery

Eight native mangrove species are propagated at the Tokyo Cement Mangrove Nursery, namely, *Bruguiera gymnorrhiza, Bruguiera sexangula, Rhizophora mucronata, Ceriops decandra, Avicennia marina, Lumnitzera racemosa, Excoecaria agallocha, and Aegiceras corniculatum*. Some of these species are extremely difficult to propagate even under normal conditions, especially *Ceriops decandra* which is classified as a Near Threatened species on the IUCN Red List (IUCN, 2018). Replanting is done based on guidance from conservation experts following the natural composition of mangrove varieties prevalent in the Cod Bay habitat.

Forestry Nursery Programme

The two forest plant nurseries situated at the Trincomalee Factory and Mahiyangana Power Plant premises, distributed nearly 12,000 plants during the financial year. Together with our leading programme partner The Forest Department of Sri Lanka, and multiple farmers' organizations and community groups, we were able to make a significant contribution to the national reforestation efforts carried out in areas such as Minipe, Walapane, Welimada, Dehiaththakandiya and Trincomalee.

Tokyo Cement Forest Plant Nurseries situated in Trincomaee and Mahiyangana annually produce 12,000 trees that are planted during the rainy season

The reputation earned by the Tokyo Cement Group forestry nurseries among the conservationist community sees us receiving many requests throughout the year, from various community groups who conduct island-wide tree planting campaigns, thus helping to broaden our impact. By working closely with the Forest Department, we have improved our ability to supply native plant varieties that are suited for every climate zone of the country.

At the beginning of this year, we planted 3,000 trees in Theripaha in Walapane, an important water catchment area of the Mahaweli River. The main event organised by the Minipe Left Bank Canal Rehabilitation Project was held in November with the participation of Hon. S.B. Rathnayake, Deputy Chairman of the Central Provincial Council and Mr. S.D. Madiwaka, Project Director of the Minipe Left Bank Canal Rehabilitation Project.

Tree planting programme organised by the Minipe Left Bank Canal Rehabilitation Project in Theripaha, Walapane.

A similar programme was conducted by the EARTH 10.0 team of AIESEC of the University of Moratuwa, where we provided 300 trees that were planted in Dehiaththakandiya, with the participation of the students of Dehiaththakandiya Maha Vidyalaya and undergraduates of the University of Moratuwa.

We supplied plants for a tree planting campaign in Dehiaththakandiya organised by EARTH 10.0 team of AIESEC at the University of Moratuwa

Through these concerted efforts, annually we plant over 10,000 trees during each rainy season and help propagate some of our endangered native plant varieties such as Kumbuk, Karanda, Mee, and Ingini that have valuable medicinal properties.

Coral Reef Restoration Project

Tokyo Cement Group's Coral Reef Restoration Project continued its silent mission this year as well, to bring vitality to the Coral Reef barrier that protect our island nation. Our partners in this project, that include the Blue Resources Trust (BRT), the Sri Lanka Navy, Foundation of Goodness (FoG) and Ocean Resources Conservation Association (ORCA), bring in

CSR OVERVIEW

valuable knowledge and hands-on expertise to ensure its lasting success. We have also been extending the project reach, through specific collaborations with government institutions such as the Marine Environment Protection Authority (MEPA), who work on coral reef restoration in the Southern and Eastern Coasts of the island.

BRT researchers conducting a coral reef bleaching survey at the Kayankerni Marine Sanctuary

Bleached corals at the Kayankerni Marine Sanctuary

BRT, our longstanding partner in Coral Reef Conservation, continued their long-term studies around the Kayankerni Marine Sanctuary during the year. Towards the latter part of the year, BRT initiated a survey to document the biodiversity surrounding shipwrecks and deep reefs off Colombo, under the patronage of Tokyo Cement Group. Data from this research will enable an assessment of the value of shipwrecks as biodiversity refuges, as well as provide important information on coral and fish recruitment that will support reef restoration and other artificial reef programs in Sri Lanka.

A diver conducting underwater reef survey in Colombo

Schools of snappers at "Lotus Barge" wreck in Colombo

The ongoing restoration activities also included an underwater clean-up off Colombo. In addition, as part of the joint education and capacity building efforts with Tokyo Cement, BRT commenced a student internship programme for Sri Lankan undergraduates with the aim of developing a new generation of Sri Lankan marine scientists.

Entangled ("ghost") net with dead porcupinefish on the Thermopylae Sierra wreck off Moratuwa

In addition to the ongoing research on coral reefs, BRT was assigned with a new research study of national importance early this year. Therein, BRT will conduct a research to identify critical habitats of sharks and rays in Northern Sri Lanka, with the objective of helping develop a sustainable fishing policy with recommendations to prevent overfishing. The study, in its initial phase around Mathagal in the Jaffna Peninsula, will assess important habitats of critically endangered and threatened elasmobranchs, a unique group of fishes with skeletons made of cartilage, such as sharks and rays.

Recording elasmobranch (shark and ray) specimens seen across the survey sites in Mathagal and Myliddy.

Samples and rare specimens of elasmobranchs collected for identification of species.

The FoG's diving school 'Dive Lanka, Dive Seenigama', carried out a series of activities with help from the youth and community groups in Seenigama area. They focused on replanting and maintaining the coral nurseries, and providing aftercare for the already planted reef balls, as part of their partnership in the program.

Our partner ORCA, with their wealth of experience on the Rumassala coral reef in Galle, began their project work just prior to the lockdowns, with the installation of coral nursery structures and the deployment of Reef Balls. With the resumption of activities, they undertook a general survey of the reef to monitor the status of newly planted nubbins and the structures deployed.

Growth of corals planted in 2020 in Rumassala, shows an approximate doubling in colony size and rounding out of the colony profile.

They also rescued and replanted live coral nubbins collected within the Rumassala reef, primarily from areas where the natural survival was deemed to be low or from coral fragments found broken due to natural or human causes. In addition, the team engaged in regular reef clean-up activities; by carefully removing polythene, fishing nets and lines that tend to snag and smother naturally surviving coral colonies on the reef, an important component of the restoration process.

Sri Lanka's 2nd Underwater Museum in Trincomalee

The Sri Lanka Navy is a valued partner in the Tokyo Cement Group's Coral Reef Rehabilitation Program. Extending this relationship further, Tokyo Cement helped The Navy install Sri Lanka's 2nd underwater museum in Trincomalee. Declared open in July by the Former Commander of the Sri Lanka Navy, Admiral Piyal De Silva, this Underwater Museum provides a unique diving experience in the picturesque Sandy Bay off Trincomalee Bay.

This museum, set at a depth of around 60ft and spread over an area of roughly 13,000 sq.ft., features sculptures made of cement and other eco-friendly material, depicting the rich cultural heritage of the world-famous Trincomalee Harbor.

The museum features sculptures made of cement and other eco-friendly material

Tokyo Super Blended Hydraulic Cement, suited for underwater constructions and harsh marine or marshy environments, was used to build the sculptures for the marine park. This will protect the sculptures against sulphate and chloride attacks to ensure their longevity. Furthermore, the GREEN® Label certified Tokyo Super BHC recognised as the Greenest Cement in the market is a highly eco-friendly cement formula that prevents harmful chemicals from polluting the sea water. This combination creates a haven for corals and other marine life to thrive upon.

The Park attracts young fish who will eventually form fish communities

The Navy Team will use their experience from the Coral Conservation programme to set up a coral nursery for the museum. Other Tokyo Cement partners, with specialised knowledge in coral conservation will help with the monitoring and maintenance activities.

The Park will gradually become home to coral colonies native to the Trincomalee Bay area. With the corals it will attract young fish who will eventually form fish communities. The ultimate purpose of this underwater park is to create a dedicated area where corals and other marine species will thrive and evolve over a period into a natural marine sanctuary, benefitting local tourism and fisheries industries.

CSR OVERVIEW

International Coastal Clean-up Day 2020 with MEPA

Tokyo Cement is a leading partner of the Marine Environment Protection Authority (MEPA) for over many years, playing a key role in executing multiple coastal clean-up campaigns. This year we came forward as the sponsor of the National Marine Resources Conservation Week programme which took place in September in Trincomalee.


Voluntary community groups joined the Tokyo Cement team for the Beach Clean-up programme

The main event was held at Back Bay in Trincomalee with the participation of key government officials lead by Hon. Anuradha Yahampath, Governor of the Eastern Province, and The Sri Lanka Navy Eastern Command.


Tokyo Cement Trincomalee Factory staff engaged in cleaning the beaches around the factory

Nearly a hundred members of Tokyo Cement staff joined the programme and helped clean up the beaches around the factory premises as part of this annual event.

Renewable Energy Generation

Tokyo Cement continued the march towards a Greener Future by consciously reducing our carbon footprint, despite a multitude of obstacles. This year proved to be one of the most challenging for us, due to the pandemic related drop in sourcing agricultural waste and disturbances to transport logistics of the supply chain. Nevertheless, our Green Energy initiative continued to supply 100% of the energy requirement to run the entire local manufacturing process of Tokyo Cement, while exporting renewable energy to the national grid, enhancing our value creation to the nation.

Farming communities in Mahiyangana and Trincomalee, the primary supporting pillar of this programme, joined us in planting 700,000 Gliricidia trees during the year, that yield an additional income to support their livelihood.

5th Annual Technical Sessions of Biodiversity Sri Lanka

Biodiversity Sri Lanka (BSL), who plays a pivotal role as Sri Lanka's leading business and biodiversity platform, holds its Annual Technical Sessions preceding its Annual General Meeting. With a cross-sectoral membership of over 85 organizations, BSL uses this forum to disseminate knowledge and technical expertise on a multitude of topics, sharing best practices and tools that could be adapted to support the cause of conservation at organizational level.

Tokyo Cement Group was the sole sponsor of the 5th Annual Technical Sessions of BSL, held in September at Jetwing Colombo Seven, on the theme 'Communications for Conservation: Enabling Mobile-based Citizen Science for Conservation'.

Mr. Nishan Perera, Marine Biologist and Co-founder of Blue Resources Trust made a presentation based on the case study of Tokyo Cement's coral conservation programme under the topic 'Use of ICT in Conserving Coastal Ecosystems'.

ON OUR COMMUNITIES

Along with the rest of the country getting accustomed to a new normal, Tokyo Cement aligned our community engagement model to accommodate restrictions on direct social interactions. Most of our community engagements were carried out adhering to the health guidelines issued by the authorities, while others had to be restructured or postponed in respect of the limitations. However, with the resumption of activities we swiftly adjusted necessary programme designs and started executing the planned events to create the same long-term value for our varied stakeholder groups.

The unprecedented nature of challenges faced during the year showed us the importance of building resilience, within every person, communal group, village and ultimately the entire nation, to sustain the familiar ways of life. The pandemic pushed Tokyo Cement Group to deepen the community outreach and seek new avenues to make their impact far greater. The company initiated two new social upliftment activities as a result of this noble resolve. The first of the two far-reaching endeavours is the establishment of 'Fountain of Life' purified drinking water project, in remote villages in areas where access to good quality water is a challenge. The second venture is the conversion of our A.Y.S. Gnanam Training Facility in Dambulla into a Village Heartbeat Centre, a community empowerment initiative conceived by the Foundation of Goodness.

Fountain of Life: Gifting Clean Drinking Water to Rural Villages

Chronic Kidney Disease of uncertain origin (CKDu) continues to devastate the lives of farming communities in Anuradhapura and Polonnaruwa districts in North Central Province of Sri Lanka. Several studies conducted to find a possible cause for the disease have narrowed it down to ground water contamination from agricultural pollutants including pesticides. Further, and the presence of fluoride and heavy metals such as cadmium and arsenic, compound the hardness of ground water. Increasing accessibility to safe drinking water, especially in severely affected villages is the only means to prevent and hopefully, over a period, to completely eradicate the disease.

On the other hand, as part of the national policy manifesto 'Vistas of Prosperity and Splendour' the government pledges "Water for All"; promising around-the-clock availability of drinking water facilities to 4.7 million families by the end of 2025.

Tokyo Cement Group stepped forward to support these dual objectives by initiating 'The Fountain of Life' programme that sets up Water Purification Plants in selected rural areas where access to potable water is a severe problem. We garnered the support of our sister organization St. Anthony's Hydro Division to execute the programme with their expertise in Water Purification Technology. The objective of this endeavour is to rally all our energies to help save thousands of lives while supporting the Government achieve its goal.

We kicked off this benevolent cause in three villages in Poonakary (also known as Pooneryn) in the Kilinochchi District. Tokyo Cement Group partnered with Appé Lanka, a rural development project by Re-Awakening Lanka. This initial phase, conducted under the guidance of the Poonakary Divisional Secretariat, provides access to clean drinking water to over 2,000 residents in Veravil, Valaippaadu and Veerapandiyamunai, in the Ponnaveli Grama Niladhari Division.

The customised PureHydro® water purification solutions with Reverse Osmosis Technology, comes with an output capacity of 5000 litres a day.

1st phase of Fountain of Life was completed in three villages in Poonakary in the Kilinochchi District.

The residents of Veravil, Valaippaadu and Veerapandiyamunai, belonging to 500 families, are engaged in fishing and farming for their livelihoods. A fresh water well in each village was used for cooking and cleaning purposes, fulfilling only a part of the water requirement and that too was not available during the dry season. People had to manage with a limited amount of potable water due to high salinity and hardness of ground water along the coastal belt and had to expend a significant portion of their meagre income to purchase drinking water daily.

Over 2,000 residents in Veravil, Valaippaadu and Veerapandiyamunai, in Poonakary now have access to clean drinking water

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The customised water purification solution designed after studying the hydrology of the area, included refurbishing three existing wells and installing water pumps and tanks to store purified water. Three Pure Hydro® water purification solutions with Reverse Osmosis Technology were established as part of this far-reaching humanitarian project.

2nd phase of Fountain of Life was installed in Nawakkulama in Medawachchiya

The second phase of Fountain of Life was deployed in Nawakkulama; a farming village with a population of 500 in Medawachchiya. The families in Nawakkulama have had several CKDu patients to date, due to limited access to good quality water. Presenting the most precious gift they could ask for, Tokyo Cement's 'Fountain of Life' installed a water purification solution with Reverse Osmosis (RO) Technology, with an output capacity of 5,000 litres a day. The Village Development Society, under the guidance of the Department of Rural Development of the North Central Province and Medawachchiya Divisional Secretariat, manages the system to ensure sustainable upkeep of the facility to benefit many.

Tokyo Cement 'Fountain of Life' 2nd phase provides clean drinking water to 125 families in Nawakkulama

In the upcoming stages of Fountain of Life, five more villages in Anuradhapura District will receive water purification units with RO capability. The solutions, each with a capacity of 5,000 litres per day, will be implemented during 2021 under the full sponsorship of Tokyo Cement Group. Through this programme, which facilitates access to life giving clean drinking water The Company etches its name firmly in the hearts of thousands in generations to come.

Capacity Building of Construction Sector Professionals

The Masons' Training Seminars conducted around the island are a primary building block of Tokyo Cement's relationship building exercise. They enhance skills and the standard of workmanship of masons by sharing best practices and technical knowledge to uplift the entire industry. Despite the many difficulties faced during this year in organising the seminars, we were able to maintain its momentum by working closely with our dealer network and regional sales teams.

Participants at two masons' training seminars held in Anuradhapura and Wellavaya

Simultaneously, awareness building seminars for Engineers, Technical Officers, and Development Officers were also carried out, adhering to strict health and safety guidelines issued by the authorities, in a bid to uphold our commitment on industry empowerment. These sessions provide an intimate platform for us to share novel construction and engineering methodologies with key influencer groups, while gaining insights into the factors driving customer behaviour.

Technical Officers and Development Officers at knowledge sharing seminars held in Batticaloa and Galle

We were able to engage over 1,600 construction sector professionals during this year, through 30 sessions conducted in all sales regions. This is a great achievement by the stakeholder capacity building team of Tokyo Cement Group that includes our professional trainers and regional sales teams, who work tirelessly to uphold the standards of the programme with rich and valuable content.

A plant is given to every participant at the seminars to inspire them to achieve growth and success

Apart from knowledge sharing at the seminars, we also emphasise on inspiring these professionals to reach their fullest potential by inculcating a positive outlook to life. The programme encourages them to practice mindfulness in their daily lives in order to fulfil their aspirations. With this objective, every participant is given a tree sapling to plant and nurture, symbolising their growth experience. Through this simple value addition at the training seminars, Tokyo Cement is effectively planting over 1,500 trees island wide, whilst making a positive impact on the lives of this important stakeholder community.

Platinum Sponsor of 25th Forestry and Environment Symposium

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

For the 4th consecutive year, Tokyo Cement Group was one of the Platinum Sponsors of the '25th International Forestry and Environment Symposium 2019', organised by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura (USJP). The annual event which got postponed as a result of the ongoing pandemic, was held at the New Senate Boardroom of the University. Dr. Anil Jasinghe, Secretary of the Ministry of Environment and former Director General of Health Services was the Guest of Honour at this year's symposium.

Dr. Upul Subasinghe of the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura, and Dr. Anil Jasinghe, Secretary of the Ministry of Environment and former Director General of Health Services, addressing the International Forestry and Environment Symposium 2019

Tokyo Cement continued our engagement at this year's event with a view of encouraging undergraduate research momentum in the forestry and environmental conservation sciences, while supporting to create a platform for the academia and the corporate sector to exchange knowledge.

School Nutrition Programme

Tokyo Cement Group walking on the footsteps of our Founder Chairman, late Deshamanya A.Y.S. Gnanam continued his compassionate undertaking to provide a balanced mid-day meal to schoolchildren coming from backgrounds of reduced circumstances. Over 300 students in Thiriyaya Maha Vidyalaya in Trincomalee are given a nutritious meal through this endeavour, that aims to encourage school attendance and complete their primary education.

CSR OVERVIEW

The FoG Cricket Academy

Tokyo Cement Group pledged its support to the Foundation of Goodness for another year, to extend their multi-pronged activities aimed at rural cricket development. 2020 marks the 6th year of partnership between the two organizations, that has successfully made a positive impact on the lives of school cricketers from remote backgrounds who have very limited access to quality training facilities to pursue their dreams.

The Company's long-standing partnership with the Foundation of Goodness (FoG) established cricket training facilities at Hikkaduwa Sri Sumangala MCC Lords and Seenigama Sri Wimala Buddhi Surrey Oval, the two cricket grounds where regular training sessions are held. Budding school cricketers in the area enrol themselves for regular Cricket Coaching Camps conducted free of cost by renowned coaches at the two training centres with indoor and outdoor practice nets. From time to time, The Academy enrols the services of famed local and international cricket stars, who volunteer to share their experience and expertise with the youngsters.


Young Cricketers being trained at the Southern Cricket Coaching Camp

Since its inception, The Cricket Academy has trained over 1,100 promising youngsters from nearly 20 regional schools. An elite coaching camp is held separately, for star performers to hone their innate talents under specialised supervision. The Southern Coaching Camp has produced several top-notch National U19 Players who now represent various Division 1 Clubs in the country. In August 2017, the coaching camps were extended to the North and East to expand access to quality training.


Participants of the Cricket Coaching Sessions held in the North and East

During this year, FoG completed 12 coaching camps in the South, maintaining the training momentum of the players while looking after the facilities in their top condition, despite the many disruptions caused by the spread of the pandemic. Tokyo Cement Group and

The Foundation of Goodness remain determined in this endeavour of creating foundations for our future generations to become well-rounded leaders.

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

This year marked a significant milestone in Tokyo Cement Group's community empowerment journey. This was achieved with the transformation of the A.Y.S. Gnanam Training Facility in Dambulla, into a full-fledged community empowerment centre that gave it a new lease of life.

Tokyo Cement Group joined hands with our longstanding partner, the Foundation of Goodness to establish The A.Y.S. Gnanam Village Heartbeat Empowerment (VHE) Centre in Dambulla. The facility, which became the 12th Village Heartbeat project of the Foundation of Goodness, was declared open by Dr. Harsha Cabral PC, Chairman, together with Mr. S.R. Gnanam, Managing Director of the Tokyo Cement Group and Mr. Kushil Gunasekera, Founder/Chief Trustee of the Foundation of Goodness. Three main Distributors of Tokyo Cement Group in the region, Mr. Dharmasiri Rajapaksha, Proprietor - Kandegedera Hardware, Wilgamuwa, Mr. Wijesiri Perera, Proprietor - Perera Distributors, Dambulla and Mr. W.S. Fernando, Proprietor - Sampath Traders, Bakamuna were part of the distinguished event that handed over the facility to the public.

This fully equipped training facility in Dambulla, is a fitting tribute to Tokyo Cement's Founder Chairman, late Deshamanya A.Y.S. Gnanam, whose kindness and generosity continues to far outshine his pioneering business achievements.

The cultural dancing troupe of the Dambulla A.Y.S. Gnanam Village Heartbeat Empowerment Centre at the inauguration event

Standing from Left, Dr. Harsha Cabral PC, Mr. Dharmasiri Rajapaksha, Mr. Wijesiri Perera, Mr. W.S. Fernando, Mr. Kushil Gunasekera and Mr. S.R. Gnanam, inaugurating the A.Y.S. Gnanam Village Heartbeat Empowerment Centre in Dambulla

Dr. Harsha Cabral PC, Mr. Kushil Gunasekera and Mr. S.R. Gnanam unveiling the plaque at the A.Y.S. Gnanam Village Heartbeat Empowerment Centre in Dambulla

The A.Y.S. Gnanam Village Heartbeat Empowerment Centre situated in Sisirawatte, Dambulla, provides free educational support on subjects such as, Science, Mathematics, IT, English, Tamil, and Traditional Dancing, for Primary to Grade 5 students from low-income families.

Further, programmes aimed at the youth and young adults will teach them life skills and values through sports, coupled with vocational training for better employment opportunities. As it progresses, the Centre will offer training courses on widely sought-after vocational courses, such as hospitality, agriculture, bakery, electrical wiring, and CCTV installation. Women's empowerment is a key focus of the Village Heartbeat concept, and as such the Centre also conducts professional courses on dressmaking, cookery, and beauty culture.

The A.Y.S. Gnanam VHE Centre addresses much-needed social upliftment requirements of the rural communities in Dambulla - Kandalama areas. Over 750 families living in the remote villages of Rathmalgahaela, Athuparayaya, Pahalawewa, Yakuragala North, Yakuragala South, Wilhatha and Kandalama Grama Niladhari Divisions, who's main livelihood is farming and agriculture related industries, can now use the facility to improve their learning opportunities and expand the horizons of their children. So far, more than 800 beneficiaries from various age categories have enrolled at The Centre, standing proof of the value it creates for the community.

Schoolchildren now have access to quality IT educational support at The Centre

CSR OVERVIEW

The A.Y.S. Gnanam Village Heartbeat Empowerment Centre in Dambulla offers free educational support for Grades 1-5 students from low-income families

Dressmaking, cookery, and beauty culture courses are conducted at the Centre to empower women to pursue self-employment opportunities

The Village Heartbeat Empowerment (VHE) Centres inspire disadvantaged rural communities, by offering free training courses to uplift their standard of living, with the aim of bridging the urban-rural divide. It is a unique holistic rural development concept that uses skills development to enhance knowledge and aptitude of youth and communities, who otherwise do not have access to the required resources. The Foundation of Goodness currently touches the lives of over 35,000 beneficiaries annually, from over 500 villages island-wide, through 10 empowerment divisions.

This facility in Dambulla, is a fully equipped training academy built to honour the memory of Tokyo Cement's Founder Chairman and pioneering self-made industrialist, late Deshamanya A.Y.S. Gnanam. By upgrading the facility to conduct multiple empowerment programmes for deserving rural communities adds to the benevolence of late Mr. A.Y.S. Gnanam, whose pioneering business achievements are far outshined by his kindness and generosity. The Centre promises to be a fitting tribute to Late Mr. A.Y.S. Gnanam, who had selflessly initiated many charitable causes, that continue to open many doors even today for thousands of people to realise their dreams.

EMPOWERING LOCAL EXPERTISE

GOVERNANCE REPORTS

At Tokyo Cement we are supporting our employees by recognising their skills, efforts, dedication, and expertise which have enabled them to build a brighter future for themselves, the Company and most importantly our Nation.

CORPORATE GOVERNANCE

All growth strategies of the Group are defined by the principle of sustainable growth, that accommodates the triple bottom-line philosophy of people, planet and profit to ensure a balance between short term profitability and long-term value creation.

Tokyo Cement Company (Lanka) PLC has a formal internal controls and governance system in place, which incorporates not only the diverse regulatory compliance requirements of the Group, but also industry best practices in corporate governance. The stability and effectiveness of Tokyo Cement's corporate governance system is evidenced by the Group's long history of manufacturing operations of nearly four decades, in one of the country's essential heavy industries. The Group's long-standing tradition of ethical business practices towards all stakeholders, has ensured sustained brand credibility and respect. This has enabled the Group to not only survive decades of market competition but also grow and gain market share. All growth strategies of the Group are defined by the principles of sustainable growth, that accommodates the triple bottom-line philosophy of people, planet and profit, to ensure a balance between short term profitability and long-term value creation with minimum environmental impacts.

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 2021, the Tokyo Cement PLC Board of Directors consisted of ten (10) members. There are two (2) Executive Directors and one of them is the Managing Director. Eight (08) Directors are Non-Executive Directors, of which, five (5) Directors are Independent Non-Executives, including the Chairman. Three Directors are Non-Executive Directors, and one (01) Non- Executive Director is a Nominee Director of UBE Singapore Holdings Pte. Ltd., Tokyo Cement's technology partner.

To ensure 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 SUB-COMMITTEES

In conformity with Listing Rules of the Colombo Stock Exchange, Tokyo Cement has established four Board sub-committees; 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 sub-committees and the corporate management.

- The corporate management is responsible for implementing Board directions and policies at operational levels. A structured reporting process is in place to ensure reporting and communications 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 cybercrime 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.

CORPORATE GOVERNANCE

Transparency

The Board of Tokyo Cement believes in transparent and accountable business practices and has stringently followed all statutory reporting requirements to inform shareholders, regulatory authorities and other stakeholders of the status of the Company. The Company did not face any fines or penalties for delays in statutory reporting during the current financial year. 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. Sensitive information, that may not be available to other shareholders, such as information that could influence share prices, are not divulged, 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, while also providing dividend payments, despite the difficult economic environment that prevailed.

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 & 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)	✓

Rule No:	Rule	Compliance Status
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)	✓
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	5/5

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 Non-Executive Independent 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.
- 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 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 2020/21 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 2022.

CONCLUSION

Based on the oversight 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.

R. Seevaratnam
Chairman – Audit Committee

16th July 2021

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 Non-Executive Independent 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 twice during the year.

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

Director's emoluments in aggregate for Executive and Non-Executive Directors for the year under review are disclosed in note 8 to the financial statements in page 112.

Dr. Harsha Cabral, PC
Chairman - Remuneration Committee

16th July 2021

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 Non-Executive Independent 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 twice.

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/reappointment to the Board and made necessary recommendations to the Board.

Dr. Harsha Cabral, PC
Chairman - Nomination Committee

16th July 2021

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 authorized 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 Non-Executive Independent Directors.

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTE

- 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.
- Reviews and assess ongoing relationships with any related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remain appropriate.

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

The committee met four times during the year under review.

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

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.

R. Seevaratnam
Chairman - Related Party Transactions Reveiw Committee

16th July 2021

RISK MANAGEMENT

The Tokyo Cement Group's robust risk management process, based on industry best practices, is supported by stringent internal controls and continuous oversight by the Board, board sub-committees and the management. This ensured the Group had full control of its potential risk portfolio throughout the year. These factors collectively facilitated the Company's sustained revenue and profit growth, despite the global pandemic situation that prevailed during the year.

Tokyo Cement's strategic preparedness ensured the Group was able to recommence its operations in full scale within an exceptionally short period, following the restrictions imposed due to Covid-19, thereby minimising business losses. The expanded production capacity of the Trincomalee Factory enabled the Group to meet the growth in demand for cement with better agility, while the modern IT and ERP systems provide the management better oversight on market and production information. Automated processes deployed at the factory enable grater controls over production related risk factors.

The potentially higher risks faced by the Group during the year are identified as; Covid-19 pandemic-related risks to employee health and safety, foreign exchange losses from rapid rupee depreciation and the threat of raw material supply shortages due to global lockdowns. The Group responded immediately, as a priority, to safeguard its employees and work environments by adopting strict health and safety guidelines, to minimise the risk of Covid-19 infections. Impact of rising import costs due to rupee depreciation, was mitigated through strategic interventions in sourcing and procurement management, and by adopting prudent financial controls. Managing the supply chain effectively prevented any significant supply shortages of essential raw materials during the year, making it possible for Tokyo Cement to continue its operations uninterrupted.

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 the identified risks;

1. Avoiding the risk, or,
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, or,
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, that either seek to eliminate the cause or mitigate its impact, in order to provide reasonable assurance towards achieving the organisational objectives.

FRAMEWORK FOR DEFENCE APPROACH

Tokyo Cement has implemented the three lines of defence on 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 adaptness

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.

IMPACT	Low	Medium	High
High	• Availability of raw materials	• Credit Risk • Political Unrest	• Covid-19 Pandemic • Currency Risk • Substitute Products • Volatility of raw material prices
Medium	• Production Technology Related Risks • Unfavourable Environmental issues	• Interest Rate Fluctuations • Transportation and logistics disruptions due to restricted operations	• Sales and Marketing Risk • Liquidity Risk
Low	• Quality Risks • Misstatement of Financial Statements • Non-Compliance of Laws and regulations		• Risks from acquisitions and investments

PROBABILITY

Risk	Description	Impact	Probability	Risk management response
Financial Risks				
Risks associated with the Covid-19 pandemic	This risk pertains to employee health and safety, quarantine lockdowns and travel restrictions, that impede business operations, resulting in direct financial consequences.	●	●	• Strengthen employee health and safety protocols • Stringently enforce all health guidelines at all times • Strengthen digital communications platforms and remote work capabilities • Prudent financial planning • Supplier risk assessment to ensure continued supplies
Currency Risks	The rupee continued to depreciate throughout the year, increasing the cost of production.	●	●	• Closely monitor currency rate fluctuations • Take necessary action to appeal for a revision of controlled retail price. • Enter into forward buying contracts with foreign suppliers for future procurements

● High ● Medium ● Low

Risk	Description	Impact	Probability	Risk management response
Credit Risks	The construction industry continued to experience liquidity constraints, due to delays in payments for state sector projects.	🔴	🟠	• Formal credit policies and procedures are deployed, in consideration of the creditworthiness and credit risks of each customer • Ensure credit facilities are backed by bank guarantees • Advanced reviewing systems are in place to monitor and report outstanding trade debts.
Interest Rate Risks	Interest rates have indicated a downward trend.	🟠	🟠	• 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 • Strengthen long-term relationship with banks • Persistent follow-up with debtors within the credit period to minimise finance costs
Refinancing / Liquidity Risk	Unavailability of sufficient funds impacting smooth functioning of day-to-day operations of the group.	🟠	🟢	• Arrangement of adequate banking facilities • Maintaining a sound cash position • Cash flow planning and monitoring
Market & Strategic Risks				
Political Risks	Political climate stabilised to a greater extent following the elections.	🔴	🟠	• Objective and progressive engagement with policy makers and influencers • Portfolio diversification to variegate revenue sources • Backward integration to strengthen the business
Sales / Market Risks	Inability to conduct marketing and sales activities due to pandemic-related operational restrictions.	🔴	🔴	• Adhere to all health and safety guidelines stipulated by the health authorities. • Applying special dispensation for logistics partners • Increase customer focus • Introduction of new products i.e. Value Added Products • Planning based on analytics
Risks from competitor products	Availability of low-quality imported products and other substitute brands.	🔴	🔴	• Uncompromising quality standards • Build strong and reliable relationships with the sales and distribution network • Educating customers and purchase decision influencers, such as masons and engineering professionals, on product performance and benefits
Environmental risks	Extreme weather events, such as, floods and severe droughts effecting 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 portfolio to maintain revenue streams

🔴 High 🟠 Medium 🟢 Low

RISK MANAGEMENT

Risk	Description	Impact	Probability	Risk management response
Risks from acquisitions and investments	Adverse impact due to changes to financial structure, failure to integrate employees, processes, technologies & products, and social and political changes	Low	Low	• 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				
Volatility of raw material prices	Raw material prices are on a continuous increase, as a result of the volatile fiscal position and pandemic-related global supply constraints	High	High	• Enter in to long-term supplier contracts to reduce volatility of raw material prices • Expand the supplier base • Adopt efficient production methodologies
Disruptions and cost increases associated with inbound and outbound transportation and logistics	Transportation costs concerning both inbound and outbound logistics have been on a continuous rise caused due to restricted operations	Medium	High	• 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
Availability of raw materials	Interruption to business activity due to non-availability of raw materials	High	Low	• Long-term contracts with reliable material suppliers • Expand product development to include locally-sourced raw materials in keeping with the stipulated product quality standards
Production Technology Related Risks	Technological obsolescence could adversely affect the performance	Medium	Low	• In-house and overseas training for staff • Regular and continuous technology transfer from UBE Industries Ltd., Japan • Regular and continuous investment to upgrade production technologies and equipment
Quality Risks	Adverse impact on sales volume due to returns and damages	Low	Low	• Strict quality maintenance in terms of ISO 9001 Quality management System and compliance with SLS requirements
Legal & Regulatory Risks	Possible introduction of new or higher taxes on imported raw materials	Low	Low	• Local sourcing was adopted successfully in some cases • Objective and progressive engagement with policy makers and stakeholder organisations, such as industry representative associations and trade chambers
IT Risk	Adverse impact on loss of confidentiality, integrity, and non-availability of systems	Medium	High	• Back up procedures, password controls, firewalls, malware, and anti-virus protections are already implemented • Continuously test and upgrade, applications, systems and networks to safeguard against vulnerabilities and potential threats

High Medium Low

EMPOWERING INDUSTRIAL GROWTH

FINANCIAL INFORMATION

At Tokyo Cement we are a leading partner in nation-building with products crafted in compliance with the best quality standards, combining decades of expertise to deliver highest efficiency levels and optimum performance to thrive within a competitive industry.

FINANCIAL CALENDAR

Interim Reports

Quarter ended 30th June 2020	13th August 2020
Quarter ended 30th September 2020	28th October 2020
Quarter ended 31st December 2020	10th February 2021
Quarter ended 31st March 2021	25th May 2021

First Interim Dividend paid	05th July 2021
Final Dividend Recommended	13th July 2021
Annual Report - 2020/21	26th July 2021
Thirty Ninth Annual General Meeting	25th August 2021

ANNUAL REPORT OF THE DIRECTORS

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 into a new technical collaboration with Ube Singapore Holdings Pte. Ltd.

THE TOKYO CEMENT GROUP

Tokyo Cement Group Structure

As at 31st March 2021, the Tokyo Cement Group comprised four (04) subsidiaries.

Tokyo Cement Company (Lanka) PLC

100% holding	Tokyo Cement Power (Lanka) (Private) Limited
100% holding	Tokyo Eastern Cement Company (Private) Limited
51% holding	Tokyo Super Aggregate (Private) Limited
100% holding	Tokyo Supermix (Private) Limited

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 2020/21

BOARD OF DIRECTORS & BOARD SUB COMMITTEES

Board of Directors

Director	Designation
Dr. Harsha Cabral, PC	Chairman and Non-Executive Independent Director
Mr. S. R. Gnanam	Managing Director
Mr. W. C. Fernando	Director
Mr. A.S.G. Gnanam	Non-Executive Director
Mr. E. J. Gnanam	Non-Executive Director
Mr. Susumu Ando	Non-Executive Director & Nominee Director of Ube Singapore Holdings Pte. Ltd - (Resigned on 31st March 2021)
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. Indrajit Coomaraswamy	Independent Non-Executive Director

BOARD SUB COMMITTEES

Four Board sub committees 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 subcommittee 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 SUB COMMITTEES

In compliance with the Colombo Stock Exchange directive on disclosures regarding changes to Board sub committees, we have made provisions for automatic disclosures in case of any such changes. Therefore, all Board sub committees 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

There were no changes to the Board or Board's sub committees during the year under review other than the resignation of Mr. Susumu Ando with effect from 31st March 2021.

DIRECTORS' MEETINGS

The Board of Directors met 6 times during the year under review and 7 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 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.

2. 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.

3. 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.

4. 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.

5. To re-elect Mr. Asite Talwatte , who retires by rotation under Article 114 and is eligible for re-election.

DIRECTORS' INTERESTS

The Directors' Interests in the Company contracts appear on pages 136 - 141 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 2021, 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, 2021	No of Shares Held 31st March, 2020	No of Shares Held 31st March, 2021	No of Shares Held 31st March, 2020
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. Susumu Ando (Non Executive Director & Nominee Director of UBE Singapore Holdings Pte. Ltd. - Resigned on 31st March 2021)	-	-	-	-
Mr. Yaoki Hashimoto (Non Executive Director & Nominee Director of UBE Singapore Holdings Pte. Ltd. (Appointed on 1st April 2021)	-	-	-	-
Mr. W. C. Fernando - Director	-	-	71,280	71,280
Independent Non Executive Directors				
Mr. R. Seevaratnam	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. Indrajit Coomaraswamy	-	-	-	-
	100,237,214	100,237,214	71,280	71,280

EQUITABLE TREATMENT TO SHAREHOLDERS

The Directors at all times ensure that all shareholders are 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

As directed by the Colombo Stock Exchange, related party transaction disclosures have been accommodated.

Directors have disclosed all related party transactions and such transactions are given in note 32 on pages 136 - 141 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, 2021, is given in notes 29 and 30 on page 130 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 90 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

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 2021 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 (SLFRSs/ LKASs). 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, has 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 is information provided in pages 146 - 150 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

The 20 major shareholders and the percentage held by each of them as at 31st March, 2021 are given on pages 149 - 150.

DIVIDENDS

First Interim Dividends for the year 2020/21 of Rs. 1.25 was recommended on 22nd June 2021 and paid on 22nd July 2021 amounting to Rs. 501,187,500/-. The Directors recommended a Final Dividend of Rs. 0.85 per share for the year 2020/21 amounting to Rs. 340,807,500/-.

STATED CAPITAL

The total issued stated capital stood at Rs. 4,239,611,750 as at end March 2021 and consists of 267,300,000 ordinary voting shares and 133,650,000 ordinary non-voting shares.

RESERVES

The Group's total reserves increased from Rs. 12.9 Bn to Rs. 17.7 Bn by 31st March 2021.

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 144.

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 90.

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 - 82 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 112 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 99 of the Annual Report.

ANNUAL GENERAL MEETING

The Thirty Ninth 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 prevelling Covid-19 Pandemic. The Meeting will be held via "ZOOM" Videoconferencing App on 25th August 2021 at 4.00 p.m. centered at the Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Mr. S.R. Gnanam
Managing Director

Mr. R. Seevaratnam
Independent Non-Executive Director

Seccom (Pvt) Limited
Company Secretaries

16th July 2021

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 2021, conform to the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act No 7, 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 2021 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2021 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

16th July 2021

INDEPENDENT AUDITOR'S REPORT

BDO

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

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

TO THE SHAREHOLDERS OF TOKYO CEMENT COMPANY (LANKA) PLC

Report on the 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 2021, 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 94 to 144.

In our opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31st March 2021, 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 key audit matter
Measurement of Inventories The Company and Group had inventories of Rs. 2,245,256,668/- and Rs. 3,239,784,644/- respectively as at 31st March 2021, which represented 38% and 34% of the Company's and Group's current assets respectively. The inventory management and controls system relating to inventory maintenance and recording is centralised 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 realisable 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 on 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

BDO

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 Group's financial reporting process.

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

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

As part of an audit in accordance with SLAuSs, we exercise professional 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 a 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
16th July 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Revenue from contracts with customers	4	42,962,431,266	35,767,731,640	22,069,354,476	21,511,174,801
Cost of sales		(30,465,697,057)	(25,512,057,724)	(17,958,359,512)	(16,234,235,506)
Gross profit		12,496,734,209	10,255,673,916	4,110,994,964	5,276,939,295
Other income	5	49,021,157	19,022,864	1,544,016,483	916,806,047
		12,545,755,366	10,274,696,780	5,655,011,447	6,193,745,342
Distribution expenses		(5,059,006,993)	(4,099,008,878)	(2,709,028,477)	(2,795,188,297)
Administrative expenses		(1,197,167,365)	(1,681,747,796)	(866,236,058)	(1,197,113,490)
Profit from operations		6,289,581,008	4,493,940,106	2,079,746,912	2,201,443,555
Finance income	6	35,908,246	23,191,203	15,011,938	6,770,228
Finance expenses	7	(1,116,492,095)	(1,887,678,499)	(926,780,347)	(1,418,626,367)
Profit before taxation	8	5,208,997,159	2,629,452,810	1,167,978,503	789,587,416
Income tax expenses	9	201,978,835	(311,581,030)	358,729,649	27,423,303
Profit for the year		5,410,975,994	2,317,871,780	1,526,708,152	817,010,719
Other comprehensive income/(loss)					
Items that will not be re-classified to the statement of profit or loss in subsequent period					
Re-measurement of defined benefit obligation		(14,805,960)	(29,095,072)	(11,376,627)	(23,330,373)
Tax impact on other comprehensive income		2,507,137	7,723,742	2,047,793	6,532,504
Other comprehensive income/(loss) for the year net of tax		(12,298,823)	(21,371,330)	(9,328,834)	(16,797,869)
Total comprehensive income for the year net of tax		5,398,677,171	2,296,500,450	1,517,379,318	800,212,850
Profit/ (loss) for the year attributable to:					
Owners of the parent		5,440,256,399	2,317,991,036	1,526,708,152	817,010,719
Non-controlling interest		(29,280,405)	(119,256)	-	-
Profit for the year		5,410,975,994	2,317,871,780	1,526,708,152	817,010,719
Total comprehensive income/(loss) for the year attributable to:					
Owners of the parent		5,428,049,473	2,296,777,846	1,517,379,318	800,212,850
Non-controlling interest		(29,372,302)	(277,396)	-	-
Total comprehensive income for the year		5,398,677,171	2,296,500,450	1,517,379,318	800,212,850
Basic/Diluted earnings per share (Rs.)					
- Voting	10	13.57	5.78	3.81	2.04
- Non-voting	10	13.57	5.78	3.81	2.04
Dividend per share					
- Voting	11	-	-	2.10	1.50
- Non-voting	11	-	-	2.10	1.50

Figures in brackets indicate deductions.
The accounting policies and notes from pages 99 to 144 form an integral part of these financial statements.

Colombo
16th July 2021

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	28,248,734,618	27,494,660,394	13,389,934,266	12,600,958,394
Intangible assets	13	75,515,950	93,965,731	34,125,290	52,578,252
Investments in subsidiaries	14	-	-	12,237,176,943	12,037,176,943
Right-of- use assets	15	1,518,305,450	1,346,104,855	1,249,100,914	1,267,736,994
Total non-current assets		29,842,556,018	28,934,730,980	26,910,337,413	25,958,450,583
Current assets					
Inventories	16	3,239,784,644	3,492,636,466	2,245,256,668	2,207,629,543
Trade and other receivables	17	4,306,167,422	4,985,031,699	2,657,574,445	2,908,423,173
Tax receivables	18	248,287,940	298,415,632	248,287,940	289,686,113
Amount due from subsidiaries	19	-	-	589,094,067	806,981,944
Financial assets at amortised cost	20	7,988,157	7,623,250	-	-
Cash and cash equivalents	21	1,489,031,416	429,972,058	240,976,328	205,616,726
Total current assets		9,291,259,579	9,213,679,105	5,981,189,448	6,418,337,499
Total assets		39,133,815,597	38,148,410,085	32,891,526,861	32,376,788,082
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		17,743,576,035	12,916,951,562	12,242,136,533	11,326,182,215
Equity attributable to the owners of the parent		21,983,187,785	17,156,563,312	16,481,748,283	15,565,793,965
Non-controlling interest		63,927,477	93,299,779	-	-
Total equity		22,047,115,262	17,249,863,091	16,481,748,283	15,565,793,965
Non-current liabilities					
Interest bearing borrowings	23	3,962,571,000	7,215,160,206	3,450,000,000	6,720,751,206
Deferred tax liabilities	24	2,218,343,537	2,859,264,140	884,225,578	1,513,986,710
Retirement benefit obligations	25	358,762,229	296,865,482	262,726,645	217,792,737
Lease creditors	26	425,726,490	293,502,526	246,673,204	250,635,765
Total non-current liabilities		6,965,403,256	10,664,792,354	4,843,625,427	8,703,166,418
Current liabilities					
Trade and other payables	27	5,362,675,248	2,506,818,059	4,441,816,788	1,586,777,310
Tax payables	18	14,585,448	-	-	-
Amount due to subsidiaries	28	-	-	2,963,094,710	1,149,018,163
Interest bearing borrowings	23	4,212,808,150	6,296,475,116	3,965,770,000	4,616,831,279
Lease creditors	26	94,559,522	42,385,423	35,002,488	34,461,157
Bank overdrafts	21	436,668,711	1,388,076,042	160,469,165	720,739,790
Total current liabilities		10,121,297,079	10,233,754,640	11,566,153,151	8,107,827,699
Total equity and liabilities		39,133,815,597	38,148,410,085	32,891,526,861	32,376,788,082
Net asset value per share		54.83	42.79	41.11	38.82

Figures in brackets indicate deductions.

The accounting policies and notes from pages 99 to 144 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
16th July 2021

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, 2019	4,239,611,750	10,682,586,570	14,922,198,320	93,577,175	15,015,775,495
Adjustment due to initial application of SLFRS 16	-	57,872,146	57,872,146	-	57,872,146
Comprehensive income for the year					
Profit/(loss) for the year	-	2,317,991,036	2,317,991,036	(119,256)	2,317,871,780
Other comprehensive income/(loss)					
Actuarial loss on retirement benefit obligation	-	(28,875,433)	(28,875,433)	(219,639)	(29,095,072)
Tax relating to other comprehensive income	-	7,662,243	7,662,243	61,499	7,723,742
Total comprehensive income/(loss) for the year	-	2,296,777,846	2,296,777,846	(277,396)	2,296,500,450
Dividend to equity holders	-	(120,285,000)	(120,285,000)	-	(120,285,000)
As at 31st March, 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 obligation	-	(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

For the year ended 31st March COMPANY	Stated capital	Retained earnings	Total
	Rs.	Rs.	Rs.
Balance as at 01st April, 2019	4,239,611,750	10,613,206,262	14,852,818,012
Comprehensive income for the year			
Adjustment due to initial application of SLFRS 16	-	33,048,103	33,048,103
Profit for the year	-	817,010,719	817,010,719
Other comprehensive income/(loss)			
Actuarial loss on retirement benefit obligation	-	(23,330,373)	(23,330,373)
Tax relating to other comprehensive income	-	6,532,504	6,532,504
Total comprehensive income for the year	-	800,212,850	800,212,850
Dividend to equity holders	-	(120,285,000)	(120,285,000)
As at 31st March, 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 obligation	-	(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

Figures in brackets indicate deductions.
The accounting policies and notes from pages 99 to 144 form an integral part of these financial statements.

Colombo
16th July 2021

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Cash flow from operating activities					
Profit before taxation		5,208,997,159	2,629,452,810	1,167,978,503	789,587,416
Adjustments for :					
Depreciation of property, plant and equipment	12 A,B	1,356,895,999	1,350,792,796	692,300,086	729,858,953
Amortisation of intangible assets	13.1 A,B	21,190,090	22,265,937	18,673,271	19,920,343
Depreciation of right-of-use assets	15	57,887,678	53,068,368	51,445,726	49,149,975
Retirement benefit obligations	25	63,584,467	54,465,812	41,840,526	34,908,304
(Profit)/ loss on disposal of property, plant and equipment		12,680,816	(197,694)	-	(1,917,000)
Capital work-in-progress written off		-	65,230,716	-	62,838,510
Interest expense		1,084,424,685	1,816,983,004	909,022,338	1,401,153,861
Write-off of ESC receivables		26,022,163	-	-	-
Lease interest	7	32,067,410	24,885,286	17,758,009	15,386,366
Interest income	6	(35,908,246)	(1,095,388)	(15,011,938)	(571,296)
Dividend income	5	-	-	(1,500,000,000)	(900,000,000)
Impairment of trade receivables		29,817,570	-	25,510,446	-
Write back of liabilities	5	(37,876,800)	-	(37,876,800)	-
Operating profit before working capital changes		7,819,782,991	6,015,851,647	1,371,640,167	2,200,315,432
(Increase)/decrease in inventories		252,851,822	142,988,898	(37,627,125)	444,238,245
(Increase)/decrease in trade and other receivables		336,057,803	958,304,106	24,201,218	1,016,154,239
Increase/(decrease) in trade and other payables		2,866,249,389	(2,306,567,156)	2,886,671,678	(2,363,966,893)
(Increase)/decrease in amount due to/from related parties		-	-	2,031,964,424	812,946,814
Cash generated from operations		11,274,942,005	4,810,577,495	6,276,850,362	2,109,687,837
Interest paid		(1,084,424,685)	(1,816,983,004)	(909,022,338)	(1,401,153,861)
Income tax paid	18	(84,754,749)	(126,055,624)	(26,448,453)	(126,055,624)
Retirement benefit obligations paid	25	(16,493,680)	(11,600,271)	(8,283,245)	(8,110,996)
Net cash flow from operating activities		10,089,268,891	2,855,938,596	5,333,096,326	574,367,356
Cash flow from/(used in) investing activities					
Purchase & construction of property, plant and equipment	12 A,B	(2,106,911,039)	(1,275,015,682)	(1,481,275,958)	(742,003,589)
Payment for right-of-use assets		(352,522)	(559,948,972)	(352,522)	(559,948,972)
Intangible assets acquired	13.1 A,B	(2,740,309)	-	(220,309)	-
Interest received		35,543,339	571,296	15,011,938	571,296
Proceeds from sale of property, plant and equipment		4,500,000	9,522,001	-	1,917,000
Investment in shares - subsidiary		-	-	(200,000,000)	-
Dividend received		-	-	1,500,000,000	900,000,000
Net cash used in investing activities		(2,069,960,531)	(1,824,871,357)	(166,836,851)	(399,464,265)
Cash flow from/(used in) financing activities					
Repayment of interest bearing borrowings		(22,151,629,435)	(23,508,978,193)	(13,314,666,507)	(17,521,437,308)
Receipt of interest bearing borrowings		16,815,373,263	22,955,205,426	9,392,854,022	17,725,223,179
Dividend paid		(595,180,400)	(120,285,000)	(595,180,400)	(120,285,000)
Lease rentals paid	26	(77,405,099)	(67,405,401)	(53,636,363)	(50,365,609)
Net cash from/(used in) financing activities		(6,008,841,671)	(741,463,168)	(4,570,629,248)	33,135,262
Net increase/(decrease) in cash and cash equivalents		2,010,466,689	289,604,071	595,630,227	208,038,353
Cash and cash equivalents at the beginning of the year	A	(958,103,984)	(1,247,708,055)	(515,123,064)	(723,161,417)
Cash and cash equivalents at the end of the year	B	1,052,362,705	(958,103,984)	80,507,163	(515,123,064)

Figures in brackets indicate deductions.
The accounting policies and notes from pages 99 to 144 form an integral part of these financial statements.

Colombo
16th July 2021

NOTES TO STATEMENT OF CASH FLOWS

For the year ended 31st March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Note				
A Cash and cash equivalents at the beginning of the year				
Bank balances and cash in hand	429,972,058	341,130,642	205,616,726	204,333,708
Bank overdraft	(1,388,076,042)	(1,588,838,697)	(720,739,790)	(927,495,125)
	(958,103,984)	(1,247,708,055)	(515,123,064)	(723,161,417)
B Cash and cash equivalents at the end of the year				
Bank balances and cash in hand	1,489,031,416	429,972,058	240,976,328	205,616,726
Bank overdraft	(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)

Figures in brackets indicate deductions.
The accounting policies and notes from pages 99 to 144 form an integral part of these financial statements.

Colombo
16th July 2021

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity – Domicile and legal form

Tokyo Cement Company (Lanka) PLC (Company) is a public limited liability company incorporated and domiciled in Sri Lanka and 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 and Trincomalee and PVQ Jetty Colombo Port.

1.2 Consolidated financial statements

The consolidated financial statements for the year ended 31st March, 2021 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, 2020 to 31st March, 2021.

1.6 Date of authorisation for issue

The consolidated financial statements of the Group for the year ended 31st March, 2021 were authorised for issue by the Board of Directors on 16th July 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Presentation and functional currency

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

2.3 Statement of compliance

The statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow, together with the accounting policies and notes ("financial statements") of the Company and the Group as at 31st March, 2021 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and 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.

The management of the Group has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Group has the resources to continue its business into the foreseeable future and they do not intend either to liquidate or to cease trading. In determining the assessment, the management has considered the existing and anticipated effects of covid-19 and the appropriateness of the use of the going concern basis. Furthermore, the management is not aware of any material uncertainties that may cast doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

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 are 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 1 January 2020 and does not expect them to have a significant impact on the Group's financial statements.

- Amendments to SLFRS 16; Covid-19 Related Rent Concessions
- Amendments to SLFRS 3; Definition of a Business
- Amendments to LKAS 1; and LKAS 8 Definition of Material
- Conceptual Framework for Financial Reporting

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 SLFRS 3: Reference to the Conceptual Framework
- Amendments to LKAS 16 : Property, Plant and Equipment - Proceeds before Intended Use Amendments to LKAS 37 : Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to SLFRS 7, SLFRS 9 and LKAS 39 : Interest Rate Benchmark Reform - Phase 2

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:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is 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, 2021. (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, reflected 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 are 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 interests

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

The Group applies a policy of treating transactions with non-controlling interests as transactions with 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 shareholdings 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 liability	3.18.1
Deferred tax	3.20.2

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 balance 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 stated 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

The depreciation of an asset begins when it is available for use and ceases at earlier of the date that the asset is classified as held for sale and the date that the asset is de-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	8 - 50
Vessel	2.5 - 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 complete. 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.

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 a group of cash generating units) is less than the carrying amount of cash generating unit (or a group of cash generating units) to which the goodwill has been allocated, an impairment loss is recognized. 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

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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 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 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 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.

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 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 fair value through profit or loss (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 profit or loss.

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

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through 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.

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

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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 new 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 comprehensive income (operating profit).

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 any balance within fair value through other comprehensive income reserve is reclassified 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 any balance within fair value through other comprehensive income reserve is reclassified directly to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement 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 derecognition is also recognised in 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 loans and borrowings of the Group include interest bearing borrowings (including 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 intent 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 material	-	At cost determined on first-in-first-out basis (FIFO)
Finished goods	-	At the cost of direct materials, direct labour and appropriate proportion of fixed production overheads at normal operating capacity
Packing material	-	At cost determined on first-in first-out basis
Goods in transit	-	At actual cost

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

3.17 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.

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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.

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., Actuaries. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 under 'finance income'.

b) Interest income

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

c) Other income

All other incomes are 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 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Goods transferred at a point in time	42,962,431,266	35,767,731,640	22,069,354,476	21,511,174,801
	42,962,431,266	35,767,731,640	22,069,354,476	21,511,174,801

5. OTHER INCOME

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit on disposal of property, plant and equipment	-	1,917,000	-	1,917,000
Dividend received from subsidiaries	-	-	1,500,000,000	900,000,000
Profit on power export	-	8,678,883	-	8,678,883
Sundry income	11,144,357	7,826,981	6,139,683	5,610,164
Rent income	-	600,000	-	600,000
Restatement of liability	37,876,800	-	37,876,800	-
	49,021,157	19,022,864	1,544,016,483	916,806,047

6. FINANCE INCOME

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest on repo	364,907	524,092	-	-
Interest on money market deposit	35,543,339	571,296	15,011,938	571,296
Exchange gain	-	22,095,815	-	6,198,932
	35,908,246	23,191,203	15,011,938	6,770,228

7. FINANCE EXPENSES

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest expenses on borrowings	1,057,000,589	1,728,315,498	902,037,018	1,362,051,449
Less :Borrowing cost capitalisation	-	(20,595,514)	-	(20,595,514)
Interest on lease	32,067,410	24,885,286	17,758,009	15,386,366
Interest expenses on bank overdrafts	27,424,096	109,263,020	6,985,320	59,697,926
Exchange loss	-	45,810,209	-	2,086,140
	1,116,492,095	1,887,678,499	926,780,347	1,418,626,367

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 number 12 peoperty,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 borrowing during the period less any investment income on the temporary investment of those borrowings.

8. PROFIT BEFORE TAXATION

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit before taxation is stated after charging all expenses including the following:				
Depreciation on property, plant and equipment	1,356,895,999	1,350,792,796	692,300,086	729,858,953
Amortisation of intangible assets	21,190,090	22,265,937	18,673,271	19,920,343
Directors' emoluments	38,465,000	32,618,550	38,465,000	32,618,550
Loss on disposal of property, plant and equipment	12,680,816	1,719,306	-	-
Auditors' remuneration - Audit services	6,274,415	6,140,558	4,000,000	3,943,458
Charity and donations	2,228,894	1,816,344	-	375,349
Staff cost including all benefits	1,428,062,901	1,512,439,494	734,093,490	710,370,296
Defined benefits cost - Retirement benefit obligation	61,576,999	54,465,812	41,760,526	34,908,304
Defined contribution plan cost - E.P.F. and E.T.F.	127,385,719	118,767,092	67,966,550	60,564,861
Depreciation of right - of - use asset	57,887,678	53,068,368	51,445,726	49,149,975
Research cost	14,270,285	18,757,674	12,771,752	17,407,585
Legal expenses and professional fee	69,743,598	84,741,524	51,189,245	45,782,259
Repairs and maintenance	1,021,308,786	993,078,936	630,366,976	589,119,432
Sales commission	1,016,917,078	811,249,802	535,812,626	547,727,090
Advertisement expenses	139,283,606	131,831,540	74,855,807	88,589,564
Impairment of trade receivables	29,817,570	-	25,510,446	-

9. INCOME TAX EXPENSES

For the year ended 31st March	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current year income tax provision	9.A.1	272,661,363	159,339,850	213,602,865	159,193,104
Under provision in respect of previous years		163,773,268	28,418,352	55,380,825	28,418,352
Deferred taxation provision/(reversal)	9.B	(638,413,466)	123,822,828	(627,713,339)	(215,034,759)
		(201,978,835)	311,581,030	(358,729,649)	(27,423,303)

9.A.1 Income tax

Reconciliation between the current year tax expense and the accounting profit

For the year ended 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Profit before taxation	5,208,997,159	2,629,452,810	1,167,978,503	789,587,416
Income considered separately	(1,535,908,246)	(923,095,390)	(1,515,011,938)	(922,571,298)
Consolidation adjustment	1,509,633,826	900,000,000	-	-
Aggregate disallowable items	1,597,823,736	1,121,864,241	818,410,000	863,195,485
Aggregate allowable items	(1,665,050,077)	(1,242,881,796)	(642,369,300)	(815,010,936)
Tax exempt profit	(5,077,040,626)	(2,779,149,705)	-	-
Taxable Income/ (loss) from business	38,455,772	(293,809,840)	(170,992,735)	(84,799,333)
Tax loss not utilised	261,785,565	389,845,891	170,992,735	180,816,666
Income considered separately	1,535,908,246	923,095,390	1,515,011,938	922,571,298
Taxable Income	1,836,149,583	1,019,131,441	1,515,011,938	1,018,588,631
Tax liability @28%	-	33,238,126	-	33,122,826
Tax liability @24%	8,617,752	101,724	3,602,865	70,278
Tax liability @18%	54,043,611	-	-	-
Tax liability @14%	210,000,000	126,000,000	210,000,000	126,000,000
Total tax expense	272,661,363	159,339,850	213,602,865	159,193,104

9.A.2 Current tax attributable to profit or loss and other comprehensive income/(loss)

For the year ended 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tax attributable to profit or loss	9	272,661,363	159,339,850	213,602,865	159,193,104
Tax attributable to other comprehensive income	9.B	(2,507,137)	(7,723,742)	(2,047,793)	(6,532,504)

9.A.3 Tax loss carried forward

For the year ended 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tax loss brought forward	2,074,966,834	2,127,611,325	1,606,761,654	1,377,055,302
Adjustment for tax loss	(35,685,871)	(442,490,382)	(35,682,871)	48,889,686
Tax loss arising during the year	261,785,565	389,845,891	170,992,735	180,816,666
Tax loss carried forward	2,301,066,528	2,074,966,834	1,742,071,518	1,606,761,654

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.

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSES (CONTD.)

9.B Deferred tax expenses

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Origination / (reversal) of temporary differences arising from				
Accelerated depreciation for tax purposes on freehold property	(787,207,144)	68,545,793	(753,681,118)	37,853,464
Benefit arising from tax losses	165,868,225	304,326,540	129,359,170	(7,721,720)
Impairment of trade receivables	(30,558,332)	-	(14,561,020)	-
Retirement benefit obligation	18,926,817	(247,135,054)	15,738,964	(243,252,052)
Right-of- use assets	(5,443,032)	(1,914,451)	(4,569,335)	(1,914,451)
	(638,413,466)	123,822,828	(627,713,339)	(215,034,759)
Other comprehensive income				
Actuarial gain on defined benefit obligation	(2,507,137)	(7,723,742)	(2,047,793)	(6,532,504)
	(640,920,603)	116,099,086	(629,761,132)	(221,567,263)

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 PER SHARE

10.1 Basic earnings per share

Basic earnings 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Amount used as the numerator:				
Profit attributable to owners of the parent	5,440,256,399	2,317,991,036	1,526,708,152	817,010,719
	5,440,256,399	2,317,991,036	1,526,708,152	817,010,719
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	13.57	5.78	3.81	2.04
- Ordinary non-voting shares	13.57	5.78	3.81	2.04

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) are as same as the basic EPS shown above.

11. DIVIDEND PER SHARE

For the year ended 31st March	Company	
	2021 Rs.	2020 Rs.
Interim Dividend		
- Ordinary voting shares	1.25	-
- Ordinary non-voting shares	1.25	-
Final Dividend		
- Ordinary voting shares	0.85	1.50
- Ordinary non-voting shares	0.85	1.50
Total Dividend		
- Ordinary voting shares	2.10	1.50
- Ordinary non-voting shares	2.10	1.50

The Directors have proposed the payment of interim dividend of Rs. 1.25 and final dividend of Rs. 0.85 per share for the year ended 31st March 2021, and the due dates of make payments are as follows:

Interim Dividend

- Where accurate dividend mandates are given (Digital Payment) the dividend is payable on 05th July 2021.
- In other cases payment would be on 22nd July 2021.

Final Dividend

- Where accurate dividend mandates are given (Digital Payment) the dividend is payable on 30th August 2021.
- In other cases payment would be on 15th September 2021.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

12.A Group

Item	Cost				
	As at 01.04.2020 Rs.	Additions during the year Rs.	Transferred from CWIP Rs.	Disposals / Reinstatement Rs.	As at 31.03.2021 Rs.
Freehold assets					
Land	1,049,901,532	-	-	-	1,049,901,532
Buildings and jetty	11,674,725,435	261,538,395	4,304,824	-	11,940,568,654
Plant & machinery and equipment	17,527,871,493	176,350,503	185,928,439	(19,980,000)	17,870,170,435
Vessels	2,649,681,992	-	-	-	2,649,681,992
Furniture fittings and equipment	516,977,096	32,840,732	-	-	549,817,828
Motor vehicles	2,059,581,404	121,590,451	-	-	2,181,171,855
	35,478,738,952	592,320,081	190,233,263	(19,980,000)	36,241,312,296
Leasehold assets					
Motor vehicles	82,754,000	-	-	-	82,754,000
Sub Total	35,561,492,952	592,320,081	190,233,263	(19,980,000)	36,324,066,296
Capital work-in progress	545,336,059	1,535,830,958	(190,233,263)		1,890,933,754
Grand Total	36,106,829,011	2,128,151,039	-	(19,980,000)	38,215,000,050

12.B Company

Item	Cost				
	As at 01.04.2020 Rs.	Additions during the year Rs.	Transferred from CWIP Rs.	Disposals / Reinstatement Rs.	As at 31.03.2021 Rs.
Freehold assets					
Land	229,203,216	-	-	-	229,203,216
Buildings and jetty	7,134,581,701	228,593,740	-	-	7,363,175,441
Plant & machinery and equipment	7,623,604,169	57,997,622	-	-	7,681,601,791
Vessels	2,649,681,992	-	-	-	2,649,681,992
Furniture fittings and equipment	423,769,846	24,624,105	-	-	448,393,951
Motor vehicles	810,011,074	4,900,000	-	-	814,911,074
	18,870,851,998	316,115,467	-	-	19,186,967,465
Leasehold assets					
Motor vehicles	74,060,000	-	-	-	74,060,000
Sub Total	18,944,911,998	316,115,467	-	-	19,261,027,465
Capital work-in progress	530,828,843	1,165,160,491	-	-	1,695,989,334
Grand total	19,475,740,841	1,481,275,958	-	-	20,957,016,799

Depreciation				Written down value	
As at 01.04.2020 Rs.	Charge for the year Rs.	Disposals / Reinstatement Rs.	As at 31.03.2021 Rs.	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
-	-	-	-	1,049,901,532	1,049,901,532
1,816,282,885	367,861,341	-	2,184,144,226	9,756,424,428	9,858,442,550
4,108,476,013	540,206,064	(2,799,184)	4,645,882,893	13,224,287,542	13,419,395,480
1,188,688,025	143,345,786	-	1,332,033,811	1,317,648,181	1,460,993,967
316,601,005	52,182,804	-	368,783,809	181,034,019	200,376,091
1,161,048,382	232,046,204	-	1,393,094,586	788,077,269	898,533,022
8,591,096,310	1,335,642,199	(2,799,184)	9,923,939,325	26,317,372,971	26,887,642,642
21,072,307	21,253,800	-	42,326,107	40,427,893	61,681,693
8,612,168,617	1,356,895,999	(2,799,184)	9,966,265,432	26,357,800,864	26,949,324,335
-	-	-	-	1,890,933,754	545,336,059
8,612,168,617	1,356,895,999	(2,799,184)	9,966,265,432	28,248,734,618	27,494,660,394

Depreciation				Written down value	
As at 01.04.2020 Rs.	Charge for the year Rs.	Disposals / Reinstatement Rs.	As at 31.03.2021 Rs.	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
-	-	-	-	229,203,216	229,203,216
1,457,193,128	235,757,094	-	1,692,950,222	5,670,225,219	5,677,388,573
3,166,941,966	216,712,520	-	3,383,654,486	4,297,947,305	4,456,662,203
1,188,688,025	143,345,786	-	1,332,033,811	1,317,648,181	1,460,993,967
284,595,849	36,270,880	-	320,866,729	127,527,222	139,173,997
761,088,354	40,698,806	-	801,787,160	13,123,914	48,922,720
6,858,507,322	672,785,086	-	7,531,292,408	11,655,675,057	12,012,344,676
16,275,125	19,515,000	-	35,790,125	38,269,875	57,784,875
6,874,782,447	692,300,086	-	7,567,082,533	11,693,944,932	12,070,129,551
-	-	-	-	1,695,989,334	530,828,843
6,874,782,447	692,300,086	-	7,567,082,533	13,389,934,266	12,600,958,394

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.C Other Information

a) During the year the Group paid Rs. 2,106,911,039/- (2019/20 - Rs. 1,275,015,682/-) and Company paid Rs. 1,481,275,958/- (2019/20 - Rs. 742,003,589/-) in relation to acquisition of Property, plant and equipment & 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. 1,742,496,391/- (2019/20 - Rs. 980,785,922/-) and for the company is Rs. 1,661,289,056/- (2019/20 -Rs. 937,370,694/-).

c) Details relating to Property, plant and equipment kept as security for borrowings are disclosed in Note 31.

d) In current financial year Group & Company have re-arranged classification of property, plant & equipment for better presentation.

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	3	111,344,366	17,906,600
	Colombo	Perches 40.90	-	-	180,982,714
	Negombo	Acres 2.04	1	15,392,901	15,638,902
	Dambulla	Acres 5.00	2	104,690,457	14,675,000
	Trincomalee (leasehold)	Acres 44.10	12	2,634,462,125	-
	Peliyagoda (leasehold)	Acres 1.90	5	36,574,092	-
	Colombo port -01 (leasehold)	Acres 1.06	-	-	-
	Colombo port -02 (leasehold)	Perches 152.30	-	14,518,965	-
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
	Rathmalana	Acres 1.00	2	41,664,402	249,599,400

13. INTANGIBLE ASSETS

13.A Group

		Written down value			
		Group		Company	
As at 31st March		2021	2020	2021	2020
Item	Note	Rs.	Rs.	Rs.	Rs.
Goodwill		32,995,007	32,995,007	-	-
Accounting and related software	13.1	42,520,943	60,970,724	34,125,290	52,578,252
		75,515,950	93,965,731	34,125,290	52,578,252

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 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 and the value in use. Since the value in use of the cash generating unit is higher than the fair value less cost to sell, it has been considered as the recoverable amount where the value in use is based on the present value of the future cash flows of the forecasted business operations of Tokyo Cement Colombo Terminal (Pvt) Ltd as a separate business unit for the following years, using the key assumptions such as discount rate 9% per annum, inflation and general price rate 10% annum exchange rate considered from Rs. 203/- to Rs. 216/- 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 Accounting and related software

13.1.A Group

Item	Cost			Amortisation			Written down value	
	As at 01.04.2020 Rs.	Additions Rs.	As at 31.03.2021 Rs.	As at 01.04.2020 Rs.	For the year Rs.	As at 31.03.2021 Rs.	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
Accounting and related Software	162,822,703	2,740,309	165,563,012	101,851,979	21,190,090	123,042,069	42,520,943	60,970,724
	162,822,703	2,740,309	165,563,012	101,851,979	21,190,090	123,042,069	42,520,943	60,970,724

13.1.B Company

Item	Cost			Amortisation			Written down value	
	As at 01.04.2020 Rs.	Additions Rs.	As at 31.03.2021 Rs.	As at 01.04.2020 Rs.	For the year Rs.	As at 31.03.2021 Rs.	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
Accounting and related Software	142,014,405	220,309	142,234,714	89,436,153	18,673,271	108,109,424	34,125,290	52,578,252
	142,014,405	220,309	142,234,714	89,436,153	18,673,271	108,109,424	34,125,290	52,578,252

13.1.C During the year the Group paid Rs. 2,740,309/- (2019/20 - Nil) and Company paid Rs. 220,309/- (2019/20 - Nil) in relation to acquisition of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES

As at 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 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	1,993,696,688
	-	-	12,237,176,943	12,037,176,943

14.1 Partly - owned subsidiaries

As at 31st March	2021	2020
Name of the company		
Tokyo Super Aggregate (Pvt) Ltd	51%	51%
Accumulated balances of non-controlling interests:		
Tokyo Super Aggregate (Pvt) Ltd (Rs.)	63,927,477	93,299,779

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	2021 Rs.	2020 Rs.
Total comprehensive income / (loss) for the year	(59,943,474)	(566,115)

14.1.2 Summarised statement of financial position

As at 31st March	2021 Rs.	2020 Rs.
Non-current assets	400,503,332	411,660,500
Current assets	87,580,772	151,953,614
Total assets	488,084,104	563,614,114
Equity	130,464,235	190,407,714
Non-current liabilities	88,952,472	96,845,949
Current liabilities	268,667,397	276,360,451
Total equity and liabilities	488,084,104	563,614,114

14.1.3 Summarised statement of cash flow information

For the year ended 31st March	2021 Rs.	2020 Rs.
Cash flows from operating activities	36,117,928	19,505,121
Cash flows used in investing activities	(5,519,297)	(26,417,131)
Cash flows from financing activities	(2,934,736)	(27,726,757)
	27,663,895	(34,638,767)

15 RIGHT-OF-USE ASSETS

As at 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	1,346,104,855	-	1,267,736,994	-
Adjustment on SLFRS 16	-	839,224,251	-	756,937,997
Additions during the year	230,088,273	559,948,972	32,809,646	559,948,972
Depreciation for the year	(57,887,678)	(53,068,368)	(51,445,726)	(49,149,975)
At the end of year	1,518,305,450	1,346,104,855	1,249,100,914	1,267,736,994

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 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 Following are the amounts recognised in income statement.

For the year ended 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Depeciation of right-of-use assets	57,887,678	53,068,368	51,445,726	49,149,975
Interest on lease liability	32,067,410	24,885,287	17,758,009	15,386,366
	89,955,088	77,953,655	69,203,735	64,536,341

NOTES TO THE FINANCIAL STATEMENTS

16. INVENTORIES

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Raw materials	1,182,242,088	980,907,433	618,009,046	356,937,352
Finished goods	409,909,031	911,170,714	351,706,078	789,071,179
Packing materials	177,339,205	582,164,949	85,348,913	468,826,484
Spares and consumables	753,245,033	666,607,553	517,417,306	395,849,486
Goods-in-transit	717,049,287	351,785,817	672,775,325	196,945,042
	3,239,784,644	3,492,636,466	2,245,256,668	2,207,629,543

The inventories have been pledged against borrowings as disclosed in note 31.

17. TRADE AND OTHER RECEIVABLES

As at 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Trade receivables - Related parties	17.1	819,737,905	446,973,778	1,051,779,228	1,052,589,169
- Others		2,789,759,019	3,253,032,954	1,397,739,897	1,315,240,517
		3,609,496,924	3,700,006,732	2,449,519,125	2,367,829,686
Less: Provision for impairment		(162,647,569)	(132,829,999)	(80,894,554)	(55,384,108)
		3,446,849,355	3,567,176,733	2,368,624,571	2,312,445,578
Deposits, advances and pre-payments		404,648,291	475,808,257	121,620,025	152,900,044
Other receivables		454,669,776	942,046,709	167,329,849	443,077,551
		4,306,167,422	4,985,031,699	2,657,574,445	2,908,423,173

17.1 Trade receivables - Related parties

As at 31st March Name of the related party	Nature of the relationship	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	30,850,270	604,061,026
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	223,665,281	3,014,947
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	-	321,797
Rhino Roofing Products Ltd	Affiliate Company (32.1)	336,148,813	187,963,922	336,148,813	187,963,922
Rhino Products Ltd	Affiliate Company (32.1)	436,227,620	249,154,263	436,227,620	249,154,263
El-Toro Roofing Products Ltd	Affiliate Company (32.1)	24,887,244	8,073,214	24,887,244	8,073,214
Escas Diggala (Pvt) Ltd	Affiliate Company (32.1)	22,474,228	1,559,589	-	-
Escas Ankanda (Pvt) Ltd	Affiliate Company (32.1)	-	222,790	-	-
		819,737,905	446,973,778	1,051,779,228	1,052,589,169

17.2 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.

18. TAX RECEIVABLES / (PAYABLES)

As at 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
At the beginning of the year		298,415,632	310,451,600	289,686,113	301,575,335
Under provision in respect of previous years		(163,773,268)	(28,418,352)	(55,380,825)	(28,418,352)
Taxation for the year	9.A.1	(272,661,362)	(159,339,850)	(213,602,865)	(159,193,104)
		(138,018,998)	122,693,398	20,702,423	113,963,879
Add : ESC transferred from other receivables		286,966,741	49,666,610	201,137,064	49,666,610
Tax paid		84,754,749	126,055,624	26,448,453	126,055,624
At the end of the year		233,702,492	298,415,632	248,287,940	289,686,113
Income tax payables		(14,585,448)	-	-	-
Income tax receivables		248,287,940	298,415,632	248,287,940	289,686,113
Net income tax receivables / (payables)		233,702,492	298,415,632	248,287,940	289,686,113

19. AMOUNT DUE FROM SUBSIDIARIES

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tokyo Supermix (Pvt) Ltd	-	-	529,337,813	533,411,518
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	-	213,163,643
Tokyo Super Aggregate (Pvt) Ltd	-	-	59,756,254	60,406,783
	-	-	589,094,067	806,981,944

20. FINANCIAL ASSETS AT AMORTISED COST

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Investments in treasury bills	7,988,157	7,623,250	-	-
	7,988,157	7,623,250	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Favourable balances				
Cash at bank	474,671,879	387,043,456	145,532,458	184,148,456
Money market deposits	977,449,157	18,036	78,293,535	18,036
Cash in hand	36,910,380	42,910,566	17,150,335	21,450,234
	1,489,031,416	429,972,058	240,976,328	205,616,726
Unfavourable balances				
Bank overdraft	436,668,711	1,388,076,042	160,469,165	720,739,790

22. STATED CAPITAL

Description	Company			
	At the beginning of the year 01st April, 2020 Rs.	Share issue during the year Rs.	At the end of the year 31st March, 2021 Rs.	At the end of the year 31st March, 2020 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, 2020	Share issue during the year	At the end of the year 31st March, 2021	At the end of the year 31st March, 2020
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.

23. INTEREST BEARING BORROWINGS

23.1 Long-term interest bearing borrowings

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
At the beginning of the year	10,921,853,486	7,088,322,405	10,009,600,736	5,228,851,930
Add: Loans obtained during the year	3,195,838,549	6,755,285,206	3,008,396,549	6,616,941,206
	14,117,692,035	13,843,607,611	13,017,997,285	11,845,793,136
Less: Settlements during the year	(6,542,312,885)	(2,921,754,125)	(6,202,227,285)	(1,836,192,400)
At the end of the year	7,575,379,150	10,921,853,486	6,815,770,000	10,009,600,736
Current maturity portion	3,612,808,150	3,706,693,280	3,365,770,000	3,288,849,530
Non-current maturity portion	3,962,571,000	7,215,160,206	3,450,000,000	6,720,751,206
	7,575,379,150	10,921,853,486	6,815,770,000	10,009,600,736
Analysis of long-term loans by the year of repayment				
Repayable between one and five years	7,531,899,150	10,867,593,486	6,815,770,000	10,009,600,736
Repayable after five years	43,480,000	54,260,000	-	-
	7,575,379,150	10,921,853,486	6,815,770,000	10,009,600,736

23.2 Current maturity portion of Interest bearing borrowings

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Current maturity portion of long-term interest bearing borrowings	3,612,808,150	3,706,693,280	3,365,770,000	3,288,849,530
Short-term borrowings	600,000,000	2,589,781,836	600,000,000	1,327,981,749
Total current Interest bearing borrowings	4,212,808,150	6,296,475,116	3,965,770,000	4,616,831,279

23.2.1 Short-term borrowings

As at 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Import demand loans	23.2.2	-	2,589,781,836	-	1,327,981,749
Working capital loans	23.2.3	600,000,000	-	600,000,000	-
		600,000,000	2,589,781,836	600,000,000	1,327,981,749

23.2.2 Import demand loans

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
At the beginning of the year	2,589,781,836	6,927,085,684	1,327,981,749	5,854,944,684
Add: Loans obtained during the year	13,019,534,714	16,199,920,220	5,784,457,473	11,108,281,973
Less: Settlements during the year	(15,609,316,550)	(20,537,224,068)	(7,112,439,222)	(15,635,244,908)
At the end of the year	-	2,589,781,836	-	1,327,981,749

NOTES TO THE FINANCIAL STATEMENTS

23. INTEREST BEARING BORROWINGS (CONTD.)

23.2 Current maturity portion of Interest bearing borrowings (Contd.)

23.2.3 Working capital loans

As at 31st March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	-	50,000,000	-	50,000,000
Add: Loans obtained during the year	600,000,000	-	600,000,000	-
Less: Settlements during the year	-	(50,000,000)	-	(50,000,000)
At the end of the year	600,000,000	-	600,000,000	-

24. DEFERRED TAX LIABILITIES

As at 31st March	Note	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
At the beginning of the year		2,859,264,140	2,725,668,431	1,513,986,710	1,722,701,937
Impact on application of SLFRS 16		-	17,496,623	-	12,852,036
Charged/(reversal) to statement of profit or loss and other comprehensive income	9.B	(640,920,603)	116,099,086	(629,761,132)	(221,567,263)
At the end of the year		2,218,343,537	2,859,264,140	884,225,578	1,513,986,710

	As at 31st March	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
24.1	Tax effect on temporary difference on property, plant and equipment	2,667,770,397	3,454,977,541	1,253,282,017	2,006,963,135
	Tax effect on temporary difference on retirement benefit obligations	(61,781,464)	(78,201,144)	(47,290,796)	(60,981,967)
	Tax effect on tax losses	(367,226,204)	(533,094,429)	(313,572,873)	(442,932,043)
	Tax effect on right-of- use assets	10,139,140	15,582,172	6,368,250	10,937,585
	Tax effect on impairment of trade receivables	(30,558,332)	-	(14,561,020)	-
		2,218,343,537	2,859,264,140	884,225,578	1,513,986,710

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.

25. RETIREMENT BENEFITS OBLIGATIONS

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
At the beginning of the year	296,865,482	224,904,869	217,792,737	167,665,056
Actuarial loss from change in financial assumption	14,805,960	29,095,072	11,376,627	23,330,373
Current service cost	33,897,918	29,726,277	20,061,252	16,465,148
Interest cost	29,686,549	24,739,535	21,779,274	18,443,156
Provision for the year	78,390,427	83,560,884	53,217,153	58,238,677
	375,255,909	308,465,753	271,009,890	225,903,733
Payments made during the year	(16,493,680)	(11,600,271)	(8,283,245)	(8,110,996)
At the end of the year	358,762,229	296,865,482	262,726,645	217,792,737

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 obligation for the year.

Increase/ (decrease) in discount rate	Increase/ (decrease) in salary escalation rate	Group effect on employee benefit obligation Rs.	Company effect on employee benefit obligation Rs.
1%	-	(26,364,234)	(15,996,504)
-1%	-	30,944,986	18,408,212
-	1%	31,738,279	19,173,639
-	-1%	(27,711,163)	(16,987,902)

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 obligation as recommended by LKAS 19.

The principal assumptions used in determining the cost of employee benefits were as follows:

	2021 Rs.	2020 Rs.
a) Discount rate	9%	10%
b) Salary increment rate	10%	10%
c) Retirement age	55 years	55 years
d) Employee turnover ratio	2%	2%

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

NOTES TO THE FINANCIAL STATEMENTS

26. LEASE CREDITORS

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Gross lease creditor				
At the beginning of the year	1,332,994,231	33,896,977	1,041,164,742	27,427,696
Add: Adjustment on SLFRS 16	-	1,342,095,183	-	1,039,695,183
Facility obtained during the year	817,007,955	24,407,472	83,856,327	24,407,472
	2,150,002,186	1,400,399,632	1,125,021,069	1,091,530,351
Less: Payments made during the year	(77,405,099)	(67,405,401)	(53,636,363)	(50,365,609)
At the end of the year	2,072,597,087	1,332,994,231	1,071,384,706	1,041,164,742
Interest in suspense				
At the beginning of the year	997,106,281	7,134,383	756,067,820	6,179,376
Add: Adjustment on SLFRS 16	-	1,009,574,707	-	759,992,331
Facility obtained during the year	587,272,204	5,282,479	51,399,203	5,282,479
Less: Charge to the statement of profit or loss	(32,067,410)	(24,885,287)	(17,758,009)	(15,386,366)
At the end of the year	1,552,311,075	997,106,282	789,709,014	756,067,820
Net liability to lease creditors	520,286,012	335,887,949	281,675,692	285,096,922
Current maturity portion	94,559,522	42,385,423	35,002,488	34,461,157
Non-current maturity portion	425,726,490	293,502,526	246,673,204	250,635,765
	520,286,012	335,887,949	281,675,692	285,096,922

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

27. TRADE AND OTHER PAYABLES

As at 31st March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Bills payable		3,463,490,863	501,486,396	3,422,088,940	501,486,397
Creditors - Related parties	Note 27.1	27,390,523	-	12,938,877	7,444,276
- Others		1,360,359,723	1,267,532,620	804,728,445	784,856,256
Other creditors		511,434,139	737,799,043	202,060,526	292,990,381
		5,362,675,248	2,506,818,059	4,441,816,788	1,586,777,310

27.1 Payable to related parties

As at 31st March Name of the related party	Nature of the relationship	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	3,519,006	3,786,626
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	9,263,115	3,556,549
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	156,756	101,101
St. Anthony's Hardware (Pvt) Ltd	Affiliate Company	27,390,523	-	-	-
		27,390,523	-	12,938,877	7,444,276

28. AMOUNT DUE TO SUBSIDIARIES

As at 31st March	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Tokyo Eastern Cement Company (Pvt) Ltd	-	-	2,962,074,451	1,149,018,163
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	1,020,259	-
	-	-	2,963,094,710	1,149,018,163

NOTES TO THE FINANCIAL STATEMENTS

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 2021 in the Financial Statements for the Group is Rs. 1,192,801,902/- (2019/20 Rs. 2,194,403,507/-) and for the company is Rs. 907,400,102/- (2019/20 Rs. 1,975,510,104/-).

29.2 Other commitments

29.2.1 Company

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

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 bio mass power for a period of 20 years subject to the terms and conditions.

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

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 labilities for the Group as at the reporting date other than the following:

Tokyo Cement Company (Lanka) PLC

a) The Department of Inland Revenue has not allowed Rs.300 Mn donation made in the year of assessment 2002/03 to the Ministry of Shipping and Ports Development, as a qualifying payment relief and an appeal has been preferred in the Court of Appeal on the question of law under Section 141 (1) of the Inland Revenue Act. Lawyers have informed that the question of law is very much in favour of the Company to overturn the Court of Appeal determinations. The case is yet to be listed. Having discussed with independant leagl and tax experts based on information available, the contingent liability as at 31st March 2021 is estimated at Rs.54 Mn.

30.2 Contingent assets

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

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 31.03.2021 Rs.	Balance outstanding as at 31.03.2020 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	a. Term loans					
	i. Commercial Bank of Ceylon PLC	450,000,000	-	382,500,000	Repayable in 60 equal monthly installment of Rs.7,500,000/-	-
	ii. Commercial Bank of Ceylon PLC	500,000,000	-	392,100,000	Repayable in 59 equal monthly installments of Rs. 8,300,000/- and a final installment of Rs.10,300,000/-	(a) Mortgage Bond for Rs. 500 Mn to be executed over machinary (3 Units of Liebherr Cargo Cranes and 03 Nos of four Rope Grabs) located at Trincomalee Jetty.
	iii. Commercial Bank of Ceylon PLC	520,400,000	-	421,400,000	Repayable in 47 equal monthly installments of Rs.11,000,000/- and a final installment of Rs. 3,400,000/-	(a) Mortgage over unregistered leasehold rights for Rs. 1,165 Mn.
	iv. Commercial Bank of Ceylon PLC	644,600,000	-	625,337,755	Repayable in 47 equal monthly installments of Rs.13,400,000/- and a final installment of Rs.14,800,000/-	-
	v. Commercial Bank of Ceylon PLC	2,000,000,000	300,170,000	700,130,000	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
	vi. Commercial Bank of Ceylon PLC	1,100,000,000	365,600,000	855,200,000	Repayable in 26 equal monthly installments of Rs. 40,800,000/- and a final installment of Rs. 39,200,000/-	-
	vii. Commercial Bank of Ceylon PLC	1,430,000,000	-	774,620,000	Repayable in 47 equal monthly installments of Rs. 29,790,000/- and a final installment of Rs. 29,870,000/-	(a) Mortgage the vessel for an amount of Rs.1,430 Mn when called upon to do so by the bank.
	viii. Commercial Bank of Ceylon PLC	500,000,000	-	491,700,000	Repayable in 59 equal monthly installments of Rs.8,300,000/- and a final installment of Rs.10,300,000/-	-

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 31.03.2021 Rs.	Balance outstanding as at 31.03.2020 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	ix. Commercial Bank of Ceylon PLC	6,000,000,000	3,750,000,000	5,366,603,451	Repayable in 48 equal monthly installments of Rs.125,000,000/-	-
	b. Short term loan					
	i. Commercial Bank of Ceylon PLC (Import demand loan)	1,000,000,000	-	42,264,000	Each loan to be settled within 120 days from date of grant.	-
	ii. Commercial Bank of Ceylon PLC	600,000,000	600,000,000	-	Repayable in 06 equal monthly installments of Rs.100,000,000/-	-
	iii. Sampath Bank PLC	2,200,000,000	-	1,285,717,747	Each loan to be settled within 120 days from date of grant.	(a) Stock and book debts of the company
	c. Overdraft facility					
	i. Commercial Bank of Ceylon PLC	511,000,000	134,007,559	720,361,278	On demand	(a) General terms and conditions relating to overdraft.
	ii. Sampath Bank PLC	50,000,000	26,461,606	378,512	On demand	(b) Overdraft agreement of Rs. 50 Mn. Secondary Mortgage over cement, plant and machinery at PVQ Jetty,Colombo Port premises, Colombo 15 for Rs. 50 Mn.

Name of the company	Nature of liabilities and the name of bank		Loan/Facility granted Rs.	Balance outstanding as at 31.03.2021 Rs.	Balance outstanding as at 31.03.2020 Rs.	Repayment	Security pledged
Tokyo Eastern Cement Company (Pvt) Ltd	a.	Term loans					
	i.	Commercial Bank of Ceylon PLC	2,000,000,000	-	165,200,000	Repayable in 35 equal monthly installments of Rs. 55,600,000/- A final installment of Rs. 54,000,000/- (A grace period of one year at the beginning).	(a) Loan agreement on term loan and corporate guarantee from Tokyo Cement Company (Lanka) PLC for Rs. 2,000 Mn.
	b.	Import demand loan					
	i.	Sampath Bank PLC	2,000,000,000	-	1,261,800,088	Repayable within 120 days from the date of grant.	(a) Corporate guarantee of Tokyo Cement Company (Lanka) PLC for Rs. 2,500 Mn. (b) Hypothecation Bond for Rs. 2,000 Mn over stock and book debts held at regional plant situated at Peliyagoda, Orugodawattta, Vauniya, and factory at Cod Bay,China Bay,Trincomalee.
	c.	Overdraft facility					
	i.	Commercial Bank of Ceylon PLC	75,000,000	63,451,543	128,499,245	On demand	(a) General terms and conditions relating to overdraft.
Tokyo Cement Power (Lanka) (Pvt) Ltd	a.	Capital term loan					
	i.	Sampath Bank PLC	95,000,000	86,470,000	92,150,000	Rs. 70,000,000 In 144 monthly installments 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	40,000,000	4,450,000	12,220,000	Repayable in 35 equal monthly installments of Rs.1,110,000/- a final installment of Rs.1,150,000/-	(a) Corporate guarantee for Rs. 585 Mn of Tokyo Cement Company (Lanka) PLC.

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 31.03.2021 Rs.	Balance outstanding as at 31.03.2020 Rs.	Repayment	Security pledged
Tokyo Super Aggregate (Pvt) Ltd	ii. Commercial Bank of Ceylon PLC	50,000,000	44,444,000	50,000,000	Repayable in 53 equal monthly installments of Rs. 926,000/- a final installment of Rs. 922,000/-	(b) Insurance policy for Rs. 57 Mn executed over machinery.
	iii. Commercial Bank of Ceylon PLC	85,000,000	59,440,000	69,380,000	Repayable in 59 equal monthly installment of Rs. 1,420,000/- a final installment of Rs.1,220,000/-	(c) Mortgage bond for Rs. 50 Mn to be executed over machinery.
	iv. Commercial Bank of Ceylon PLC	25,000,000	22,500,000	-	Repayable in 20 equal monthly installment of Rs.1,250,000/-	-
	b. Overdraft facility					
	i. Commercial Bank of Ceylon PLC	100,000,000	117,530,350	145,144,245	On demand	(a) General terms and conditions related to overdraft
Tokyo Supermix (Pvt) Ltd	a. Term loans					
	i Commercial Bank of Ceylon PLC	450,000,000	240,000,000	307,500,000	Repayable in 43 equal monthly installments of Rs.7,500,000/-.	(a) Primary Mortgage Bond for Rs. 118 Mn executed over the property situated at Rathmalana Land owned by Tokyo Supermix (Pvt) Ltd.
	ii Commercial Bank of Ceylon PLC	20,000,000	10,760,000	13,400,000	Repayable in 41 equal monthly installments of Rs. 330,000/- a final installment of Rs. 530,000/-.	(a) Mortgage over land marked lot 1 depicted in plan No 2017/119 dated 11/11/2017 situated at Udahaduwa containing in extent of 10A .01R.10P
	iii Commercial Bank of Ceylon PLC	273,333,000	111,537,000	141,281,000	Repayable in 39 equal monthly installments of Rs. 3,718,000/- A final installment of Rs. 3,715,000/- plus interest.	(a) Mortgage for Rs.17.5 Mn over property situated in Rathmalana and Naula owned by the Tokyo Supermix (Pvt) Ltd and mortgage for Rs. 36 Mn executed over 05 nos. of Truck mixtures. (b) Mortgage Bond for Rs. 564 Mn to be executed over Trucks, Pump Cars and other related vehicles when the vehicles are registered.

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2021 Rs.	Balance outstanding as at 31.03.2020 Rs.	Repayment	Security pledged
						(c) Corporate Guarantee bond for Rs.1,445 Mn obtained from Tokyo Cement Company (Lanka) PLC.
	iv. Commercial Bank of Ceylon PLC	326,667,000	17,566,150	61,121,750	Repayable in 59 equal monthly installments of Rs. 5,850,000/- A final installment of Rs. 4,850,000/- plus interest.	(a) Mortgage Bond for Rs. 564 Mn to be executed over trucks,pumps cars & other related vehicles when the vehicles are registered. (b) Corporate gurantee bond for Rs.1,445 Mn obtained from Tokyo Cement Company (Lanka) PLC
	V. Commercial Bank of Ceylon PLC	225,000,000	162,442,000	-	Repayable in 60 equal monthly instalments of Rs. 6,250,000/-.	-
	b. Overdraft Facility					
	i Commercial Bank of Ceylon PLC	200,000,000	87,441,228	374,921,730	On demand	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.Susumu Ando
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 Investments (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
Rhino Roofing Products Ltd	-	X	X	X	-	-	-	-	-	-
Rhino Products Ltd	-	X	X	X	-	-	-	-	-	-
EL - Toro Roofing Products Ltd	-	X	X	X	-	-	-	-	-	-
Orion City Limited	-	X	X	X	-	-	-	-	-	-
Supermet Building Solutions (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
Escas Diggalla (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
Escas Ankanda (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
St. Anthony's Industries Group (Pvt) Ltd	-	-	X	-	-	-	-	-	-	-
St. Anthony's Homemart (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-

Mr. Susumu Ando ceased to be a director of the company with effect from 31st March, 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	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Subsidiary Companies					
(a) Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary Company				
i. Fund transfers from/(to)		187,855,641	70,904,550	213,555,641	57,804,550
ii. Expenses incurred on behalf of the Company		694,922	304,116	628,258	304,116
iii. Purchase of ready mix concrete		1,182,393	534,831	-	-
vi. Purchase of cement		55,417	-	55,417	-
v. Rent expense		1,170,000	-	-	-
vi. Payments made		1,454,659	357,156	-	-

For the year ended 31st March			Nature of the relationship	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
(b)	Tokyo Eastern Cement Company (Pvt) Ltd		Subsidiary Company				
	i.	Fund transfers from/(to)		6,221,492,616	1,991,836,164	6,195,792,616	1,978,736,164
	ii.	Expenses incurred on behalf of the Company		68,777,744	149,016,427	68,711,080	149,016,427
	iii.	Sale of raw materials		311,733,639	213,319,496	311,733,639	126,248,375
	iv.	Purchase of ready mix concrete		3,559,931	1,195,141	-	-
	v	Purchase of raw materials		249,421,884	142,933,842	238,733,869	142,933,286
	vi.	Income from lab testing		4,424,225	5,509,970	4,424,225	5,509,970
	vii.	Dividend received		1,500,000,000	900,000,000	1,500,000,000	900,000,000
	viii.	Sale of cement		1,113,266,265	39,777,998	-	-
	ix.	Sales commission		11,811,444	-	-	-
	x	Settlements received		1,186,546,909	304,903,266	272,341,309	172,683,452
	xi.	Payments made		124,732,690	195,598,051	120,800,160	194,784,472
(c)	Tokyo Super Aggregate (Pvt) Ltd		Subsidiary Company				
	i.	Expenses incurred on behalf of the Company		11,904,470	26,845,295	3,785,216	-
	ii.	Fund transfers from/(to)		3,112,159	102,429,001	3,112,159	56,730,000
	iii.	Aggregate purchases		236,249,070	344,081,906	51,532	-
	iv.	Income from lab testing		251,000	313,580	251,000	313,580
	v.	Settlements received		264,219,254	410,825,315	-	159,528
(d)	Tokyo Supermix (Pvt) Ltd		Subsidiary Company				
	i.	Investment in stated capital		200,000,000	-	200,000,000	-
	ii.	Expenses incurred on behalf of the Company		9,418,128	44,458,445	1,298,874	17,613,150
	iii.	Fund transfers from/(to)		2,774,831	78,520,830	2,774,831	32,821,829
	iv.	Purchase of ready mix concreate		16,612,237	28,244,489	11,869,914	26,514,517
	v.	Purchase of sand and metal		236,197,538	344,081,906	-	-
	vi.	Sales of cement		1,241,063,764	1,527,159,668	127,797,499	1,487,381,670
	vii.	Sale of other raw material and spare parts		11,569,113	87,071,121	644,098	-
	viii.	Income from lab testing		296,200	1,489,652	296,200	1,489,652
	ix.	Sale of power		854,951	792,735	854,951	792,735
	x.	Sales commission		12,910,116	-	1,098,672	-
	xi.	Rent Income		2,520,000	-	1,350,000	-
	xii.	Settlements received		1,604,035,609	1,743,756,671	688,375,349	1,742,585,936
	xiii.	Payments made		284,376,758	635,897,852	16,224,974	93,012,251

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (CONTD.)

32.2

For the year ended 31st March	Nature of the relationship	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Other Related Companies					
(a) St. Anthony's Consolidated (Pvt) Ltd	Affiliate Company (32.1)				
i. Sales commission		937,871,224	771,172,569	464,828,646	478,242,028
ii. Bonus for marketing staff		25,132,010	7,651,269	25,132,010	7,651,269
iii. Marketing department reimbursement		37,565,134	15,855,736	22,846,922	15,855,736
iv. Payments made		1,121,814,637	723,006,182	582,116,894	494,698,905
(b) St. Anthony's Hardware (Pvt) Ltd	Affiliate Company (32.1)				
i. Purchase of chemicals		343,774,101	104,636,167	151,101,592	-
ii. Purchase of fixed assets		-	40,100,008	-	-
iii. Purchase of consummables		18,574,248	271,940	16,303,310	124,136
iv. Purchase of solar power system		507,880	-	-	-
v. Income from lab testing		14,100	-	14,100	-
vi. Settlements received		15,228	154,702,056	15,228	139,996
vii. Payments made		341,961,891	-	140,700,040	-
(c) South Asian Investment (Pvt) Ltd	Affiliate Company (32.1)				
i. Sales commission		70,759,903	32,120,773	70,759,903	32,120,773
ii. Payments made		64,905,858	41,307,873	64,905,858	41,307,873
(d) Rhino Roofing Products Ltd	Affiliate Company (32.1)				
i. Sale of cement		1,535,118,241	846,445,626	1,535,118,241	845,932,438
ii. Purchase of roofing sheets		218,036	-	218,036	-
iii. Settlements received		1,509,738,878	936,380,385	1,509,738,878	935,867,197
iv. Payments made		218,036	-	218,036	-
(e) Rhino Products Ltd	Affiliate Company (32.1)				
i. Sale of cement		1,441,346,186	1,119,146,609	1,441,346,186	1,119,146,609
ii. Settlements received		1,369,580,525	1,276,150,453	1,369,580,525	1,276,150,453
(f) Escas Diggala (Pvt) Ltd	Affiliate Company (32.1)				
i. Sale of concrete		77,162,476	4,938,808	-	-
ii. Settlements received		62,420,834	4,182,446	-	-
(g) St.Anthony's Industries Group (Pvt) Ltd	Affiliate Company (32.1)				
i. Purchase of consumables		2,024,196	5,148,279	1,938,994	5,028,626
ii. Sale of cement		88,148		88,148	-
iii. Payments made		1,768,680	5,894,833	1,716,516	5,775,180
iv. Settlements received		24,650	-	24,650	-
(h) Orion City Limited	Affiliate Company (32.1)				
i. Rent expense		10,940,281	8,828,071	10,940,281	8,828,071
ii. Reimbursement of expenses		3,129,956	-	3,129,956	-
iii. Payments made		13,226,903	8,828,071	13,226,903	8,828,071

For the year ended 31st March		Nature of the relationship	Group		Company	
			2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
(i)	St Anthony's Homemart (Pvt) Ltd	Affiliate Company (32.1)				
	i. Sale of cement		203,761	16,138	203,761	16,138
	ii. Sale of CLC blocks		959,306	634,908	959,306	634,908
	iii. Purchase of consumables		14,177,032	6,618,118	10,622,677	2,710,683
	iv. Sale of innovation product		1,364,525	337,808	-	-
	v. Payments made		14,078,651	7,087,785	10,524,296	2,787,123
	vi. Debtor settlements		2,186,896	1,078,600	950,623	1,078,600
(j)	Escas Ankanda (Pvt) Ltd	Affiliate Company (32.1)				
	i. Sale of concrete		-	477,508	-	-
	ii. Settlements received		-	787,718	-	-
(k)	EL - Toro Roofing Products Limited	Affiliate Company (32.1)				
	i. Sale of cement		96,601,693	55,085,717	96,601,693	55,085,717
	ii. Debtor settlements		87,515,808	67,547,008	87,515,808	67,547,008
(l)	Supermet Building Solutions (Pvt) Limited	Affiliate Company (32.1)				
	i. Purchase of chemicals		-	236,866	-	236,866
	ii. Payments made		-	272,396	-	272,396

32.3 Collaterals or corporate guarantees given to related parties

The Group has not provided assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes except as referred to in note no 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, 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020 - Nil, 2019 - 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 note nos. 17.1, 19, 27.1 and 28.

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (CONTD.)

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	2021 Rs.	2020 Rs.
Directors' Emoluments and other key management personnel's remuneration	124,673,727	115,721,098
Non-cash benefits	-	-
	124,673,727	115,721,098

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

For the year ended 31st March	2021 Rs.	2020 Rs.
a) Short-term employee benefits	124,673,727	115,721,098
b) Post-employment benefits	-	-
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
	124,673,727	115,721,098

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 of the Company as per 31st March, 2020 audited financial statements, which required additional disclosures in the 2020/21 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.

The Related Party Transactions Review Committee has reviewed the relevant Related Party Transactions, approved the transactions and directed 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, 2020 audited financial statements, which required additional disclosures in the 2020/21 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 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.)
2021	1%	(18,966,938)	(18,966,938)
	-1%	18,966,938	18,966,938
2020	1%	(53,828,012)	(53,828,012)
	-1%	53,828,012	53,828,012

Company	Increase/ (Decrease) in interest rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2021	1%	(8,923,290)	(8,923,290)
	-1%	8,923,290	8,923,290
2020	1%	(33,742,519)	(33,742,519)
	-1%	33,742,519	33,742,519

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

Group

For the year ended 31st March Exchange Rate	Increase/ (Decrease) in Exchange Rate	2021		2020	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
LKR/USD	1%	(177,254,256)	(177,254,256)	(151,513,073)	(151,513,073)
	-1%	177,254,256	177,254,256	151,513,073	151,513,073

Company

For the year ended 31st March Exchange Rate	Increase/ (Decrease) in Exchange Rate	2021		2020	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
LKR/USD	1%	(111,118,972)	(111,118,972)	(97,129,213)	(97,129,213)
	-1%	111,118,972	111,118,972	97,129,213	97,129,213

(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 Covid-19 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's financial liabilities at 31st March, 2021 based on contractual undiscounted payments.

Group

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing borrowings	4,212,808,150	2,964,054,000	915,359,000	28,578,000	11,100,000	43,480,000	8,175,379,150
Lease creditors	83,294,150	86,031,230	67,401,200	25,075,816	25,629,027	232,854,589	520,286,012
Trade and other payables	5,362,675,248	-	-	-	-	-	5,362,675,248
Bank overdrafts	436,668,711	-	-	-	-	-	436,668,711
	10,095,446,259	3,050,085,230	982,760,200	53,653,816	36,729,027	276,334,589	14,495,009,121

Company

	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing borrowings	3,965,770,000	2,700,000,000	750,000,000	-		-	7,415,770,000
Lease creditors	35,002,488	32,870,640	22,353,739	18,511,335	16,988,130	155,949,360	281,675,692
Amount due to subsidiaries	2,963,094,710	-	-	-	-	-	2,963,094,710
Trade and other payables	4,441,816,788	-	-	-	-	-	4,441,816,788
Bank overdrafts	160,469,165	-	-	-	-	-	160,469,165
	11,566,153,151	2,732,870,640	772,353,739	18,511,335	16,988,130	155,949,360	15,262,826,355

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 to, or disclosures in these financial statements except for those disclosed below:

Dividend declaration

i) Interim dividend

The directors have recommended and paid interim dividend of Rs. 1.25 per share amounting to Rs. 334,125,000/- on issued stated capital of Ordinary Voting Shares and Rs. 1.25 per share amounting to Rs. 167,062,500/- on issued stated capital of Non-Voting Ordinary Shares for the year ended 31st March, 2021 and where accurate dividend mandates are given, the dividend payments were made on 5th July 2021, in other cases payments were made on 22nd July 2021.

ii) Final dividend

The directors have recommended the payment of a final dividend of Rs. 0.85 per share amounting to Rs. 227,205,000/- on issued stated capital of Ordinary Voting Shares and Rs. 0.85 per share amounting to Rs. 113,602,500/- on issued stated capital of Non-Voting Ordinary Shares for the year ended 31st March, 2021, which require the approval of the shareholders at the Annual General Meeting to be held on 25th August, 2021.

In accordance with Sri Lanka Accounting Standard, LKAS 10 - Events After the Reporting Period, this proposed interim and final dividends have not been recognised as a liability in the financial statements under review.

As required by Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies itself the solvency test and obtained solvency certificate for the interim dividend paid from auditors in accordance with Section 57 of the Companies Act No. 07 of 2007. Company will be obtaining the certificate from the auditors prior to payment of the final dividend of Rs. 0.85 per ordinary voting shares and Rs. 0.85 per ordinary non-voting shares for the financial year under review.

37. COMPARATIVE INFORMATION

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

EMPOWERING DIVERSE STAKEHOLDERS

SUPPLEMENTARY INFORMATION

At Tokyo Cement, we serve a diverse range of customers, stakeholders, and industries— and as we hope to further diversify our business and portfolio, we believe that all those who we serve are an integral part of our journey.

SHAREHOLDER & INVESTOR INFORMATION

DISTRIBUTION OF VOTING ORDINARY SHARES AS AT 31 ST MARCH 2021

Category	No of Holders Nos	Share Holdings Shares	Holding %
1 - 1,000	3,704	1,095,149	0.41
1,001 - 10,000	2,140	8,030,398	3.00
10,001 - 100,000	680	21,684,582	8.11
100,001 - 1,000,000	104	31,070,974	11.63
1,000,001 - 99,999,999	16	205,418,897	76.85
TOTAL	6,644	267,300,000	100.00

DISTRIBUTION OF NON VOTING SHARES AS AT 31 ST MARCH 2021

Category	No of Holders Nos	Share Holdings Shares	Holding %
1 - 1,000	3,171	1,060,574	0.79
1,001 - 10,000	2,371	9,357,119	7.00
10,001 - 100,000	833	25,553,335	19.12
100,001 - 1,000,000	183	52,594,331	39.35
1,000,001 - 99,999,999	14	45,084,641	33.74
TOTAL	6,572	133,650,000	100.00

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March, 2021	No of Shares Held 31st March, 2020	No of Shares Held 31st March, 2021	No of Shares Held 31st March, 2020
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	-	-

DIRECTOR'S / CEO'S SHAREHOLDINGS

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	No of Shares Held 31st March, 2021	No of Shares Held 31st March, 2020	No of Shares Held 31st March, 2021	No of Shares Held 31st March, 2020
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. Susumu Ando (Non Executive and Nominee Director of UBE Singapore Holdings Pte. Ltd)	-	-	-	-
Mr. W.C. Fernando - Director	-	-	71,280	71,280
Independent Non Executive Directors				
Mr. R. Seevaratnam	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. Indrajit Coomaraswamy	-	-	-	-
	100,237,214	100,237,214	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, 2021 Rs.	31st March, 2020 Rs.	31st March, 2021 Rs.	31st March, 2020 Rs.
Highest for the Period	90.00	55.00	82.00	44.30
Lowest for the Period	19.20	19.50	16.00	16.90
Last Traded for the Period	66.70	22.50	60.60	20.00

SHAREHOLDER & INVESTOR INFORMATION

SHARE TRADING FROM 01ST APRIL 2020 TO 31ST MARCH 2021

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020
No of Transactions	79,211	21,233	95,743	29,732
No of Shares Traded	199,201,094	57,811,440	304,462,664	92,419,947
Value of share traded (Rs.)	10,919,568,421	2,184,205,517	15,558,734,714	2,808,514,399

PERCENTAGE OF PUBLIC SHAREHOLDING

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020
The percentage of shares held by public	39.16%	39.16%	100%	100%
No of Public Shareholders	6,636	4,074	6,572	4,121

MARKET CAPITALISATION

	Voting Ordinary Shares		Non Voting Ordinary Shares	
	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020
Market Capitalisation (Rs. Billion)	17.8	6.0	8.1	2.60
Total Market Capitallisation of the CSE (Rs. Billion)	3,111.26	2,128.30	3,111.26	2,128.30
As a Percentage of the total Market Capitalisation (%)	0.57	0.28	0.26	0.12

Total Float Adjusted Market Capitalisation of Voting Ordinary Shares as at 31st March 2021 Was Rs. 6,981,801,156/- 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 2021 Was Rs. 8,099,190,000/- 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. 7.5 billion fo the voting ordinary shares and less than Rs. 10 billion for the Non- Voting ordinary shares, Tokyo Cement Company (Lanka) PLC complies with option 3 and option 1 for the minimum requirement of public share holding respectively. (as per the rule no. 7.13.1 (a) of continuing listing requirement of the CSE.)

TWENTY LARGEST VOTING SHAREHOLDERS AS AT

	31st March, 2021 No of Ordinary Shares	%	31st March, 2020 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	7,712,535	2.9	7,793,574	2.9
Northern Trust Company S/A Apollo Asia Fund Limite	3,245,603	1.2	3,245,603	1.2
Peoples Leasing & Finance Plc/Hi Line Trading (Pv	3,209,263	1.2	Not in Top 20 List	
Hatton National Bank Plc-Ndb Wealth Growth And Inc	2,584,594	1.0	Not in Top 20 List	
State Street Luxembourg C/O Ssbt-Goodhart Partners	2,400,000	0.9	2,400,000	0.9
Seylan Bank Plc/Arrc Capital (Pvt) Ltd	1,902,847	0.7	Not in Top 20 List	
Hatton National Bank Plc/Sashimaal Ruhash Fernando	1,746,816	0.7	Not in Top 20 List	
Sezeka Limited	1,190,196	0.4	Not in Top 20 List	
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	1,000,000	0.4	Not in Top 20 List	
Employees Trust Fund Board	921,578	0.3	Not in Top 20 List	
Mr. K.R. Kamon	915,288	0.3	Not in Top 20 List	
Ayenka Holdings Private Limited	910,000	0.3	Not in Top 20 List	
TOTAL	209,165,763	78.1	194,866,220	72.8

SHAREHOLDER & INVESTOR INFORMATION

TWENTY LARGEST NON VOTING SHAREHOLDERS AS AT

	31st March, 2021 No of Ordinary Shares	%	31st March, 2020 No of Ordinary Shares	%
Northern Trust Company S/A Apollo Asia Fund Limite	10,561,789	7.9	10,561,789	7.9
Serendip Investments Limited	6,608,204	4.9	16,258,204	12.2
Employees Provident Fund	5,643,524	4.2	5,643,524	4.2
Deutsche Bank Ag As Trustee For Jb Vantage Value E	3,498,706	2.6	4,914,606	3.7
Deutsche Bank Ag-National Equity Fund	3,382,944	2.5	2,259,360	1.7
GF Capital Global Limited	2,826,000	2.1	4,226,000	3.1
DFCC Bank Plc A/C 1	2,722,515	2.0	1,472,515	1.1
DFCC Bank Plc/T.M.J.T.S. Dissanayake	2,046,758	1.5	Not in Top 20 List	
Seylan Bank Plc/Aasiri Manmohan Iddamalgoda	2,000,000	1.5	Not in Top 20 List	
Mr. A.H. Rajkotwala	1,223,508	0.9	1,223,508	0.9
Peoples Leasing & Finance Plc/Hi Line Trading (Pv	1,167,168	0.9	1,825,938	1.4
Askold (Private) Limited	1,143,104	0.9	1,100,000	0.8
Mr. Y.A.H. Rajkotwala	1,139,726	0.9	1,093,726	0.8
Bank Of Ceylon A/C Ceybank Century Growth Fund	1,120,695	0.8	1,024,917	0.8
DFCC Bank Plc/A.R. Fernando	1,000,000	0.7	Not in Top 20 List	
Sezeka Limited	975,733	0.7	Not in Top 20 List	
Mercantile Investments And Finance Plc	975,000	0.7	Not in Top 20 List	
Mr. M.F. Shabdeen	951,120	0.7	Not in Top 20 List	
J.B. Cocoshell (Pvt) Ltd	898,677	0.7	2,434,929	1.8
Mr. V.A.D.L.W. Perera	873,030	0.7	Not in Top 20 List	
TOTAL	50,758,201	37.8	54,039,016	40.4

FIVE YEAR SUMMARY

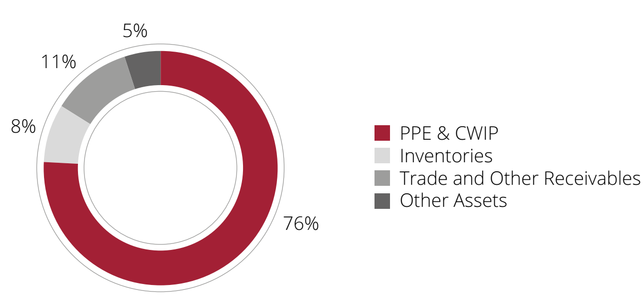
For the year ended 31st March Rs. Mn	2021	2020	2019	2018	2017
OPERATING RESULTS					
Turnover	42,962	35,768	38,496	35,633	35,701
Gross profit	12,497	10,256	7,888	8,472	8,941
Profit Before Taxation	5,209	2,629	(1)	2,572	4,078
Taxation	202	(312)	(475)	(243)	(677)
Profit After Taxation	5,411	2,318	(476)	2,329	3,401
Non-Controlling Interest	(29)	-	16	(15)	3
Profit Attributable to Ordinary Shareholder	5,440	2,318	(492)	2,343	3,398

As at 31st March Rs. Mn	2021	2020	2019	2018	2017
STATEMENT OF FINANCIAL POSITION					
Assets					
Non Current Assets					
Property, Plant and Equipment	28,249	27,494	27,626	26,772	20,750
Intangible Assets	76	94	116	53	68
Operating Lease Prepayment	-	-	427	431	59
Right-of-Use Assets	1,518	1,346	-	-	-
Total Non Current Assets	29,843	28,934	28,169	27,256	20,877
Current Assets					
Inventories	3,240	3,493	3,636	2,530	2,002
Trade and Other Receivables	4,562	5,291	6,315	4,498	3,036
Cash and Cash Equivalents	1,489	430	341	718	2,524
Total Current Aessets	9,291	9,214	10,292	7,746	7,562
Total Assets	39,134	38,148	38,461	35,002	28,439
Equity and Liabilities					
Capital and Reserves					
Stated Capital	4,240	4,240	4,240	4,240	2,894
Retained Earnings	17,743	12,917	10,682	11,189	11,478
	21,983	17,157	14,922	15,429	14,372
Non - controlling interest	64	93	94	62	52
Total Equity	22,047	17,250	15,016	15,491	14,424

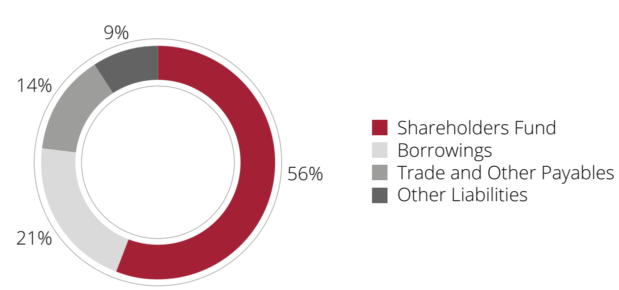
FIVE YEAR SUMMARY

As at 31st March Rs. Mn	2021	2020	2019	2018	2017
Non Current Liabilities					
Interest Bearing Borrowing	3,963	7,215	4,853	5,761	4,887
Deferred Tax Liabilities	2,218	2,859	2,726	2,544	2,355
Retirement Benefit Obligations	359	297	225	182	131
Lease Creditors	426	294	19	5	-
Total Non Current Liabilities	6,966	10,665	7,823	8,492	7,373
Current Liabilities					
Trade & Other Payables	5,377	2,507	4,814	2,639	2,275
Short Term Borrowings	4,213	6,296	9,212	7,196	3,822
Lease Creditors	94	42	7	3	-
Bank Overdrafts	437	1,388	1,589	1,181	545
Total Current Liabilities	10,121	10,233	15,622	11,019	6,642
Total Equity and Liabilities	39,134	38,148	38,461	35,002	28,439
INVESTOR INFORMATION					
Earnings Per Share - Voting Ordinary Share (Rs.)	13.57	5.78	(1.23)	6.01	10.17
Earnings Per Share - Non Voting Ordinary Share (Rs.)	13.57	5.78	(1.23)	6.01	10.17
Dividend Per Share - Voting Ordinary Share (Rs.)	2.10	1.50	0.30	1.25	1.87
Dividend Per Share - Non Voting Ordinary Share (Rs.)	2.10	1.50	0.30	1.25	1.87
Retun on Equity (%)	24.68	13.44	(3.28)	15.03	23.56
Interest Cover (Time)	5.67	2.39	1.00	3.65	8.65
Market Price Per Share (Rs.) - Voting	66.70	22.50	20.70	54.00	61.00
Market Price Per Share (Rs.) - Non Voting	60.60	20.00	18.50	46.00	53.00
Price Earnings Ratio (Times) - Voting	4.92	3.89	(16.83)	8.99	6.00
Price Earnings Ratio (Times) - Non Voting	4.47	3.46	(15.04)	7.65	5.21
Assets Turnover Ratio (Times)	1.10	0.94	1.00	1.02	1.26
Net Asset Per Share (Rs.)	54.83	42.79	37.22	38.48	43.01

Composition Assets

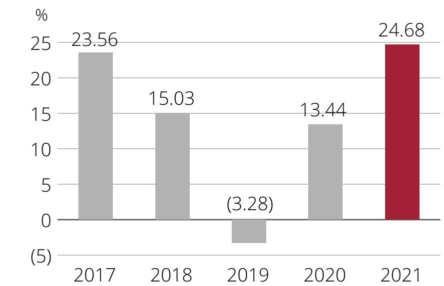


Composition Liabilities

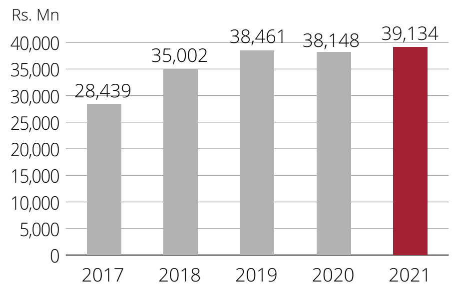


FIVE YEAR SUMMARY GRAPHICAL REVIEW

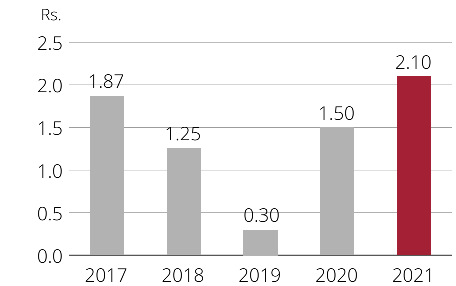
Return On Equity



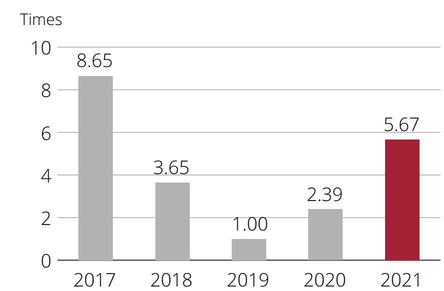
Total Assets



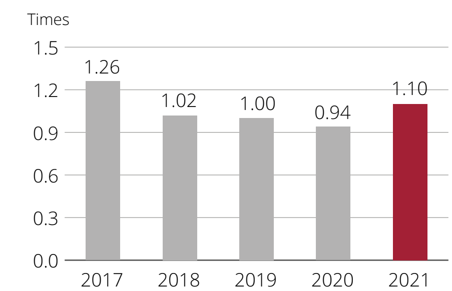
Dividend Per Share



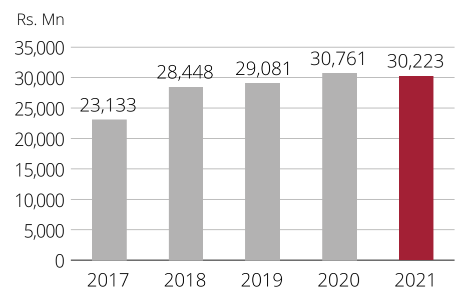
Interest Cover



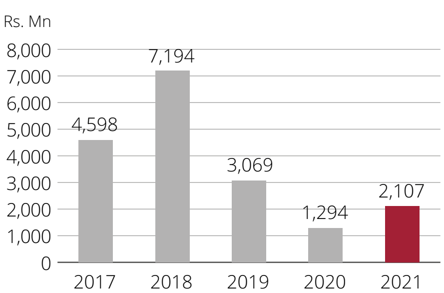
Assets Turnover



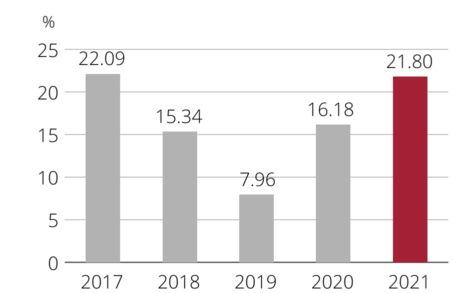
Capital Employed



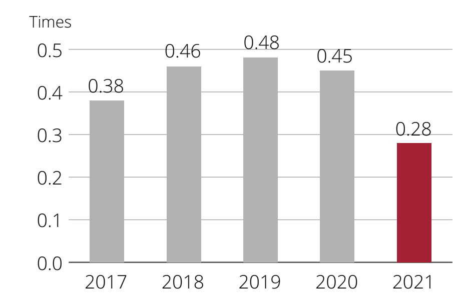
Capital Investments



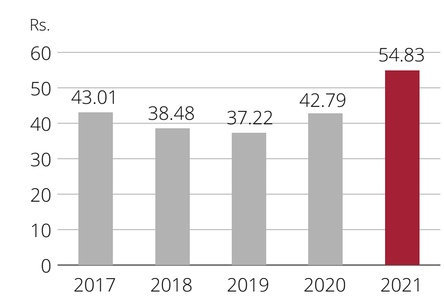
Return On Capital Employed



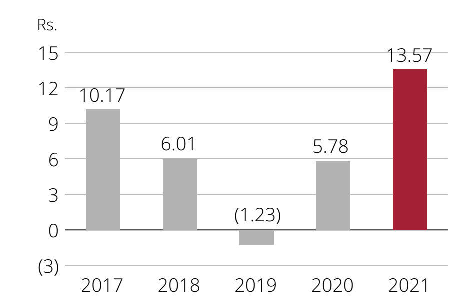
Gearing Ratio



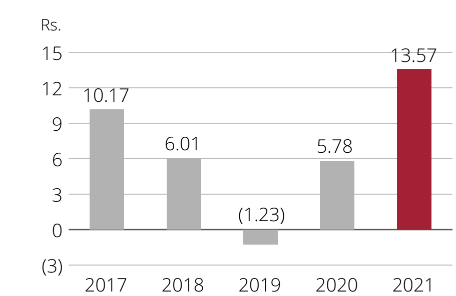
Net Assets Per Share



Earning Per Share - Non Voting



Earning Per Share - Voting



NOTES

NOTICE OF MEETING

(VIRTUAL MEETING WITHOUT THE PHYSICAL PRESENCE)

IS HEREBY GIVEN that the Thirty Ninth 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 the Prevailing Covid-19 Pandemic. The Meeting will be held via "ZOOM" Videoconferencing App. on Wednesday, 25th August 2021 at 4.00 p.m centered at the Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 01, 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 31st March 2021 and the Report of the Auditors thereon.

2. To declare a Final dividend of Rs. 0.85 per share (voting and non voting) in respect of the Financial Year ending 31st March 2021 as recommended by the directors.

3. 3.1 To re-elect Mr. Asite Drupath Bandara Talwatte who retires by rotation in terms of Article 114 of the Articles of Association.

   3.2 To re-elect as a director Mr. Ranjeevan Seevaratnam and being over the age of 70 years and who retires in terms of Articles of Association and pursuant to Section 211 of the Companies Act No. 7 of 2007 for which special notice of the following ordinary 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 76 years and that he be re-elected a Director of the Company.

   3.3 To re-elect as a director Mr. Warnakulasuriya 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. Warnakulasuriya Christopher Fernando who is over 72 years and that he be re-elected a Director of the Company.

   3.4 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.

   3.5 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.

4. 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).

5. To authorise the Directors to determine contributions to charities.

6. 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

16th July 2021

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.

PROPOSED TEXT OF RESOLUTIONS TO BE PASSED AT THE ANNUAL GENERAL MEETING

Resolution 1 **Adoption of Accounts**

THAT the Directors' Report and Accounts for the year ended 31st March 2021 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 **Final Dividends**

RESOLVED that a Final dividend of Rs. 0.85 per share (voting and Non Voting) be declared for the financial year 2020/21 out of profits (Dividend income received) as recommended by the Directors to those shareholders whose names stand on the Register of Members as on end of trading on Wednesday, 25th August 2021 (Ex. Div. date 26th August 2021).

Resolution 3 **Re-election of Directors**

RESOLVED that Mr. Asite Drupath Bandara Talwatte , 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.

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

THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Warnakulasuriya Christopher Fernando who is 72 years and that he be re-elected a Director of the Company.

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

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

Resolution 4 **Reappointment 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 5 **Donations**

RESOLVED that the directors are hereby authorised to make donations for good cause and as a corporate responsibility to the society for the financial year 2021/2022.

FORM OF PROXY
VOTING ORDINARY SHARES

For Thirty Ninth 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 Thirty Ninth Annual General Meeting of the Company to be held on 25th August 2021 at 4.00 p.m. as a virtual meeting and at any adjournment 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. Report of the Directors, the statement of Audited Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon.	☐	☐
2. RESOLVED THAT a Final dividend of Rs. 0.85 per share (Voting and Non Voting) be paid for the year 2020/21 as recommended by the Directors.	☐	☐
3. To re-elect Mr. Asite Talwatte as a Director of the Company.	☐	☐
4. 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.	☐	☐
5. 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.	☐	☐
6. 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.	☐	☐
7. 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.	☐	☐
8. To authorise the Directors to fix the remuneration payable to the Auditors.	☐	☐
9. To authorise the Directors to determine contributions to charities.	☐	☐

....

Signature of Shareholder/s

Dated : ....

Notes:

1. Please delete the inappropriate words.
2. Instructions as to completion are enclosed.
3. Members are requested to inform the changes if any, in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.
4. Members are invited to direct all correspondence relating to matters on shares, dividends, change of addresses etc. to the Company's Secretaries quoting their register folio number.
5. If you maintain an account with Central Depository Systems (Private) Limited, we 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 Thirty Ninth 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 Thirty Ninth Annual General Meeting of the Company to be held on Wednesday, 25th August 2021 at 4.00 p.m as a virtual meeting and at any adjournment thereof.

....
Signature of Shareholder/s

Dated : ....

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 advise you to inform them directly through your broker with regard to your change of address and dividend mandate.

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3. In the case of a Company/Corporation, the Form of Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
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. Susumo Ando	-	Non-Executive Director (Nominee Director of UBE Singapore Holdings Pte. Ltd.) (Resinged on 31st March 2021)
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, Chittampalam A Gardiner Mawatha,
Colombo 2

BANKERS :
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
Hatton National Bank PLC

Designed & produced by
emagewise
Printed by Gunaratne Offset (Pvt) Ltd

TOKYO CEMENT COMPANY (LANKA) PLC