

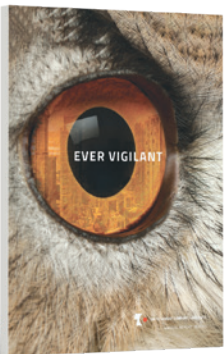
The image features a close-up of an owl's eye, which is the central focus. The iris of the eye is a deep, warm brown color and is filled with a detailed, golden-hued cityscape. The city buildings are tall and modern, with many windows, and they are set against a bright, hazy sky. The pupil of the eye is a solid black circle. The text "EVER VIGILANT" is written in a bold, white, sans-serif font across the middle of the black pupil. The surrounding feathers of the owl are a mix of light brown and tan, with fine, dark lines radiating from the eye.

EVER VIGILANT



TOKYO CEMENT COMPANY (LANKA) PLC

ANNUAL REPORT 2022/23



Owls demonstrate remarkable flexibility and a wide-ranging binocular vision. Their ability to turn their heads an astonishing 270° enables the species to scan the environment with ease, and accurately gauge potential threats and opportunities. Their farsighted vision and visual acuity amid low-light conditions provide a sense of purpose and clarity amid times of ambiguity.

EVER VIGILANT

Vigilant | adjective | *'vɪdʒ.əl.ənt*

keeping careful watch for possible danger or difficulties.

At Tokyo Cement, we believe that in order to be geared for the future and stay ahead of the curve, we must remain vigilant at all times. The awareness and insights your company gained over the years has empowered us to navigate through the turbulent times of the present, while keeping our sights firmly fixed on a future full of vibrance and promise.

Today, as your Company continues to scan its surroundings, we believe that our strong visionary prowess and far-sighted thinking enables us to prepare for every eventuality. We remain prepared to mitigate the challenges of tomorrow and grasp the opportunities that lie ahead.

We're envisioning a future of possibilities. We're structured for change.

Tokyo Cement. Ever Vigilant.



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About Us



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 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.



VISION

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



Scan the QR code or visit www.tokyocement.com



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.

Performance Highlights

For the year ended 31st March	Group		Company	
	2023	2022	2023	2022
PERFORMANCE (Rs. Mn)				
Turnover	56,481	52,477	35,665	32,157
Cost of sales	(35,964)	(41,065)	(24,201)	(27,193)
Gross profit	20,517	11,412	11,464	4,964
Profit/(loss) before tax	6,772	(289)	3,345	(630)
Profit/(loss) after tax	4,999	(358)	2,117	(616)
Total comprehensive income	4,968	(285)	2,089	(571)
INFORMATION TO SHAREHOLDERS (Rs.)				
Earnings per share - Voting	12.44	(0.94)	5.28	(1.54)
Earnings per share - Non-voting	12.44	(0.94)	5.28	(1.54)
Dividend per share - Voting	-	-	1.50	-
Dividend per share - Non-voting	-	-	1.50	-
Net asset value per share	64.33	51.97	42.79	37.58
Market value per share - Voting	50.00	33.90	50.00	33.90
Market value per share - Non-voting	45.50	26.30	45.50	26.30
KEY FINANCIAL INDICATORS				
Gross profit margin (%)	36.33	21.75	32.14	15.44
Return on capital employed (ROCE) (%)	27.41	1.03	33.03	(0.38)
Interest cover (Times)	5.08	0.47	2.66	(0.13)
Price earnings ratio - Voting (Times)	4.02	(36.06)	9.47	(22.01)
Price earnings ratio - Non-voting (Times)	3.66	(27.98)	8.62	(17.08)
Current ratio	0.95:1	0.76:1	0.58:1	0.61:1
Quick asset ratio	0.45:1	0.52:1	0.34:1	0.41:1
Dividend payout ratio (%)	-	-	28.41	-

TURNOVER (GROUP)

Rs. 56.5 Bn

(2021/22 Rs. 52.5 Bn)

GROSS PROFIT (GROUP)

Rs. 20.5 Bn

(2021/22 Rs. 11.4 Bn)

GROSS PROFIT MARGIN (GROUP)

36.33%

(2021/22 21.75%)

TURNOVER (COMPANY)

Rs. 35.7 Bn

(2021/22 Rs. 32.2 Bn)

GROSS PROFIT (COMPANY)

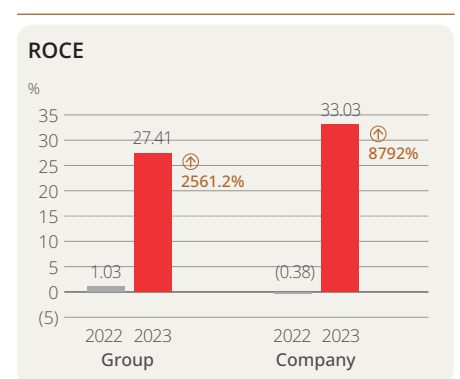
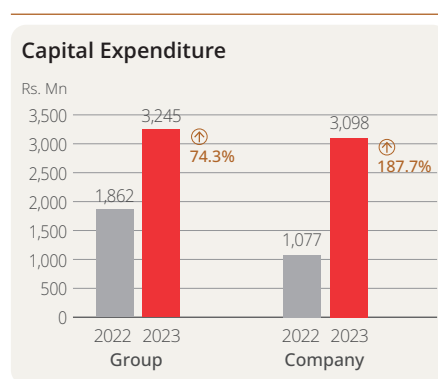
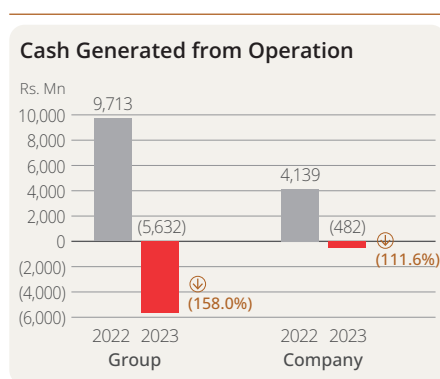
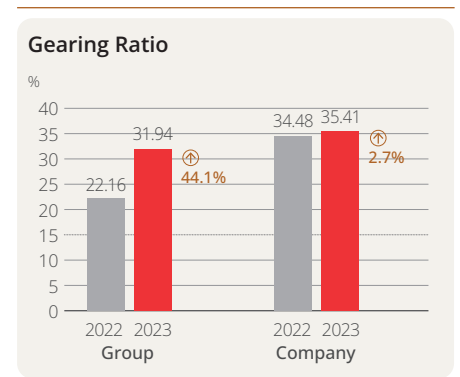
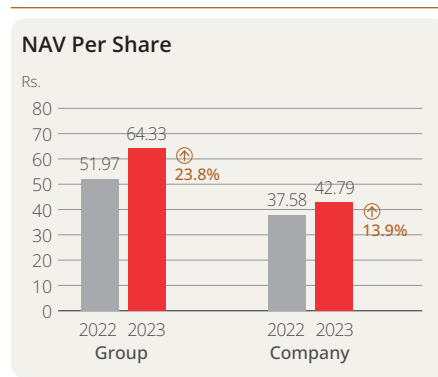
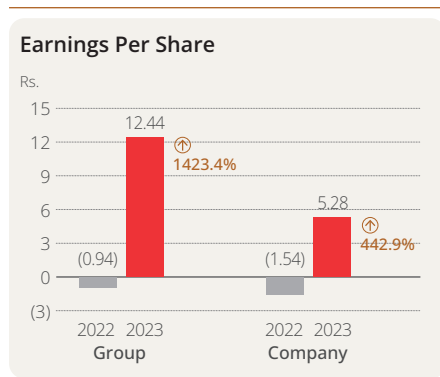
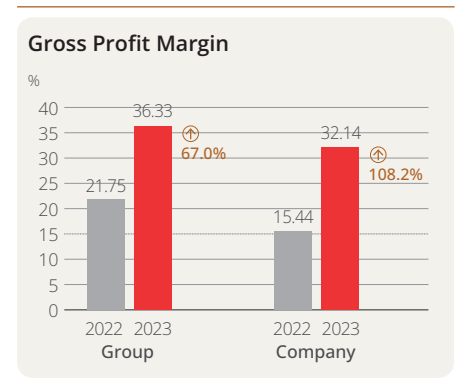
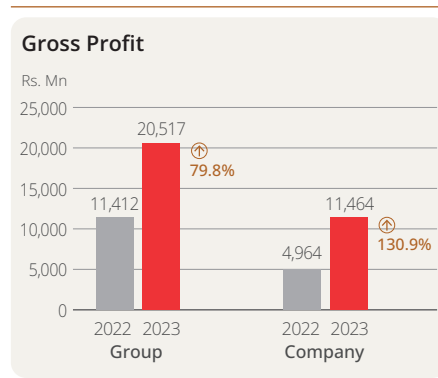
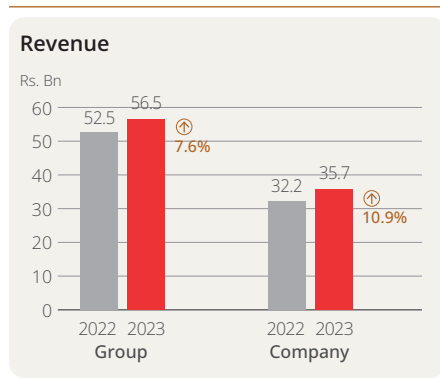
Rs. 11.5 Bn

(2021/22 Rs. 5.0 Bn)

GROSS PROFIT MARGIN (COMPANY)

32.14%

(2021/22 15.44%)



NAV PER SHARE (GROUP)

Rs. 64.33

(2021/22 Rs. 51.97)

CAPITAL EXPENDITURE (GROUP)

Rs. 3.2 Bn

(2021/22 Rs. 1.9 Bn)

RETURN ON CAPITAL EMPLOYED (GROUP)

27.41%

(2021/22 1.03%)

Our Products



BLENDED HYDRAULIC CEMENT

TOKYO SUPER BLENDED HYDRAULIC CEMENT (BHC) is a 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.



TOKYO SUPER



ORDINARY PORTLAND CEMENT

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

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

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



TOKYO SUPER

Our Products



BLENDED HYDRAULIC CEMENT

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

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





ORDINARY PORTLAND CEMENT

NIPPON CEMENT ORDINARY PORTLAND CEMENT (OPC) 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.



Our Products



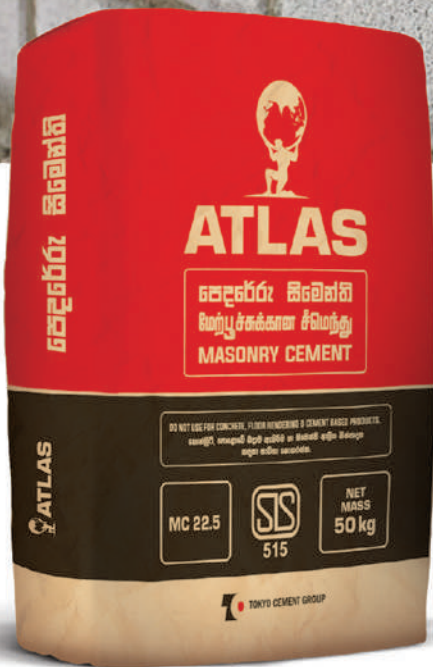
THE NATION'S HIGHEST GRADE CEMENT

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.





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).



Our Products



STANDARD SET TILE ADHESIVE

TOKYO SUPERBOND STANDARD SET TILE ADHESIVE 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.

This product 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.





HIGH PERFORMANCE TILE ADHESIVE

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

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



Our Products



PREMIUM TILE ADHESIVE

TOKYO SUPERBOND PREMIUM TILE ADHESIVE 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.





TILE MORTAR

TOKYO SUPERBOND TILE MORTAR is formulated for general-purpose tiling applications and is highly recommended for internal tiling applications. This product can be used for tiling floors and walls and it complies with the requirements of class C1 of SLS 1375 standard.



Our Products



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 GENERAL PLASTER requires hardly any skim coating before painting.

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





WEATHERSHIELD PLASTER

TOKYO SUPERCAST WEATHERSHIELD PLASTER is specially formulated for external applications. Its waterproofing capability prevents dampness in external walls resulting from wind driven rain.

Also, the products water retention capability provides better workability thereby making it easier to spread compared to the traditional cement-sand mixtures. It is an economical plaster solution and can be mixed with color pigments.

**PLASTER
MASTER**

 **TOKYO
SUPERCAST**

Our Products



WHITE PLASTER

TOKYO SUPERCAS T WHITE PLASTER is a polymer-based plaster specially formulated for all internal plastering applications. It can be used for plastering concrete, cement/sand blocks, CLC blocks and AAC block walls. It is a ready to use product, which requires only to add water before application.

Once the TOKYO SUPERCAS T WHITE PLASTER is applied on the wall it is ready to paint on as it does not require any skim coating on top.





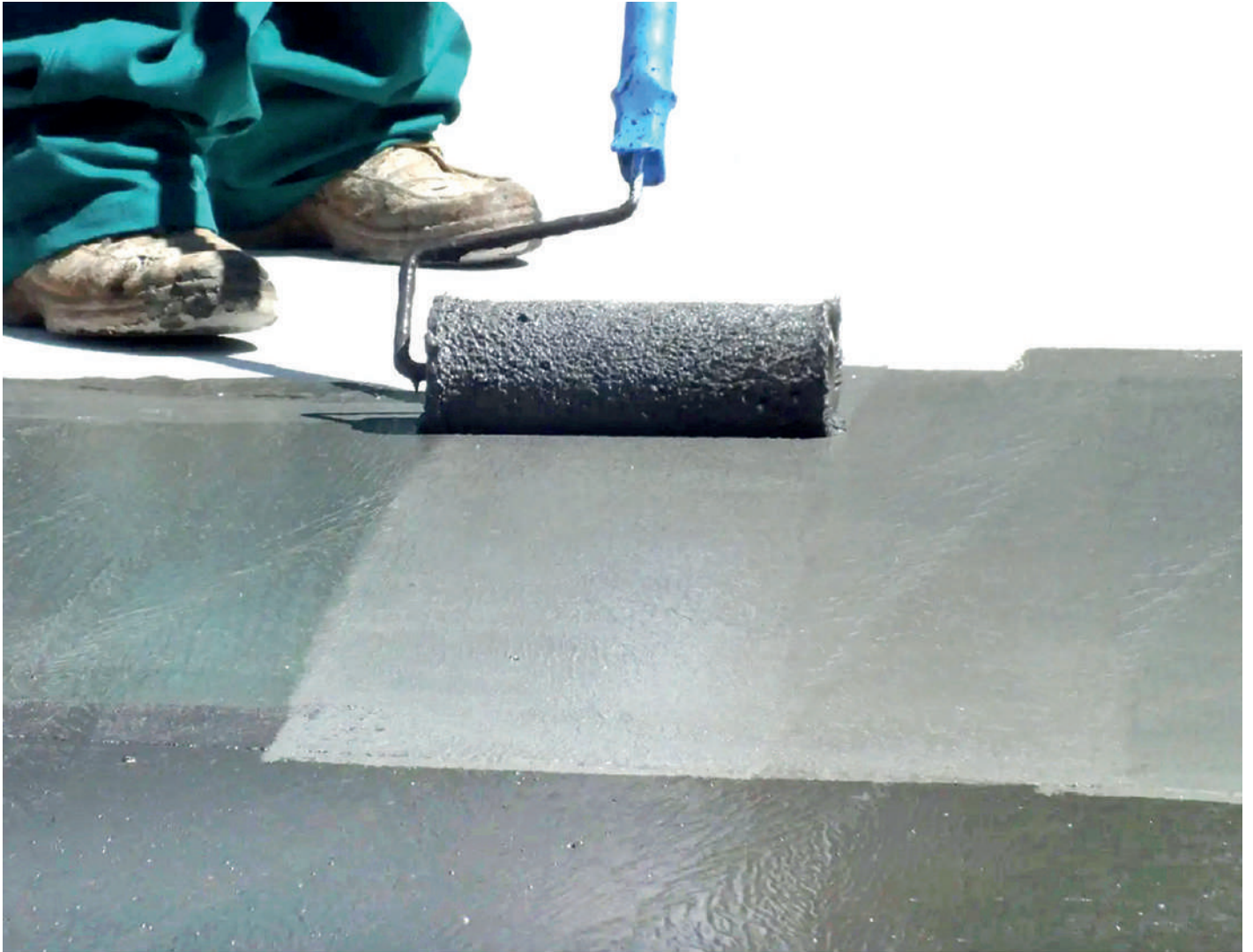
1K WATERPROOFER

TOKYO SUPERSEAL 1K WATERPROOFER is a cement based material suitable for interior or exterior surfaces where water proofing is required.

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



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.





SCREED MORTAR

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

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



Our Products



FLOORING COMPOUND

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

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





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.



Our Products



HIGH FLOWABLE CONSTRUCTION GROUT

TOKYO SUPERFIX HIGH FLOWABLE CONSTRUCTION GROUT is a non-shrinking and zero bleeding cementitious grout which is specially formulated for duct filling of post-tensioned structures under gravity. This product consists of cement, graded sand and additives and compensates for the shrinkage in both plastic and hardened stages. It does not contain chloride and it is a non-metallic durable grout.





CONCRETE REPAIR MORTAR

TOKYO SUPERFIX CONCRETE REPAIR MORTAR is a single component polymer modified mortar which is formulated for advance concrete rectification work. The specialty of it is that it can repair all types of concrete structures and consists of cement, graded sand and special polymers blended in a modern mixing plant to assure consistent quality. Its excellent adhesion strength with concrete and reinforcements ensures that it does not shrink or crack due to external factors.



Our Products



EXTRA BOND BONDING AGENT

TOKYO SUPERFIX EXTRA BOND BONDING AGENT is a liquid adhesive based on latex polymers specially formulated to use in cementitious mixtures to improve wear resistance, durability and bonding properties. It has a good workability at a reduced water/ cement ratio and can be applied in thinner sections.





BLOCK BOND

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

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

TOKYO SUPERSET BLOCK BOND is the most suitable masonry mortar for laying AAC, CLC and cement/sand blocks. It is premixed. Just add water and it's ready to use. The recommended thickness of TOKYO SUPERSET BLOCK BOND is 5mm.

Our Products



MULTI-PURPOSE MORTAR

TOKYO SUPERSET MULTI-PURPOSE MORTAR is a pre-blended mixture of blended hydraulic cement, graded dry sand and special additives. It is specially formulated for laying bricks, cement or sand blocks, CLC blocks, stones and also for plastering any block or brick wall. This product is a Type N mortar which complies with the ASTM C 270 and ASTM C1714 standards.





PREMIX CONCRETE

TOKYO SUPERMIX PREMIX CONCRETE consists of a mix of river sand, metal aggregate (5 - 20mm by weight basis) and cement in separate bags. It only requires water to be added to make it a workable concrete mix.

TOKYO SUPERMIX PREMIX CONCRETE can be used for slabs, driveways, pavements, floor concreting or just for simple structures. It is available in 50kg bags, and 30 bags can cover an area of 10ft x 10ft with a thickness of 0.25ft. Its equivalent concrete grade is G20, and other strength grades of concrete can be supplied upon request.



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. Furthermore, TOKYO SUPERMIX has a wide network of 11 Concrete batching plants island-wide with a fleet of over 125 truck mixers and pump cars.



A RESPONSIVE CONFIGURATION

We are acutely aware of surrounding dynamics, and are built with an inherent ability to anticipate, strategise and respond to change with alacrity.

Equipped with a phenomenon known as compound eyes, mantis shrimp possess countless independent photoreceptors that enable strong sensitivity to any changes in the environment and a wider range of vision that drives incredible speed, efficiency and agility.

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Chairman's Message

“
Despite turbulence in the economic environment, the Tokyo Cement Group concluded the year with an impressive performance. Tokyo Cement has also maintained its market share and continued to enhance value for all of its stakeholders.



It gives me great pleasure to welcome our shareholders to the Annual General Meeting (AGM) of Tokyo Cement Company (Lanka) PLC. This is our 41st AGM and marks a time of ongoing challenges for the Group and the country as a whole.

Despite the unprecedentedly volatile business milieu, I am pleased to share with you that we were able to steer your Company back on its growth trajectory this year. The audited financial statements and Annual Report of Tokyo Cement Company (Lanka) PLC, for the Financial Year 2022/23 details out this commendable achievement. This performance is directly attributable to the management and the staff, as it would not have been possible without a wholehearted team effort and commitment.

I need not dwell on the general difficulties faced by everyone during the 12 months between April 1st 2022 and March 31st 2023, as we all experienced first-hand what transpired. However, I will briefly touch on the key developments that specifically impacted the performance of your Company during this period for the purpose of context and historical record.

The financial year commenced with many key macro indicators changing for the worse, causing a market contraction that threatened our positive outlook. The unbridled rise in the rate of inflation diminished purchasing power, while increases in interest rates and tax rates discouraged new investments. The scarcity and overall price increases of construction materials, operational cost hikes, and unfavourable financing environment compelled developers to pause construction projects. The Government's decision to pause all state funded projects made a significant impact on the industry. The ensuing increases in fuel prices and electricity tariffs caused operational cost escalations, and the extended power cuts disrupted business operations including construction activities. Continued fuel shortages not only disrupted transportation networks, but also brought the entire economy to a halt.

Unavoidably cement prices had to be adjusted to reflect the increases in raw material, production and operational costs, and the steep currency depreciation. The Group decided to absorb some of the tax increases and passed on any form of cost reductions to the consumers in a timely manner. The Group was largely insulated from power outages and price hikes thanks to our renewable energy generation capability. To address the disruptions in the distribution network, the Group stepped in to provide logistics services for our dealer network.

Despite the turbulences in the economic environment, the Tokyo Cement Group concluded the year with an impressive Profit After Tax (PAT) of Rs. 4,999 Million, compared to the loss of Rs. 358 Million in the previous financial year, despite absorbing Rs. 3.6 Billion in exchange losses. Tokyo Cement has also maintained its market share and continued to enhance value for all of its stakeholders. This performance demonstrates the effectiveness of our management strategy even in the face of exceptionally discouraging odds. It is a testament to the potential of the Group when the macro environment stabilises and becomes conducive for construction sector growth.

It is noteworthy that in the midst of the prevailing uncertainty, Tokyo Cement continued to invest in its capacity expansion plans despite the sharp increases in interest rates and construction costs. We plan to complete the project in 2024, which would increase our overall cement production capacity from 3.1 Million MT to 4 Million MT per annum.

Even amidst the most trying circumstances, we ensured that our employees were looked after and protected from environmental pressures. We also did not reduce focus on our CSR projects. On the contrary, in addition to the ongoing initiatives such as the mangrove reforestation, marine biodiversity conservation and the provision of purified drinking water to remote villages, we

This performance demonstrates the effectiveness of our management strategy even in the face of exceptionally discouraging odds. It is a testament to the potential of the Group when the macro environment stabilises and becomes conducive for construction sector growth.



TURNOVER (GROUP)

Rs. 56.5 Bn

(2021/22 Rs. 52.5 Bn)



GROSS PROFIT (GROUP)

Rs. 20.5 Bn

(2021/22 Rs. 11.4 Bn)

initiated a profound project that provides balanced meals for schoolchildren from communities worst affected by the economic collapse.

We also commenced the construction of a community development centre in Trincomalee in collaboration with the Foundation of Goodness which was completed in May 2023. When CSR would be the last thing on the minds of most people during such a period of acute economic crisis, Tokyo Cement went out of its way to assist the less privileged and give back to the

Chairman's Message

With the stabilisation of market prices and a gradual reduction in interest rates we are hopeful the economy will revive, and with it the construction industry. Tokyo Cement has already demonstrated its stability and resilience and I believe the future holds the key to its true potential.

society, even more than in the good times. Looking back, these contributions to uplift our nation have been the most rewarding aspect of an otherwise troubled year.

The Group and Company are fully compliant with all applicable laws and regulations, and all corporate governance mechanisms have been followed. We continued to maintain stringent internal controls and risk management systems that were vital in ensuring financial stability and operational sustainability during this period of uncertainty.


We are hopeful that the country's economy will improve in the coming years with the involvement of the IMF and other international financial institutions. With the stabilisation of market prices and a gradual reduction in interest rates we look forward to the economy reviving, and with it the construction industry. Tokyo Cement has already demonstrated its stability and resilience and I believe the future holds the key to its true potential.

I would like to take a moment to commemorate Mr. R. Seevaratnam, who was a pillar of strength to myself and the Board. His guidance allowed the Group to uphold the highest standards in governance. We will strive to emulate his professionalism and far-sighted counsel in driving the Company forward.

I also extend a warm welcome to Mr. Shuichi Nakamoto, who joins the Tokyo Cement Board replacing Mr. Yaoki Hashimoto as Nominee and Non-executive Director of UBE Singapore Holdings Private Limited, representing our Japanese partner, Mitsubishi UBE Cement Corporation. I take this opportunity to thank Mr. Hashimoto for all the support extended to the Board during his tenure.

I would like to thank the entire Tokyo Cement family for the success we have collectively achieved this year. I fully appreciate the invaluable advice of the Board of Directors and would like to extend a special note of appreciation to the Managing Director and the executive leadership, who steered our ship successfully through these troubled waters. I acknowledge the contributions of all our employees in this effort. I also extend my appreciations to our dealers, our customers and all other stakeholders for supporting us through this challenging journey.

Sincerely,



Dr. Harsha Cabral, PC
Chairman

18th July 2023

Message from the Joint Venture Partner

“Throughout last year, Sri Lanka had to face unprecedented challenges that resulted in a decline in demand. Under these difficult conditions, Tokyo Cement management and staff have enabled the Group to achieve a significant bounce back from the previous year. Through the collaboration between MUCC and Tokyo Cement, we hope to create greater value for the future.”



We would like to congratulate Tokyo Cement Company (Lanka) PLC for continuing the growth momentum amidst an extremely challenging year. We appreciate that the Group also greatly contributed to the recovery of the country's economy through its activities.

Throughout last year Sri Lanka had to face unprecedented challenges that resulted in a decline in demand due to the economic downturn. Under these difficult conditions, Tokyo Cement management and staff have demonstrated exceptional commitment and a strong driving force, which has enabled the Group to achieve a significant bounce back from the previous year.

While Sri Lanka's economic outlook remains uncertain, we are very confident that Tokyo Cement will adopt the latest technologies to improve manufacturing efficiency and productivity. Through such an innovative mindset, we trust that Tokyo Cement will overcome any challenges in the future and strengthen its market leadership position.

Also, we are humbled to see the immense value created through Tokyo Cement's many socio-environmental responsibility projects that empower people in Sri Lanka. We hope that Tokyo Cement, as a leading company in the country's construction industry, will keep contributing to the development of Sri Lanka not only economically but also socially and environmentally through these projects.

Finally, we are very pleased to be a good partner with Tokyo Cement since 2016. Mitsubishi UBE Cement Corporation (MUCC) will always be ready to co-operate with Tokyo Cement. It is my wish and hope that through such a collaboration, we, MUCC and Tokyo Cement, will be able to get over any difficulty and create greater value for the future.

Sincerely,

A handwritten signature in black ink that reads "Makoto Koyama". The signature is written in a cursive, slightly slanted style.

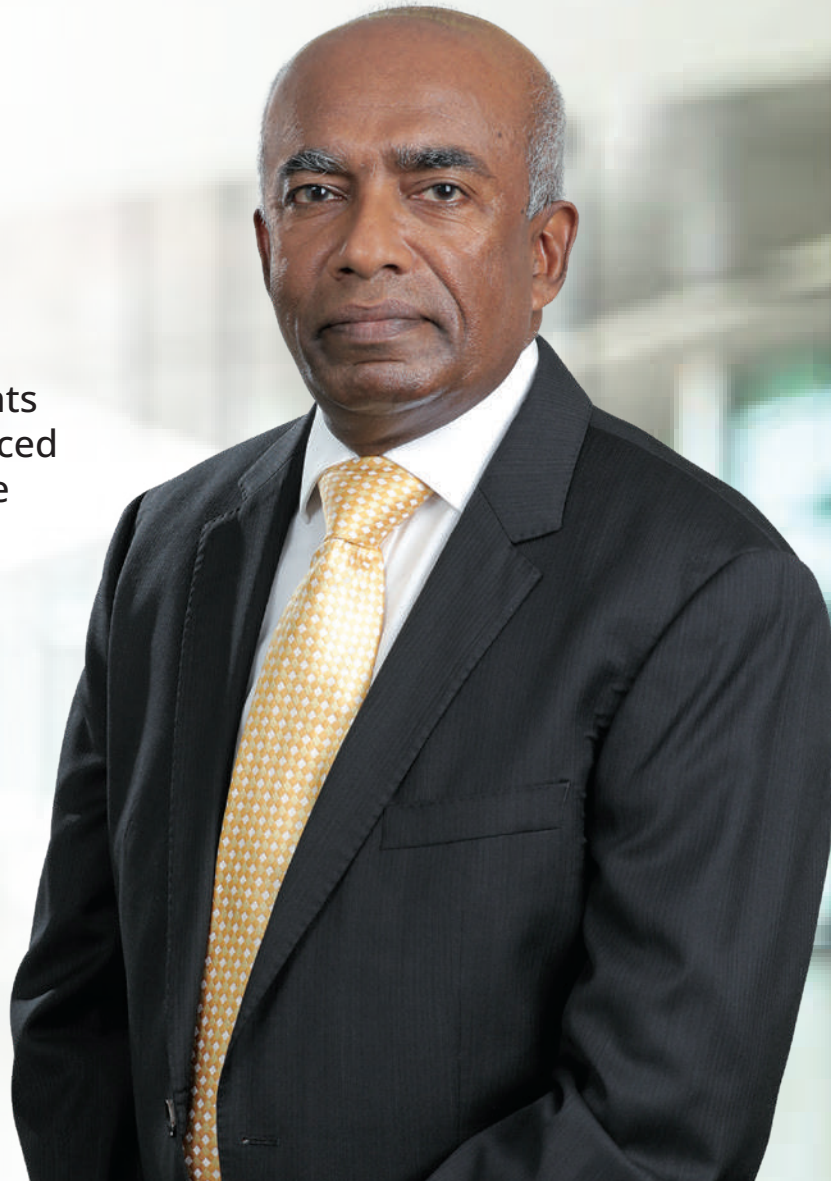
Makoto Koyama
Representative Director & President -
Mitsubishi UBE Cement Corporation

18th July 2023

Managing Director's Review

“

In this difficult environment, our previous investments in vertical integration paid off against sky rocketing prices and market volatility. Furthermore, vigilant cost management and efficiency improvements restructured and reduced expenditure across the business units.



It goes without saying that this was a challenging year for us as a nation, a sector and a company. The Financial Year had an inauspicious start with economic collapse and political instability.

A rapidly depreciating currency, high inflation, scarcity of essential items such as fuel, gas, food and medicine, and an energy crisis, escalated the cost of living resulting in loss of welfare and livelihoods. Sri Lankans were forced to quickly adapt to a new reality where prospects for a better future seemed increasingly uncertain.

Whilst we, like many other industries, faced challenges due to the economic and political volatility, our team demonstrated strength and resolve to push forward despite the seemingly insurmountable obstacles in our path. Yet, operating a business as usual was not an option, as we recognised that the reverberations of the circumstances were pushing many of our fellow citizens into unparalleled hardships. The environment made it all the more important that we further strengthen our value creation to embrace and empower our stakeholders; from employees to customers, from partners to beneficiaries of our social empowerment programmes.

FINANCIAL REVIEW

Tokyo Cement ended the Financial Year 2022/23 on a positive note, the economic instability and the drop in demand that prevailed for much of the period. Both the Company and the Group returned to profitability from the losses of the previous Financial Year, demonstrating immense resilience against countless financial and operational obstacles.

Vigilant cost management was our key focus in order to maintain a robust bottom line. In this difficult environment, our previous investments in verticals such as renewable energy and manufactured sand, paid off against sky rocketing prices and market volatility. Aggressive cost controls and efficiency improvements proactively reduced operational and marketing expenditure and restructured overhead costs across our business units.

Due to reduced cement demand, the plants were running at their lowest capacity utilisations, further containing operational costs with only essential maintenance, and lower energy consumption. We were able to optimise the low-demand environment by chartering out our vessel, which further contributed an additional income.

Reflecting on our efforts, the Group's turnover for the Financial Year ending on the 31st of March 2023, improved by 7.6% to Rs. 56.5 Billion and the Group recorded a Profit After Tax (PAT) of Rs. 4.9 Billion for the financial year, while absorbing Rs. 3.6 Billion in exchange losses for the year.

Ensuring value creation for our shareholders the Board has authorised a dividend of Rs. 1.50 per share, which will result in a total dividend payout of Rs. 601 Million for the year.

With the rapid increase in interest rates to combat inflation the Group had to settle Import Demand Loans as high as 32% for the importation of raw materials, thereby impacting overall finance expenses. Finance expenses amounted to Rs. 1.7 Billion, due to the substantial increase in interest rates and exchange rates.

The VAT rate increased from 8% to 12% in June 2022, and again to 15% in September 2022. The Group absorbed the final 3% VAT increase, in addition to the 2.5% Social Security Contribution Levy (SSCL) imposed in October 2022, without passing the burden on to the consumers. Further, the newly enacted 30% corporate income tax rate had a significant impact on the financial performance of the Group, at an expense of Rs. 1.8 Billion.

THE OPERATING ENVIRONMENT

The Nation's forex illiquidity meant that those who imported materials for manufacturing had to wait in line for access to foreign currency, thereby delaying the opening of LCs and creating gaps in raw material supply. Meanwhile, global cost of raw materials that were

The contraction of purchasing power, in addition to the unavailability or unaffordability of construction and hardware goods, drove down overall market demand. Against this backdrop, commercial construction projects stagnated, and domestic sector construction activities slowed to a crawl.



PROFIT FROM OPERATIONS

Rs. 11.8 Bn

(2021/22 Rs. 4.8 Bn)

already at its peak further soared due to sky rocketing freight rates, compounded upon by rapid currency depreciation, thus increasing the cost of goods.

The Group demonstrated vigilance in the manner in which it tackled environmental challenges; from continuous operation of our factories through strategic planning and maintenance, to insulating our manufacturing process from power cuts and rising energy tariffs through our self-sustaining renewable energy generation. When the prolonged fuel shortages disrupted our distribution networks, we supported our business partners by facilitating door-to-door deliveries.

The contraction of purchasing power in addition to the unavailability or unaffordability of construction and hardware goods drove down overall market demand. Against this backdrop, commercial construction projects

Managing Director's Review

stagnated, and domestic sector construction activities slowed to a crawl. The total market volume for cement declined from 7.1 Million MT in 2021, to 4.5 Million MT in 2022 .

EXPANDING OUR IMPACT

The Group continued to reinvest in all of its far-reaching CSR activities, from reforestation to marine biodiversity conservation, to supplying clean drinking water for those that need it the most through the *Fountain of Life* project, to community development through our *A.Y.S. Gnanam Village Heartbeat Empowerment Centres*, and so much more.

The project that I feel truly addresses the need of the hour and represents the best of our organisation was the initiation of the *Nourishing the Future* school meals programme. With the onset of the economic downturn, millions of children have fallen into food insecurity. In collaboration with the communities and government bodies, the Group has identified the hardest hit areas to provide guaranteed healthy meals for the school year. In addition to addressing the malnutrition epidemic, this programme has proven successful in substantially improving school attendance.

We invite you to learn more about these projects in our CSR Review.

OUTLOOK FOR THE FUTURE

While taking a conservative outlook for the short to medium term, Tokyo Cement remains optimistic of a slow but steady growth in the wake of improving economic fundamentals. With the stabilisation of the currency, the slowdown of inflation and reduction in interest rates signalled by the Central Bank of Sri Lanka, we are cautiously hopeful of a recovery in the coming years.

Tokyo Cement is poised for growth, and our continued investments into capacity expansion will allow us to maintain our market dominance, when the cement market revives in the future. The Group

will continue to adapt to dynamic market conditions and stands ready to contribute towards the reignition of development.

APPRECIATIONS

I wish to express my condolences to the family of Mr. Ranjeevan Seevaratnam, who served on the Board of Tokyo Cement Group from 2007 until his demise. Mr. Seevaratnam was not only a wise mentor but was also a dear friend. He will be remembered for his kindness of heart, valued counsel, impeccable standards and unimpeachable integrity. His loss will be sorely felt by all of us at Tokyo Cement.

I would like to thank the Board and the Chairman for their valuable input provided to me and my executive management team to successfully guide the company. I also want to convey my deepest gratitude to the Tokyo Cement team for their hard work and dedication to overcome the many challenges faced during the year. I am thankful to our distributors and dealers, who together with our loyal customers helped us weather tough market challenges amidst highly unpredictable conditions.

None of our achievements would have been possible if not for the unwavering trust of our shareholders, who believed in our ability to take the Group forward despite the turbulent economic environment. Our business partners and customers are key stakeholders, and I am grateful for their loyalty and patronage. I look forward to continuing our journey as we rebuild our country better and stronger.

Sincerely,



Mr. S.R. Gnanam
Managing Director

18th July 2023

Board of Directors



DR. HARSHA CABRAL, PC
Chairman



MR. S.R. GNANAM
Managing Director



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



MR. E.J. GNANAM
Non-Executive Director



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



MR. RAVI DIAS
Independent Non-Executive Director



DR. INDRAJIT COOMARASWAMY
Independent Non-Executive Director



MR. W.C. FERNANDO
Director



Mr. SHUICHI NAKAMOTO
Non-Executive Director

Board of Directors

DR. HARSHA CABRAL, PC

Chairman



Dr. Cabral is a President's Counsel in Sri Lanka with thirty-five (35) years' experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws, International Trade Law covering both civil and criminal aspect of the said areas of the law. He has been a President's Counsel for sixteen (16) years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka, and has sixteen (16) Attorneys-at-Law working in his Chambers. He holds a doctorate in Corporate Law from the University of Canberra, Australia. He was a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is a Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT). Dr. Cabral is a Fellow of the Institute of Chartered Governance Institute (UK & Ireland). He is a former member of the Board of Investment (BOI) of Sri Lanka. He was the Founder Board Member of the Sri Lanka International Arbitration Centre and was involved in the drafting of the Arbitration Act, No. 11 of 1995, the current Act. Dr. Cabral is also a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka and the Chairman of the Intellectual Property Law Reform Project of the Ministry of Justice, a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM). As a member of the Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No.

7 of 2007, the current Act. Dr. Cabral is also a Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, a Senior Advisor to the Ministry of Justice on the new House of Justice Project (Chairman) and a Senior Advisor to the Ministry of Justice on Commercial Law Reform.

He was the past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was also a director of LOLC Insurance Company Limited, Commercial Leasing & Finance Limited, and Richard Pieris Distributors Limited (Arpico Supermarkets). He was also the past Acting Chairman of Hatton National Bank PLC (HNB). In addition, Dr. Cabral was a senior Director of the Union Bank of Sri Lanka. He was also a member of the Cabinet appointed Committee on the National Trade Policy and also a member of the Presidential Commission appointed on reformulating laws of Sri Lanka.

Dr. Cabral currently serves as the Chairman of the National Savings Bank. Further, he is also serving as an Independent Non-Executive Director of Ceylinco Life Insurance Ltd, DIMO PLC, Hayleys PLC, Alumex PLC, World Export Centre Limited, Chevron Lubricants Lanka PLC, Darley Property Holdings (Private) Limited, CCC-ICLP International ADR Centre (Guarantee) Limited, National Olympic Committee (NOC) Ethics Committee (Chairman) and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, Nanadiriya (Guarantee) Limited (Chairman) and he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, chairing most of them.

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

Following are the books Dr. Cabral has published.

- Corporate Law, Derivative Actions: A Comparative Approach.
- Intellectual Property Law in Sri Lanka.
- Companies Act No. 07 of 2007 & the Corporate Law of Sri Lanka.
- Duties of Company Directors & Corporate Governance in Sri Lanka.
- Law & Practice of Commercial Arbitration in Sri Lanka.
- Cabral's Arbitration Law Reports (Vol I) [1895 – 2020].
- Cabral's - Intellectual Property Law Reports (Vol I) [1888 – 1995].
- Cabral's Intellectual Property Law Reports (Vol II) [1995 – 2020].
- Cabral's Company Law Reports (Vol I) [1881 – 1982].
- Cabral's Company Law Reports (Vol II) [1983 – 1993].
- Cabral's Company Law Reports (Vol III) [1994 – 2012].
- Cabral's Company Law Reports (Vol IV) [2013 – 2021].

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 South Asian Investment (Pvt) Limited, St. Anthony's Hardware (Pvt) Limited and Capital City Holdings (Pvt) Limited. He also serves as the Chairman and Managing Director of St. Anthony's Consolidated (Pvt) Limited and Managing Director of St. Anthony's Hydro Power (Pvt) Limited, Sofia Hospitality (Pvt) Limited and several other companies.

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 Chairman and the Managing Director of St. Anthony's Industries Group (Pvt) Ltd. and St. Anthony's Property Developers (Pvt) Ltd. He has experience in leading manufacturing organisations 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 serves as a Director of Orion City Limited and Managing Director of Rhino Roofing Products Limited and its Group. He is the Chairman and Managing Director of St. Anthony's Ventures (Pvt) Limited and several of its subsidiary Companies. He also holds directorships in other 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. A.D.B. TALWATTE**Independent Non-Executive Director**

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

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

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

from its inception to end 2021. He now serves as the Chairman of the Corporate Governance Committee of CASL.

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

MR. RAVI DIAS**Independent Non-Executive Director**

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

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

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

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

DR. INDRAJIT COOMARASWAMY**Independent Non-Executive Director**

Dr. Indrajit Coomaraswamy served on the Board of Tokyo Cement Company (Lanka) PLC from March 2011 to June 2016, prior to his appointment as the 14th Governor of the Central Bank of Sri Lanka. He served

Board of Directors

as the Governor of CBSL from July 2016 to December 2019. He was reappointed as a Non-Executive Independent Director in March 2020, subsequent to his retirement from the Central Bank.

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

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. SHUICHI NAKAMOTO

Non-Executive Director



Mr. Shuichi Nakamoto joined the Board of Tokyo Cement Company (Lanka) PLC from 1st April 2023 as Nominee and Non-Executive Director of UBE Singapore Holdings Private Limited.

Mr. Shuichi Nakamoto, serves as the Managing Director of UBE Singapore Private Limited, a company incorporated in Singapore. He holds a Masters' degree in Business Administration from Tokyo Metropolitan University, Japan, and a Bachelor of Commerce degree from Kansai University, Japan. He has wide experience in leveraging consultative selling and distribution strategies.

A COLLECTIVE AWARENESS

We rely on the combined strength and knowledge of our people and partners to assess the environment, identify potential risks and opportunities, and safeguard the interests of our vast network of stakeholders.

Meerkats reside in collective groups or colonies, and are often witnessed scanning the environment on their hind legs (pictured here). This process enables them to alert others to potential threats, protect and safeguard the wider community, and provide a sense of assurance and stability in the midst of a high-risk environment.



Operational Reviews

Economic Review

The GDP contracted at a historically higher rate of 7.8% in 2022 compared to the 3.5% growth recorded in 2021. The Sri Lankan economy further contracted by 11.5% in the first quarter of 2023 marking three successive double-digit contractions recorded on a quarterly basis.

ECONOMIC OVERVIEW

Sri Lanka recorded a severe economic and social crisis in 2022, the worst ever since its independence. Many factors contributed to this economic and social downturn including; (a) low GDP growth since 2018, (b) falling tax revenue since 2019, (c) unsustainable public debt, (d) depleted earnings from tourism and workers' remittances, (e) near zero level of usable official reserves, (f) foreign rating downgrades, (g) import ban on non-organic fertilisers and agro chemicals, (h) increased global food and energy prices, (i) misaligned exchange rate, (j) pre-existing vulnerabilities in Sri Lanka's twin deficit economy, all of which were amplified by (k) the delay to engage with the International Monetary Fund (IMF).

This situation further aggravated and created many unbearable hardships to the general public and businesses. These include; (1) constrained access to external financing and inability to open LC's, (2) severe import restrictions including essential raw materials for industries, (3) high inflation and adjusted poverty line, (4) scarcity of essential items such as fuel, gas, food and medicine, (5) power cuts, (6) fuel shortages and travel restrictions, (7) escalating both cost of living and cost of production, and (8) loss of welfare and livelihoods.

The economic crisis is estimated to have doubled the Sri Lankan poverty rate from 13.1% in 2021 to 25.0% in 2022 with the addition of 2.5 Million poor people within a period of 12 months. In 2022, half a million jobs were lost in services and industry, particularly manufacturing and construction¹, pushing some workers to look outside of the country for employment opportunities². Sri Lankans have been forced to quickly adapt to a new reality where prospects for good jobs are limited, incomes are lower, personal wealth eroded by inflation and currency depreciation.

Consequently, the heightened social unrest and rapidly deteriorating business confidence resulted in political instability, warranting an urgent need for redefining policy priorities to steer the Sri Lankan economy away from further turmoil.

¹ Sri Lanka Economic Update, World Bank, April 2023

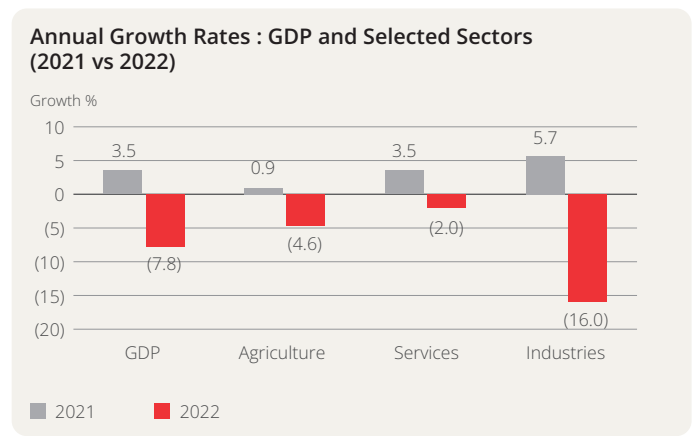
² 311,056 people have left the country in 2022 seeking foreign employment. (Central Bank Annual Report, 2022)

GDP and Sectoral Growth

The real economy witnessed a broad-based contraction in 2022, reversing the post-pandemic recovery in 2021. Accordingly, the GDP contracted at a historically higher rate of 7.8% in 2022 compared to the 3.5% growth recorded in 2021. The overall size of the economy (at current prices) declined from USD 88.5 Billion in 2021 to USD 77.1 Billion in 2022. The per capita GDP declined by 13% from USD 3,997 in 2021 to USD 3,474 recorded in 2022 mainly attributed to the weakening of the Sri Lankan currency against the USD on an annual average basis.

All key sectors of the economy namely, Agriculture, Industry and Services demonstrated a negative growth in 2022 compared to its somewhat impressive performance in 2021. Agriculture fell by 4.6%, Industry fell by 16.0% and Services fell by 2.0% in 2022 as shown in Graph - 1. The Industry Sector reported a shrinkage of 23.4% in Q1³ of 2023 (compared to 3.7% negative growth in the same quarter of 2022).

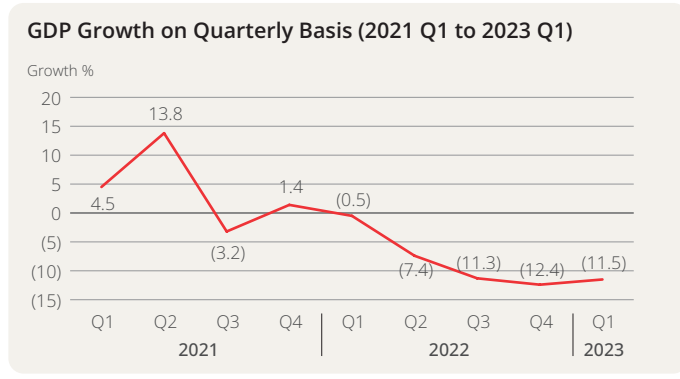
Graph - 1



Moreover, the Sri Lankan economy further contracted by 11.5% in the first quarter of 2023 marking three successive double-digit contractions recorded on a quarterly basis. (Graph - 2)

³ Quarters in the Economic Review refers to the calendar year, such that Q1 is January to March. In the rest of the Annual Report, Quarters are in reference to the financial year.

Graph - 2

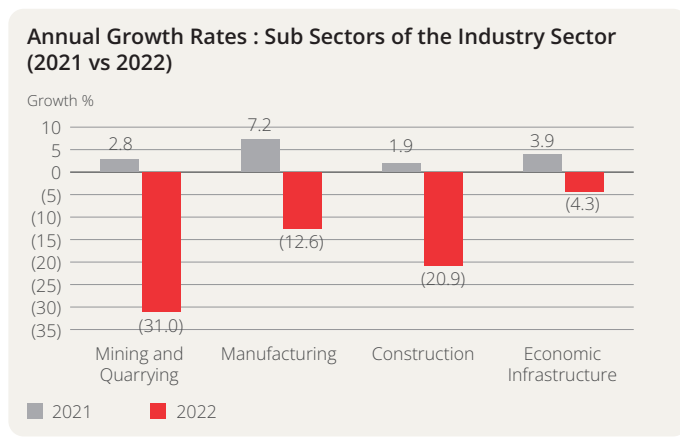


Dismal performance in Manufacturing and Construction Sectors

The Industry Sector, that includes the four sub sectors viz. Manufacturing, Mining and Quarrying, Construction and Economic Infrastructure (i.e. electricity, gas, water and waste management) recorded a severe contraction in 2022. This is mainly due to the prevailing economic situation in the country and was largely driven by restrictions imposed on imported inputs, lengthy and frequent power cuts, fuel and transport restrictions, shortages in foreign exchange and sharp currency depreciation against USD.

Therein, the Manufacturing Sector contracted by 12.6% in 2022 compared to 7.2% growth recorded in 2021. Similarly, the Construction Sector contracted by 20.9% in 2022 compared to 1.9% growth recorded in 2021. (Graph - 3).

Graph - 3



In Q1 of 2023, the Construction Sector recorded a negative growth of 38.3% and Mining activities recorded a negative growth of 45.7%. Moreover, the Manufacturing Industry also contracted by 14.2% reflecting a huge drawback in this sector.

The Construction Sector contracted by 20.9% in 2022 compared to 1.9% growth recorded in 2021. Similarly, in Q1 of 2023, the Construction Sector recorded a further negative growth of 38.3%.

Road Development

The progress of road infrastructure development initiatives of the Government remained modest in 2022, indicating the tight fiscal conditions amidst cash flow pressures.

The Road Development Authority (RDA) incurred Rs. 195.4 Billion in expenses on various activities aimed at improving the road network via maintenance, widening and enhancement of expressways, highways and roads, construction of bridges and flyovers, and restoring roads damaged by natural disasters. Accordingly, expenditure incurred in developing expressways and highways, amounted to Rs. 34.4 Billion and Rs. 145.0 Billion, respectively, during the year, while Rs. 6.6 Billion was spent on the construction of bridges and flyovers.

Housing and Urban Development

The progress in Government housing development projects remained stagnant in 2022, reflecting the impact of a tight fiscal environment and supply shortages in raw materials as well as the surge in cost of inputs in the construction sector during the year.

Major projects to be implemented under the Urban Settlement Development Authority (USDA) were discontinued in 2022 due to cash flow pressures of the Government, while the planned Low Income Housing Projects were also halted due to budgetary constraints.

The Government's infrastructure projects continued to progress at a slower pace in 2022 amidst the financial constraints associated with the deepening economic crisis. The Urban Development Authority (UDA) continued to engage in around 180 projects under the Urban Infrastructure and Township Development Programme (Siyak Nagara) to enhance the infrastructure base of the country.

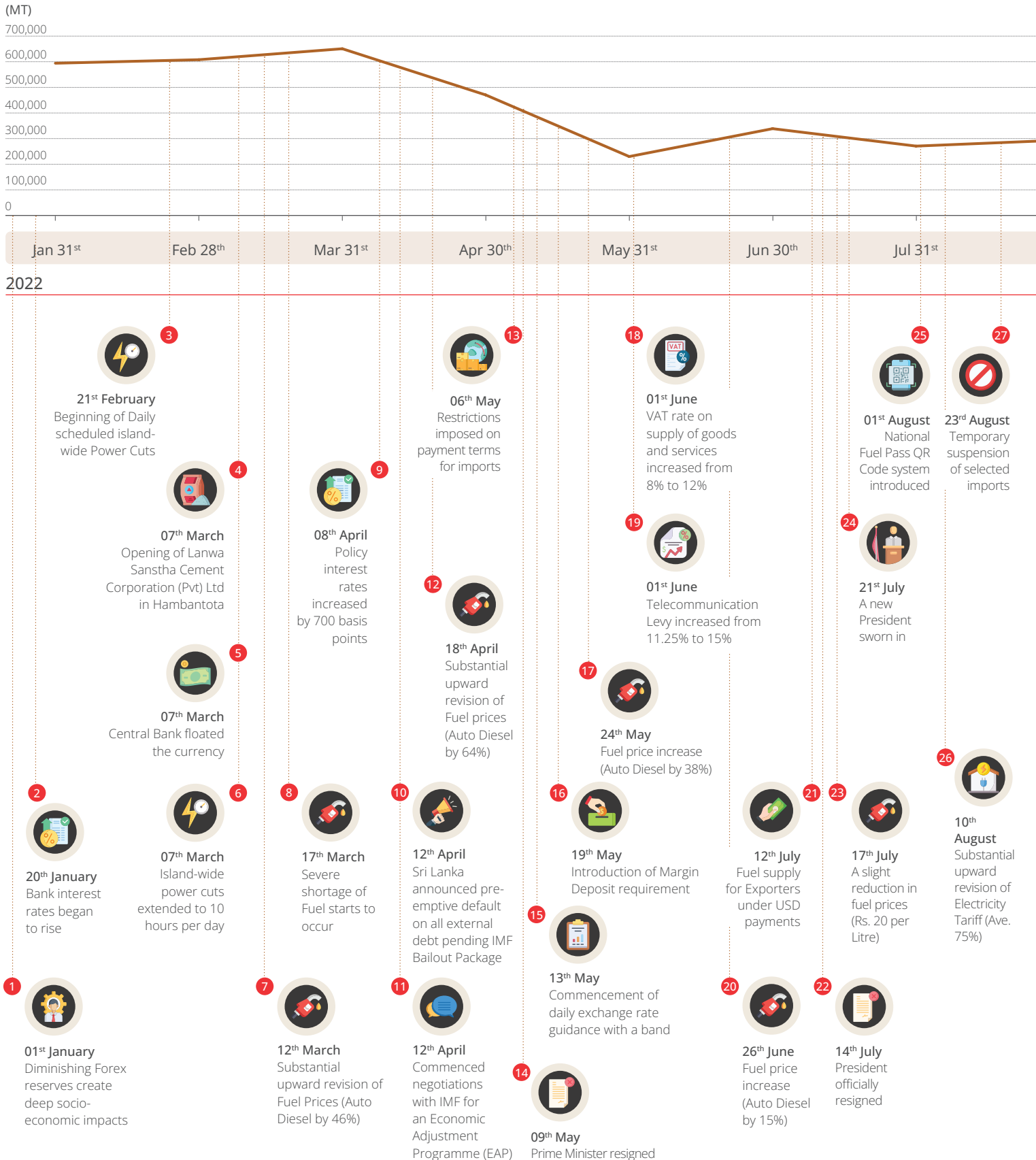
Colombo Port City Project

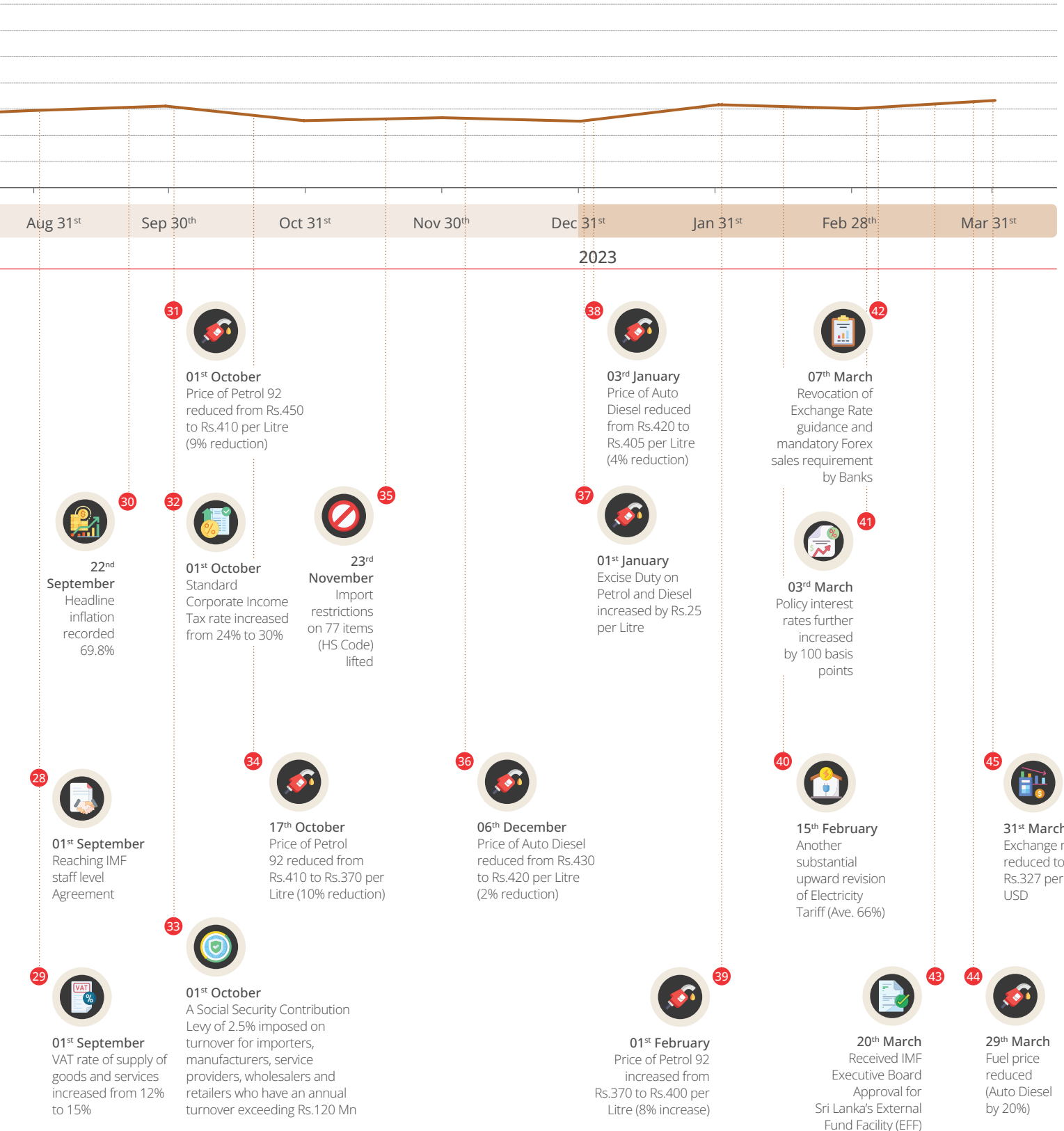
Activities pertaining to the development of the Colombo Port City continued in 2022, achieving many milestones. Accordingly, the Development Control Regulations (DCR) for the entire project were gazetted in April 2022.

Land preparation and technical preparation of 42 plots out of the 74 plots were concluded by the Colombo Port City project company, enabling the Colombo Port City Economic Commission (CPCEC) to issue completion certificates to the project company.

Economic Review

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





Economic Review

2022

- 1 **01st January - Diminishing Forex reserves create deep socio-economic impacts**
 - Inability to establish LCs to import raw materials, building materials etc.
 - Continuous cost increases stemming from steep currency depreciation led to frequent price revision of goods.
 - Shortages occurring in all sectors including imported building materials.
 - Ongoing projects slow down, whilst new projects are postponed.
- 2 **20th January - Bank interest rates begin to rise.**
 - Rising inflation prompted a raise in policy interest rates by 950 basis points in 2022.
 - 20th January – by 50 basis points
 - 04th March – by 100 basis points
 - 08th April – by 700 basis points
 - 07th July – by 100 basis points
 - Market investment rates increased faster and remained significantly above the policy rates, particularly from the second half of 2022.
- 3 **21st February - Beginning of daily scheduled island-wide power cuts due to;**
 - Partial breakdown of Norochcolai Coal Power Plant.
 - Shortage of forex to import coal and diesel.
 - Ceylon Electricity Board (CEB) faces cash flow issues.
 - Drought condition reduces hydro power generation.
- 4 **07th March - Opening of Lanwa Sanstha Cement Corporation (Pvt) Ltd in Hambantota.**
 - Domestic Cement Manufacturing capacity increased by 3.0 Million MT per annum.
- 5 **07th March - Central Bank of Sri Lanka floated the currency.**
 - Allowed a measured adjustment in the exchange rate.
 - Rupee depreciated by 80% within a period of 2 months from March 2022.
 - Daily exchange rates were constantly updated and prices of all types of products increased continuously throughout the period to absorb exchange loses.
- 6 **07th March - Island-wide power cuts extended to 10hrs per day.**
- 7 **12th March - Substantial upward revision of fuel prices.**
 - Auto Diesel from Rs.121 to Rs.176 per Litre (46% increase)
 - Petrol 92 from Rs.177 to Rs.254 per Litre (44% increase)
- 8 **17th March - Severe shortage of fuel**
 - Sri Lanka scrambled to find foreign exchange to pay for fuel imports.
 - Breakdown of nation-wide transportation infrastructure.
 - Government ordered public sector employees to work from home for two weeks.
 - Economic activities throughout the country get severely affected due to poor labour turnout.
- 9 **08th April - Policy interest rates increased by 700 basis points.**
 - The highest single-day adjustment in recent history in order to curtail rising inflation.
 - Following sharp depreciation of the Rupee and the sustained rise in global commodity prices, sharp upward adjustments to domestic prices were observed posing substantial upside risks to inflation.
- 10 **12th April - Sri Lanka announced pre-emptive default on all external debt pending IMF Bailout Package.**
 - Sri Lanka falls in to default for the first time ever.
- 11 **12th April - Commenced negotiations with IMF for an Economic Adjustment Programme (EAP).**
- 12 **18th April - Substantial upward revision of fuel prices.**
 - Auto Diesel from Rs.176 to Rs.289 per Litre (64% increase).
 - Petrol 92 from Rs.254 to Rs.338 per Litre (33% increase).
- 13 **06th May - Restrictions imposed on payment terms for imports.**
 - Imposed restrictions on importation under Open Account Payment Terms and Consignment Account Terms for certain goods.
- 14 **09th May - Prime Minister resigned.**
 - Amid mass protests at the government's mishandling of deepening economic crisis.
- 15 **13th May - Commencement of daily exchange rate guidance with a band.**
 - To manage volatility in the exchange rate.
- 16 **19th May - Introduction of Margin Deposit requirement.**
 - To manage volatility in the exchange rate.
- 17 **24th May - Fuel price increase.**
 - Auto Diesel from Rs.289 to Rs.400 per Litre (38% increase)
 - Petrol 92 from Rs.338 to Rs.420 per Litre (24% increase)

18 01st June - VAT rate on supply of goods and services increased from 8% to 12%.

19 01st June - Telecommunication Levy increased from 11.25% to 15%.

20 26th June - Fuel price increase.

- Auto Diesel from Rs.400 to Rs.460 per Litre (15% increase).
- Petrol 92 from Rs.420 to Rs.470 per Litre (12% increase).

21 12th July - Exporters were allocated fuel by the government on the basis of USD pre-payment.

22 14th July - President officially resigned.

- Giving in to months-long nationwide public protest against government's mishandling of the economy.

23 17th July - A slight reduction in fuel prices.

- Rs. 20 per Litre on Petrol 92 and Auto Diesel

24 21st July - A new President sworn in.

25 01st August - National Fuel Pass QR Code system introduced.

- Weekly quotas given for prescribed vehicle category.
- A slight reduction in Auto Diesel prices (Rs.10 per Litre).

26 10th August - Substantial upward revision of Electricity Tariff (Average 75%)

27 23rd August - More items added to the list of temporarily suspended imports.

28 01st September - Concluded negotiations on the IMF staff level Agreement.

29 01st September - VAT rate for supply of goods and services increased from 12% to 15%.

30 22nd September - Headline inflation recorded 69.8%.

- Indicating a potential for Hyper Inflation.
- Inflation increased from 2.1% in Dec, 2021 to 69.8% in Sep. 2022 and dropped to 50.3% in Mar. 2023.

31 01st October - Fuel prices reduced

- Petrol 92 reduced from Rs.450 to Rs.410 per Litre (9% reduction).

32 01st October - Standard Corporate Income Tax rate increased to 30%.

33 01st October - A Social Security Contribution Levy of 2.5% imposed on turnover for importers, manufacturers, service providers, wholesalers and retailers who have an annual turnover exceeding Rs.120 Million.

34 17th October - Fuel prices reduced

- Price of Petrol 92 reduced from Rs.410 to Rs.370 per Litre (10% reduction)

35 23rd November - Import restrictions on 77 items (H.S. Code) lifted.

36 06th December - Fuel prices reduced

- Price of Auto Diesel reduced from Rs.430 to Rs.420 per Litre (2% reduction).

2023

37 01st January - Excise Duty on Petrol and Diesel increased by Rs.25 per Litre.

38 03rd January - Fuel prices reduced

- Price of Auto Diesel reduced from Rs.420 to Rs.405 per Litre (4% reduction).

39 01st February - Fuel prices increased

- Price of Petrol 92 increased from Rs.370 to Rs.400 per Litre (8% increase).

40 15th February - Another substantial upward revision of Electricity Tariff (Average 66%).

41 03rd March - Policy interest rates further increased by 100 basis points.

42 07th March - Revocation of Exchange Rate guidance and mandatory forex sales requirement by banks.

43 20th March - Received IMF Executive Board Approval for Sri Lanka's External Fund Facility (EFF).

44 29th March - Fuel price reduced.

- Auto Diesel from Rs.405 to Rs.325 per Litre (20% reduction)
- Petrol 92 from Rs.400 to Rs.340 per Litre (15% reduction)

45 31st March - Exchange rate reduced to Rs.327 per USD.

Economic Review

Negative Growth recorded in the Construction Sector and Cement Consumption

The Construction Sector contracted by 20.9% in 2022 as a consequence of both demand and supply side impediments. On the demand side, the high interest rate environment and hindrances stemming from the suspension of government funded projects curtailed private investments. This was exacerbated by supply side interruptions. For instance, shortages of building materials, soaring input costs and non-settlement of due payments to contractors led to this sharp contraction in the construction sector.

Accordingly, consumption of all building and construction materials such as Cement, Sand, Steel, Tiles, Bricks, Electrical Cables, etc. declined sharply in 2022.

Meanwhile, mining and quarrying activities that provide inputs to construction activities, such as sand mining, also contracted by 31.0% in 2022.

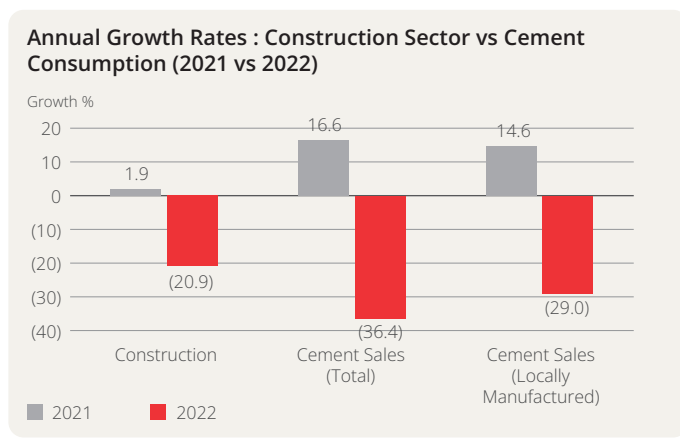
Expenditure on imports of investment goods declined by 32.1% year-on-year, to USD 3.03 Billion in 2022, recording the lowest expenditure since 2010.

Significant declines in import expenditure in all three main categories of investment goods, namely machinery and equipment, building material, and transport equipment, and their sub-categories, were observed in 2022. Building material imports declined substantially by 35.8% in 2022. Iron, steel, cement, ceramic products, and asbestos were the main contributors to the building material imports decline.

CEMENT INDUSTRY: PERFORMANCE

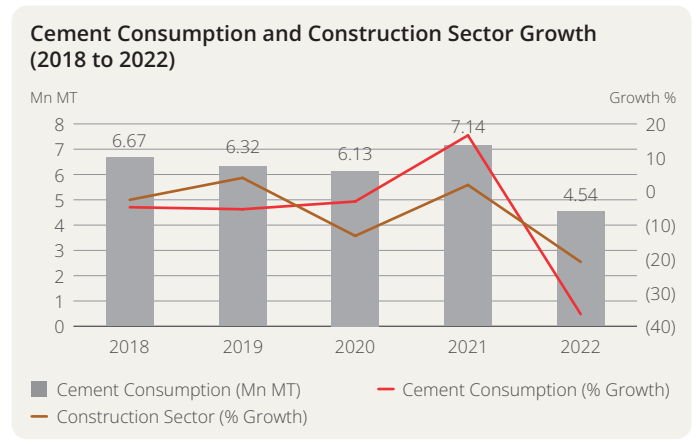
Sri Lanka's cement consumption also contracted by 36.4% in 2022 compared to 16.6% growth recorded in 2021. Similarly, sales of locally manufactured cement declined by 29.0% in 2022 compared to 14.6% growth recorded in 2021. (Graph - 4)

Graph - 4



Sri Lanka's cement consumption decreased from 7.14 Million MT in 2021 to 4.54 Million MT in 2022, reflecting a 36.4% annual growth reduction. A similar trend was recorded by the construction sector as well, with a 20.9% growth reduction during the same period. (Graph - 5)

Graph - 5

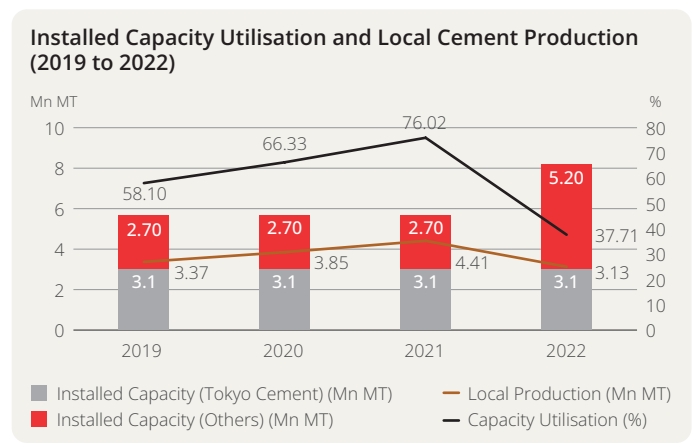


INSTALLED CAPACITY UTILISATION AND LOCAL CEMENT PRODUCTION

Total Installed Capacity of local cement manufacturers increased from 5.8 Million MT per annum in 2021 to 8.3 Million MT per annum⁴ in 2022. However, the utilisation of this installed capacity declined from 76.02% in 2021 to 37.71% in 2022. (Graph - 6)

The local cement production declined from 4.41 Million MT in 2021 to 3.13 Million MT in 2022, recording a 29.02% growth reduction.

Graph - 6

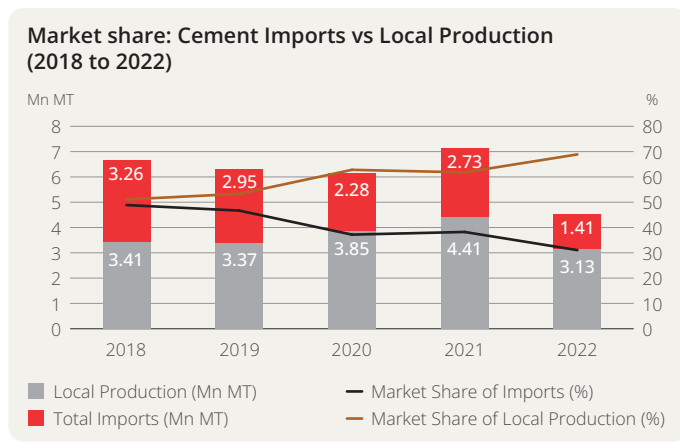


⁴ Lanwa Sanstha Cement Corporation (Pvt) Ltd inaugurated a new Cement Manufacturing Facility in Hambantota in March 2022. This led to the sharp increase in total installed capacity of local cement production.

MARKET SHARE: CEMENT IMPORTS VS. LOCAL PRODUCTION

Cement imports declined from 2.73 Million MT in 2021 to 1.41 Million MT in 2022 (Graph – 7), reflecting a significant 48.5% contraction. The Market Share of local cement production increased from 61.8% in 2021 to 68.9% in 2022, reflecting a 11.5% increase.

Graph - 7



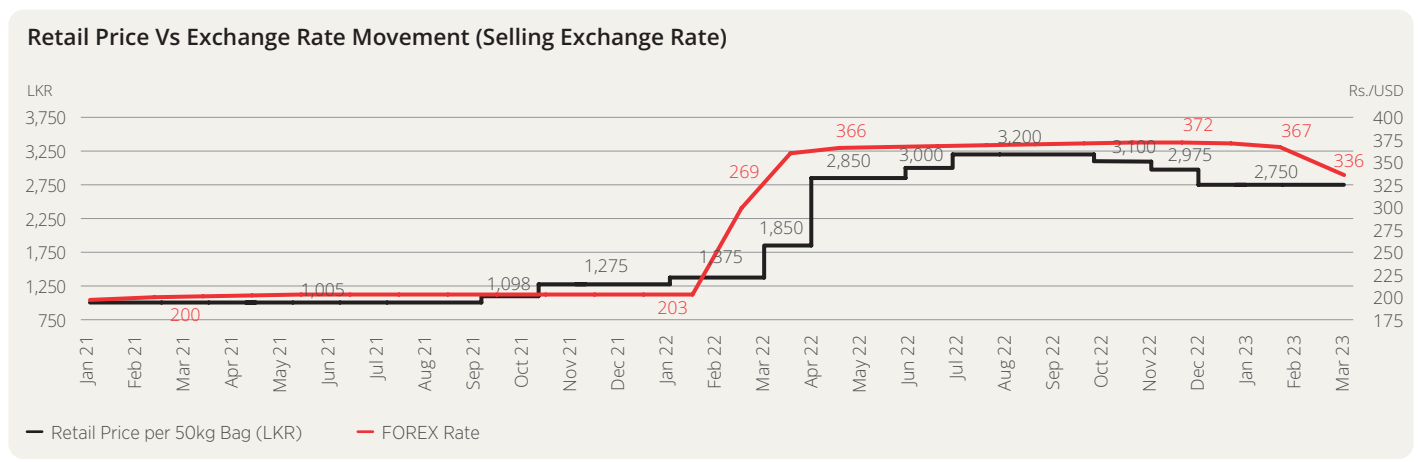
BEHAVIOUR OF EXCHANGE RATE, INFLATION AND CEMENT PRICES

Building material prices including Cement began to rise from March 2022 largely due to currency depreciation, fuel shortages, power outages, widespread scarcity of key imported raw materials and other essentials, and soaring costs of production, among other factors.

Exchange Rate impact on Cement Retail Price

The Sri Lankan Rupee was maintained in the range of Rs.200 – 203 per USD up to February 2022. (Graph – 8)

Graph - 8



The significant shortage in liquidity in the domestic foreign exchange market, the widening spread between the official exchange rate and ‘grey market rate,’ and worsening global conditions continued to exert pressures on the currency, necessitating a measured adjustment in early March 2022.

However, with the introduction of the exchange rate flexibility on 7th March 2022, the Rupee depreciated sharply up to Rs.299 per USD by 28th March 2022. This trend continued further, and the Rupee depreciated to Rs.366 per USD by 30th May 2022. As a result the Rupee depreciated by nearly 80% within a period of less than two months from March to May 2022.

Accordingly, the Sri Lankan Rupee experienced high volatility and registered its largest depreciation against the USD during the first half of 2022, before stabilising around the guidance band introduced in May 2022.

To reduce this significant volatility driven by excessive speculation and its adverse spillover effects on the economy, the Central Bank of Sri Lanka (CBSL) introduced a variation band, announced on a daily basis as a temporary measure to manage the intra-day volatility in the exchange rate. Consequently, from 13th May 2022 to end December 2022, the Sri Lanka Rupee recorded only a marginal depreciation against the USD.

Accordingly, the annual depreciation of the Rupee (based on end of period exchange rates) was 81.2% against the USD by end 2022. Similarly, the Sri Lankan Rupee depreciated against the Euro (70.6%), the Pound Sterling (61.6%), Japanese Yen (57.2%), Chinese Yuan (66.0%) and the Indian Rupee (62.8%) by end 2022.

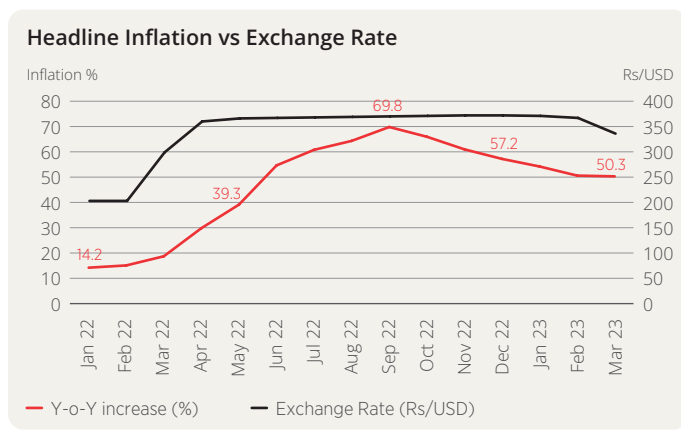
The CBSL announced the complete removal of the guidance band and a mandatory sales requirement by licensed banks with effect from 7th March 2023. As a combined impact of these measures the Sri Lanka Rupee appreciated gradually by 10.9% to Rs. 327.14 per USD by end March 2023.

Economic Review

Accelerated Inflation

Headline inflation accelerated significantly during the nine months ending September 2022, reaching a historically high level, before trending downwards. Accordingly, headline inflation, as measured by the year-on-year change in the CCPI (2013=100) accelerated to 69.8% in September 2022, before moderating to 57.2% by end 2022. (Graph - 9). Excessive financing of the budget deficit by the CBSL in a country without convertible currency also fuelled inflation.

Graph - 9

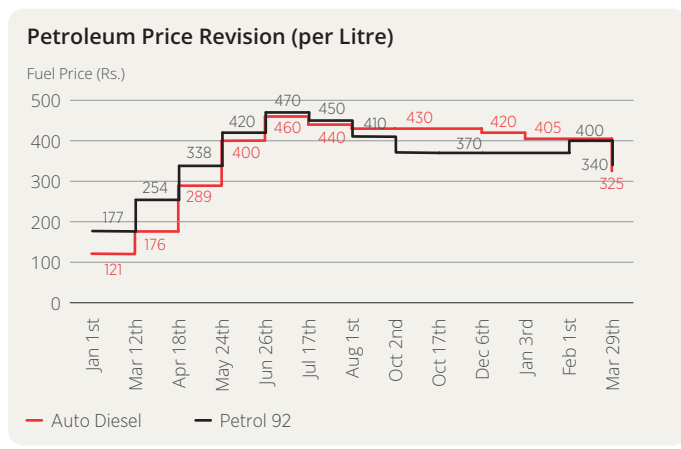


The unprecedented acceleration of headline inflation was mainly due to the notable rise in food and utility prices, supply-side disruptions, the sharp depreciation of the Sri Lanka Rupee against the USD, and the subsequent adjustments in administered prices, such as energy and transport prices and their spillovers.

Fluctuations in Fuel Prices

The fuel prices increased significantly from March 2022 to June 2022 period. The behaviour of Auto Diesel and Petrol 92 prices from 1st January 2022 to end March 2023 is given in Graph - 10.

Graph - 10



Deposit and Lending Interest Rates

Market lending interest rates increased notably during 2022 in response to the tight monetary and liquidity conditions, while certain lending interest rates began to moderate towards end 2022. The unprecedented increase in the CBSL's policy interest rates, the substantial liquidity deficit in the domestic money market that drove up deposit interest rates, the pricing of elevated credit risk amidst the contraction of economic activity, and the elevated yields on government securities, mainly caused the rise in market lending interest rates in 2022.

Cement Prices

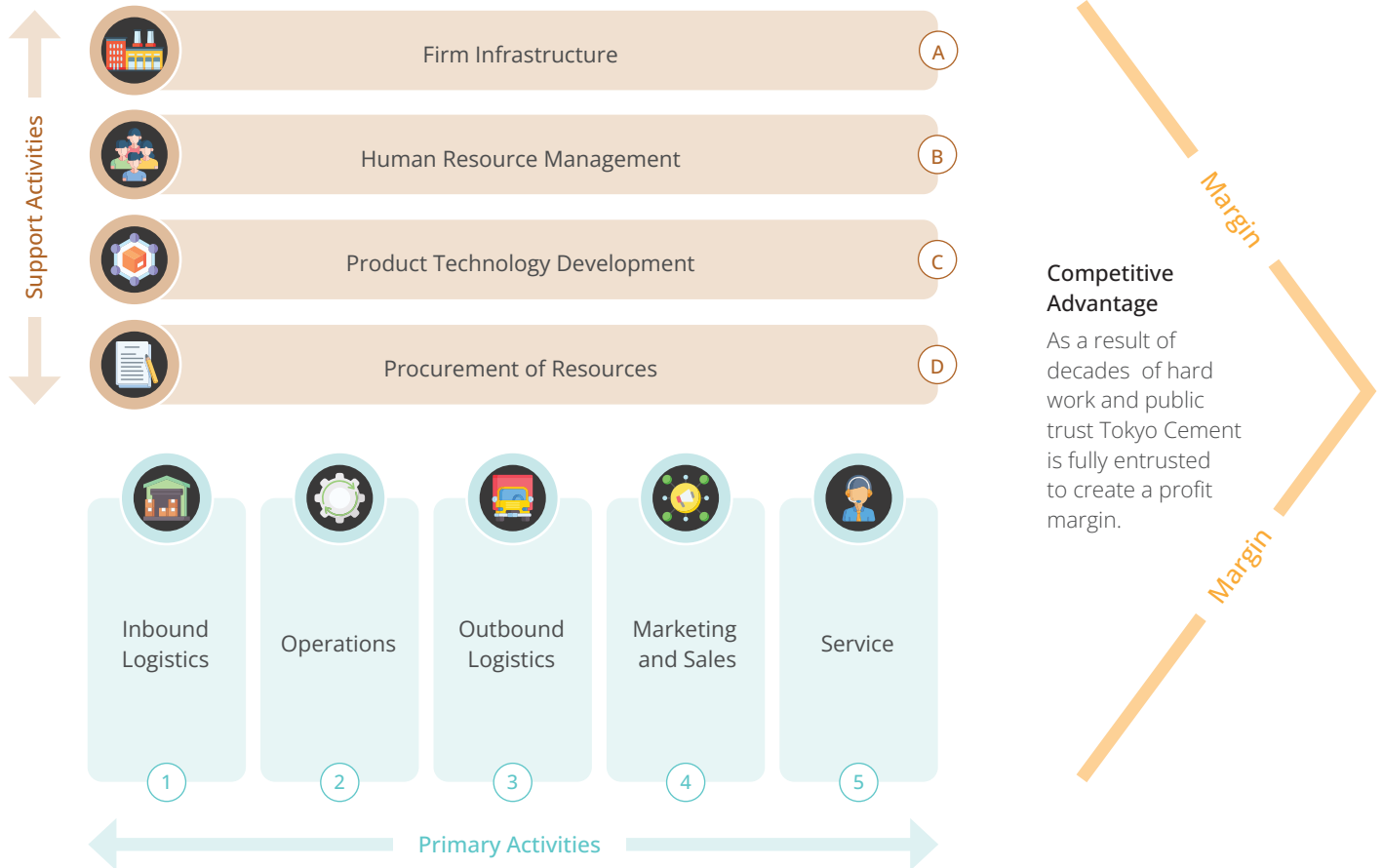
The prices of all inputs including raw materials such as clinker, paper for bags, chemical additives and machinery spare parts escalated considerably since November 2021. Besides price increases, global fuel prices and the unavailability of vessels shot up inbound freight rates by 300%. The deteriorating market conditions resulted in significant cost increases during this time frame.

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

The price of a 50Kg bag of Cement was adjusted to reflect these cost increases as outlined below.

- Feb, 2022** ↑ Increased from Rs.1,275/- to Rs.1,375/-
- Mar, 2022** ↑ Further increased to Rs.1,850/-
- Apr, 2022** ↑ Further increased to Rs.2,850/-
- Jun, 2022** ↑ Further increased to Rs.3,000/-
- Jul, 2022** ↑ Further increased to Rs.3,200/-
- Oct, 2022** ↓ Reduced to Rs.3,100/-
- Nov, 2022** ↓ Further reduced to Rs.2,975/-
- Dec, 2022** ↓ Further reduced to Rs.2,750/-

TOKYO CEMENT: VALUE CREATION



Firm Infrastructure A

- A-Listed company (Colombo Stock Exchange)
- Strategic planning
- Operational management
- Quality management
- Legal and regulatory affairs
- Finance and accounting
- Marketing and sales

Product Technology Development C

- Continuous improvement in product and process
- R & D centre
- Adopt new technologies
- Equipment maintenance
- New product design and research
- Product differentiation and climatisation
- Market testing

Human Resource Management B

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

Procurement of Resources D

- Supplier management
- Funding
- Sub-contracting
- Specifications
 - Raw materials
 - Other consumable items
 - Assets – machinery, lab equipment, office equipment, buildings

Economic Review

1

Inbound Logistics (Inputs)

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

2

Operations : Converts inputs in to desired products

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

3

Outbound Logistics (Storage and Distribution)

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

4

Marketing and Sales

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

Corporate Responsibility Projects

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

5

Services

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

SOME APPLICABLE POLICY MEASURES ADAPTED IN 2022/23⁵

Date	Policy	Impact
Foreign Exchange Management and International Operations		
2 nd December 2022	Gazette notification issued granting permission for companies incorporated in Sri Lanka, which import raw materials for manufacturing of products with a domestic value addition of at least 30% (borrower), to obtain foreign currency loans for a tenure of less than three years including a minimum grace period of one year, from the parent company or a company within the same group of companies incorporated outside Sri Lanka (lender), for the purpose of financing the payments of such imports.	Facilitate import of raw materials through foreign currency loans for manufacturing of value-added products.
Import and Export Controls		
9 th March 2022	Gazette notification issued with a list of goods, the importation of which requires an import control license.	Import restrictions imposed, reduced availability of household appliances and building materials increasing cost of construction.
9 th April 2022	Gazette notification issued with a list of additional goods that would require an import control license.	Import restrictions further tightened.
9 th September 2022	Gazette notification issued, <ul style="list-style-type: none"> • Temporarily suspending/imposing an import control license on selected items, • Removing the temporary suspension on the importation of some items and introducing terms for exemptions with the approval of relevant authorities. 	Import restrictions relaxed.
1 st January 2023	Gazette notification issued with a consolidated list of goods, for which the importation requires an import control license, and selected items, for which the issuance of Import Control License was suspended until further notice. Gazette notification issued with a consolidated list of imports under temporary suspension and introduced terms for exemptions with the approval of relevant authorities.	Import restrictions revised.
Tax Revisions		
Income Tax		
19 th December 2022	Inland Revenue (Amendment) Act, No. 45 of 2022 was enacted to amend the Inland Revenue Act, No. 24 of 2017. Main amendments proposed in the Act include: <ul style="list-style-type: none"> • Mandate employers to deduct Advance Personal Income Tax (APIT) irrespective of the consent of employee, with effect from 1st January 2023, • Increasing the standard corporate income tax rate to 30% from 24%, with effect from 1st October 2022, 	Reduction in real wages of employees. Reduction in corporate profit margins after tax.

⁵ In addition to policy measures already outlined in the 'Timeline' section.

Economic Review

Date	Policy	Impact
	<ul style="list-style-type: none"> Removing the concessionary rates in relation to corporate income tax, with effect from 1st October 2022. Different Withholding Tax (WHT) rates introduced for different service categories. WHT on dividend declared by a resident company shall be a final tax payment with effect from 1st January 2023. 	<p>Reduction in corporate profits.</p> <p>Increases tax burden on service providers.</p> <p>Disincentivises investment in companies.</p>
Value Added Tax (VAT)		
31 st March 2022	Value Added Tax Act, No. 14 of 2002 was amended by the Value Added Tax (Amendment) Act, No. 13 of 2022 to increase the VAT rate from 15% to 18% on financial institutions with effect from 1 st January 2022 and to exempt certain goods and services from VAT.	Price increase in supply of financial services.
14 th December 2022	Value Added Tax (Amendment) Act, No. 44 of 2022 was enacted to amend the Value Added Tax Act, No. 14 of 2002 to accommodate following: <ol style="list-style-type: none"> To legalise the increase in VAT rate on the value of goods or services supplied, or goods imported: <ul style="list-style-type: none"> from 8% to 12% with effect from 1st June 2022 to 31st August 2022, from 12% to 15% with effect from 1st September 2022. To decrease the turnover threshold to be VAT registered from Rs. 300 Million to Rs. 80 Million per annum with effect from 1st October 2022. 	<p>Provide legal effect for the increase in VAT rates.</p> <p>Widening the tax base.</p>
Customs Duty		
31 st May 2022	A surcharge between 25% - 200% was imposed on the importation of selected items for a period of six months with effect from 1 st June 2022.	Increase in prices of selected imported items.
15 th November 2022	Fixed Rate of the Customs Duty revised on par with the Ad Valorem Rate.	To arrest the leakage of benefits of LKR depreciation.
Other Taxes and Levies		
8 th April 2022	A one-time 25% Surcharge Tax was imposed in retrospect, on individuals, partnerships, and companies, whose annual taxable income exceeds Rs. 2 Billion, commencing from 1 st April 2020.	A significant tax burden on high-end taxpayers.
4 th June 2022	The Telecommunication Levy was increased from 11.25% to 15% with effect from 1 st June 2022.	Cost increase in using Telecommunication services.
20 th September 2022	A 2.5% Social Security Contribution Levy was imposed on importers, manufacturers, service providers, wholesalers, and retailers, with an annual turnover exceeding Rs. 120 million, with effect from 1 st October 2022.	Increase in price of goods and services.

FUTURE OUTLOOK AND WAY FORWARD

The Sri Lankan economy will continue to face significant challenges in 2023 and beyond. Trade liberalisation, additional resources, and a flexible exchange rate are necessary to avoid economic stagnation at a below potential equilibrium.

Additional resources, largely from international partners, will be needed in 2023 and beyond to close the external financing gaps.

However, rating downgrades have constrained Sri Lanka's market access. All major international Rating Agencies have continued to further downgrade Sri Lanka's sovereign credit ratings in 2022, following the pre-emptive default of selected foreign debt service payments.

Accordingly, Credit Rating Agencies downgraded Sri Lanka's sovereign rating to the substantial risk investment category as outlined below.

S&P	Downgraded Sri Lanka to CCC on 12 th January 2022 and to SD on 25 th April 2022. <hr/> SD means selectively defaulted category
Moody's	Downgraded Sri Lanka to Ca (stable) on 18 th April 2022. <hr/> Ca means highly speculative and are likely in default with some prospects of recovery in principal and interest.
Fitch	Downgraded Sri Lanka to RD (Restricted Default) on 19 th May 2022. <hr/> RD means an entity that has defaulted one or more of its financial commitments, although it continues to meet other financial obligations.

All three Rating Agencies flagged Sri Lanka's heightened external vulnerabilities, limited financial options, and weak fiscal balances, thus constraining Sri Lanka's access to financial markets.

Reforms Needed

Sri Lanka has a long road to recovery. It is imperative that the country addresses the root causes of internal and external imbalances, for which an unwavering commitment to reforms is essential.

The needed reforms include enhancing domestic resource mobilisation, reformation and divestment of state-owned enterprises to reduce their fiscal burden, strengthening public financial

management, and encouraging private sector activities through harmonising trade and investment policies. Improving governance and accountability mechanisms, such as strengthening anti-corruption legislation, building strong institutions, and increasing transparency, will also be essential to address Sri Lanka's economic vulnerability.

Sri Lanka's recovery from the crisis hinges on timely progress on debt relief and steadfast implementation of reforms. Moreover, a gradual restoration of a market-determined and flexible exchange rate is required to facilitate external adjustments and rebuild international reserves.

Positives

The IMF Board approved a USD 2.9 Billion, 48-month Extended Fund Facility programme in March 2023, after securing financing assurances from official creditors to provide debt relief consistent with the IMF's debt sustainability framework.

Reform measures, such as the reversal of the tax cuts of 2019, and the IMF's Extended Fund Facility arrangement will support the country's efforts to stabilise its economy.

The Country Outlook and Growth Forecast

The fluid political situation and heightened fiscal, external, and financial sector imbalances pose significant uncertainty.

A notable economic contraction is likely to continue through 2023 as well⁶. Thereafter, the recovery depends on progress with fiscal consolidation, debt restructuring, and growth-enhancing structural reforms.

The CBSL projects the economy to contract by 3% in 2023, following the contraction of 7.8% in 2022, as demand continues to be subdued, job and income losses intensify, and supply side constraints adversely effect production.

The scarring effect of the crisis, and depletion in human capital as skilled workers migrate are expected to lead to a fragile recovery beyond 2023.

The Asian Development Bank's (ADB) annual flagship economic publication, the Asian Development Outlook (ADO) forecasts Sri Lanka's economy to contract further in 2023 before it begins a gradual recovery in 2024, as the country navigates an unprecedented economic crisis.

Despite tightened monetary policy, inflation will likely stay elevated. Sri Lanka's inflation rates are forecasted at 24.6% in 2023 and 5.5% in 2024⁷.

^{6 & 7} Asian Development Outlook (ADO) April 2023, The Asian Development Bank.

Economic Review

The depth of the economic crisis has made it clear that Sri Lanka needs a new development model. But the road to recovery is challenging and the necessary fiscal adjustment measures can be painful. However, Sri Lanka can use this opportunity to build a strong and resilient economy.

Per capita GDP growth for Sri Lanka is expected at (3.3%) in 2023 and 0.4% in 2024⁸.

A New Development Model

Sri Lanka is at a critical juncture in its history. Years of economic mismanagement, poor policy choices, and the impacts of external shocks such as the COVID-19 pandemic and the Russian invasion of Ukraine, plunged the country into its worst-ever crisis in 2022.

Economic collapse and political instability have devastated lives and livelihoods across the board, dealing the heaviest blow to the poorest and most vulnerable. The current crisis is not a temporary liquidity shock that can be resolved only by external financing support from outside.

Instead, the crisis provides a unique opportunity to implement deep and permanent structural reforms that may be difficult in normal circumstances. Examples of other countries with similar experiences suggest that unless root causes of the crisis are addressed, such events tend to reoccur.

The depth of the economic crisis has made it clear that Sri Lanka needs a new development model. But the road to recovery is challenging and the necessary fiscal adjustment measures can be painful. However, Sri Lanka can use this opportunity to build a strong and resilient economy.

Since Sri Lanka is still an under-developed country recording a low GDP growth particularly since 2018, all efforts have to be made to enhance growth in a sustainable manner.

In this context, the Construction Sector, which accounts for nearly 8% to 10% of the GDP has a significant role to play. This sector has recorded a negative growth in the recent years. Therefore, it is imperative to ensure new investments into the Construction Sector to re-build the Sri Lankan economy for a better future.



Dr. Nihal Sammarappulli
Director - Economic Research

18th July 2023

⁸ Asian Development Outlook (ADO) April 2023, The Asian Development Bank.

Management Discussion and Analysis

Having analysed the probability and the intensity of the imminent economic downturn, Tokyo Cement took proactive steps to reforecast demand, reschedule sourcing and production plans, and adjust the cash flows, to mitigate the impact of unavoidable exchange losses and sharp cost increases.

Operations

Tokyo Cement recorded a 7.6% growth in turnover compared to the previous year, despite a significant slump in sales volumes. However, through the employment of strict efficiency improvements, drastic cost saving measures and lean management practices, the Group was able to record a Profit After Tax of Rs. 4.9 Billion. This reflects a significant improvement against the loss of Rs. 358 Million in the previous year.

The Group's operating expenses reduced by around 4.6% during the year despite administrative and distribution costs increasing by 90.7% and 32.5% respectively. The increases in staff costs and utility costs due to domestic inflationary pressures also contributed to the increase in Administrative and Distribution Expenses.

The financial year is marked by raw material shortfalls due to national forex illiquidity, and demand decline stemming from the economic downturn. Despite substantial exchange losses, record interest rates, high freight and raw material costs, the Group managed to stabilise its financial performance amidst turbulent market conditions.

Market Condition

The foreign exchange illiquidity that started at the end of the previous financial year, deteriorated rapidly to set off a string of unprecedented negative repercussions. Acute fuel shortages from February 2022 resulted in days-long queues at fuel stations, severely hampering public, and private transportation, whilst incessant

price increases resulted in sharp hikes in related costs and distribution charges. Island-wide power cuts that lasted up to thirteen hours a day caused extensive disruptions to daily life, and to the operations of factories and businesses.

The forex shortage further caused sharp price hikes and scarcities in all essential items and basic commodities. Delays in fund arrangements for all imports; including raw materials for manufacturing businesses and fuel to operate logistics networks, lead to production blackouts and transport system breakdowns, hampering supply chains from end-to-end.

Amidst the escalating financial crisis and the ensuing social and political strife, in April 2022 Sri Lanka announced the first ever foreign debt default in its history since independence citing insufficient foreign reserves. To assuage the impact of dollar shortage on domestic consumption, strict import restrictions were imposed on a wide range of items.

The average weighted prime lending rate increased from 9.71% to 21.12% in the first quarter, whilst Value Added Tax (VAT) rate was increased from 8% to 12% with effect from 1st June 2022. Businesses were compelled to adjust retail prices of goods to reflect the increases in raw material price, production, and operational costs, further compounded upon by the steep depreciation of the Rupee.

Intense currency depreciation, economic and political instability, reduced availability, and affordability of construction

materials and labour, and spiking interest rates, compelled developers to halt ongoing projects and postpone the commencement of new construction projects. Additionally, the sector became severely cash strapped due to the stoppage of infrastructure projects, with billions worth of payments outstanding to contractors on government projects.

Meanwhile, due to a confluence of reasons such as currency depreciation, scarcity of goods, hampered agricultural yields, rising distribution costs, and lowered productivity, the rate of inflation increased to record levels. On top of increasing inflation, the introduction of higher personal income tax rates and high interest rates exerted additional pressure on individual consumer segments deterring the investment of their dwindling disposable income on construction work.

In consideration of all factors the cement industry decided to absorb the second VAT increment from 1st September 2022, resulting in a cumulative VAT increase of 7% to 15% overall. In addition, the industry also absorbed the 2.5% Social Security Contribution Levy (SSCL) introduced from 1st October 2022, without transferring the additional costs to the consumer. This SSCL absorption resulted in a further increase in the Group's administrative costs.

At the start of the second half of the financial year, the industry was moving towards a slow halt. Due to this industry stagnation, local cement manufacturers were operating at capacity utilisations as low as 40%, indicative of the drastic drop in cement demand. Consequently, cement

Management Discussion and Analysis

imports reduced by 48% between 2021 to 2022, whilst local cement production reduced by 29%, and overall cement consumption reduced by 36%. The industry which had an average demand of 650,000-700,000 MT per month last year, shrunk to an average of 250,000-300,000 MT per month this year. Given this market contraction and despite there being a new entrant to the market, Tokyo Cement was able to sustain its market share.

By the third quarter, foreign exchange liquidity in the domestic financial system recorded a slight improvement due to the slow yet steady inflow of export proceeds and migrant worker remittances. The influx of foreign exchange from tourism and hospitality sectors indicated some promise with the onset of the season. Tight fiscal controls coupled with strict import regulations deployed by the Central Bank of Sri Lanka helped improve the country's foreign reserves resulting in the Rupee to the US Dollar rate stabilising. In addition to this, a decrease in global freight costs contributed to the reduction of the price of essential goods, including fuel and LP Gas, and consequently the headline inflation rates.

With the majority of international creditors providing positive assurances to restructure outstanding loans, the first tranche of the International Monetary Fund (IMF) approved Extended Fund Facility for Sri Lanka was received in March. As a result, the Rupee marginally appreciated against the US Dollar the benefit of which should reduce raw material import expenses thereby reducing the cost of cement production in the future. However, high interest rates on Import Demand Loans still continue to impact the cost of goods sold.

Capital Expenditure

In 2022 the Group initiated an upgradation of one of its cement grinding mills that would increase overall cement production capacity from 3.1 Million MT to 4 Million MT per annum. Furthermore, the application of the latest technology in the new grinding facility would reduce

production costs. However, as part of the exercise to curtail financial exposure, this factory expansion project was temporarily postponed in the second quarter.

Consequent of the stable financial position after the third quarter gave Tokyo Cement the confidence to recommence the project.

Tokyo Cement Group's culture drives the adoption of modern technology at regular intervals with the objective of improving efficiency and productivity. This practice of being future-ready also allows the Group to update the local production process to stay abreast with global standards in quality and sustainable manufacturing. As such, this project is expected to be completed by early 2024 and will provide the Group with a distinctive competitive advantage by the time the local construction industry rebounds.

Price Revisions

The price of a 50kg bag of cement which stood at Rs. 2,350/- at the start of the financial year was revised upwards on several occasions reflecting the impact of the Rupee depreciation, and the increase in operational costs. By the second quarter these economic factors pushed the price of a 50kg bag of cement to reach a maximum of Rs. 3,200/- .

However, with the gradual decline of costs, local cement manufacturers reduced the price of a 50kg bag of cement on three occasions during the third quarter. By December the price of a 50kg bag of cement dropped to Rs. 2,750/- reflecting the marginal reduction of global freight rates and cost of goods. At the point of writing this report, the price of a 50kg bag of cement stands at Rs. 2,300/-.

Cost Management

Having analysed the probability and the intensity of the imminent economic downturn at the beginning of the financial year, Tokyo Cement implemented a series of control measures to prepare the Group to withstand the situation with greater resilience. The Group took proactive steps to reforecast demand, reschedule sourcing and production plans, and adjust

the cash flows, to mitigate the impact of unavoidable exchange losses and sharp cost increases.

As anticipated, finance expenses of the Group surged as a result of the considerably increased interest rate burden. The average interest rate on short-term borrowings to finance raw material imports went up to almost 30% for the year. Aggressive cost management policies and efficiency improvements implemented to control operational, marketing, and overhead costs helped soften the blow of the exchange loss to a certain extent. However, the newly enacted 30% corporate income tax rate had a significant impact on the financial performance of the Group.

To overcome the impact of currency depreciation and shortage of imported raw materials, Tokyo Cement introduced locally sourced, alternative raw materials to its cement manufacturing process.

The Group was able to control its marketing expenditure using cost-effective mediums that maintained customer engagement. Further, the Group was able to maximise the impact of the marketing budget through tight negotiations with suppliers and service providers.

The Group was able to contain operational costs by utilising its own engineering and technical resources to carry out essential repairs and maintenance. Reduced plant utilisation allowed for rescheduling of maintenance to a lower frequency and curtail costs associated with spare parts, repairs, breakdowns, and maintenance stoppages. Careful scheduling of production allowed to minimise operational expenses associated with overtime and contracted labour costs.

Notably, the thoughtful design of its local manufacturing process to operate exclusively on renewable biomass energy played a significant role in effectively managing operational expenses. As a result, the Group's manufacturing

process was largely unencumbered by the substantial increase of electricity tariffs and fuel prices. The Group's 100% energy independence allowed for the cement production to continue uninterrupted amidst power cuts that plagued other industries.

These concerted cost containment strategies implemented by the Group to address the urgency of the economic situation, allowed it to safeguard the positive financial momentum despite operating amidst turbulent market conditions.

Performance of Tokyo Cement Power

The renewable energy generation programme of Tokyo Cement Group proved to be one of the critical success factors that contributed to the Group's financial position in FY 2022/23. Tokyo Cement was insulated from a severe blow on its operational costs that could have resulted from the almost doubling of electricity tariffs. The Group was able to withstand the shocks that arose from the increase of electricity tariffs and fuel prices thanks to being 100% energy independent in running the entire local manufacturing process on renewable energy.

Despite insulating the Group from increased electricity tariffs and power cuts, Tokyo Cement Power had its fair share of challenges over the course of the year. The operation of Tokyo Cement Power was disrupted intermittently due to problems coinciding with the economic crisis. This included the acute shortage in sourcing agricultural waste, and complete breakdown of the transportation networks causing interruptions to the supply chain. Furthermore, the sector was faced with severe cash flow problems due to the Ceylon Electricity Board (CEB) delaying payments for energy already supplied to the grid by almost a year. This resulted in the temporary stoppage of the Mahiyangana Dendro Power Plant, causing setbacks in cash flow to support the livelihoods of rural farming communities.

The two power plants in Trincomalee that supply electricity to the cement factories operated continuously to avoid disrupting the manufacturing process.

With the partial settlement of outstanding payments by the CEB, coupled with the decision to increase power purchasing rates from renewable energy suppliers, the Group was able to resume power supply to the grid. From September 2022 onwards Tokyo Cement Power was able to operate at full capacity.

Tokyo Cement Group pioneered the renewable energy generation movement in the local corporate sector to become the single largest contributor of Biomass Power in Sri Lanka with a total installed capacity of 24MW. In addition to two biomass power plants in Trincomalee, with a capacity of 10MW and 8MW each, the Group also operates a 6MW Dendro power plant in Mahiyangana. Tokyo Cement Power also generates 600kW of roof-top solar power. Through this renewable energy generation initiative, the Group retains a major portion of the energy bill within the local economy instead of spending it on imported fossil fuels making a significant contribution to establish national energy security.

Performance of Tokyo Supermix

The Ready Mix Concrete (RMC) business unit of the Tokyo Cement Group, TOKYO SUPERMIX, was able to maintain its positive momentum from the previous year to the current financial year despite an overall industry stagnation. Regardless of the significant decline in revenue generation, lean management practices and strict

The Group's 100% energy independence allowed for the cement production to continue uninterrupted amidst power cuts that plagued other industries.

cost controls already in place helped minimise the drop in profitability of TOKYO SUPERMIX for the financial year.

The RMC industry experienced a severe setback amidst the ongoing economic crisis of the country. For an industry that was struggling to recover from pandemic-related setbacks, the financial crisis dealt a heavy blow when most large-scale development and government-lead infrastructure projects were put on hold indefinitely. Scarcity of material and cost escalations put a stop to many construction projects with the biggest impact being felt by contractors on government projects due to the large amount of payments outstanding. As a result, the total RMC market contracted by approximately 60% year-on-year.

TOKYO SUPERMIX was able to effectively leverage its backward integration in sourcing high-quality raw materials at consistent prices, minimising exposure to manufacturing cost increases. One such instance of vertical integration is the sand manufacturing which allowed TOKYO SUPERMIX to have a continuous supply of competitively priced sand when availability was scarce, and prices tripled due to supply economics and transport network breakdowns.

In addition, by relying on the Group's own technicians to manage the essential maintenance work of all RMC plants around the island, TOKYO SUPERMIX was able to significantly reduce its overhead costs. Through cadre right-sizing the business unit was able to further improve operational efficiency to meet its performance objectives.

Notwithstanding the stagnant market conditions, TOKYO SUPERMIX continued to invest in process innovation and product development aiming to enhance product and service excellence. By optimising concrete mix designs through internal benchmarking, customising admixtures,

Management Discussion and Analysis

and fine-tuning the quality of raw material inputs to deliver better performance, TOKYO SUPERMIX was able to offer existing solutions to the market at competitive price points. In addition, TOKYO SUPERMIX reinforced its strengths in new product development, aided by the technical and engineering expertise of the Construction Research Centre, to introduce several new concrete mix designs that address specific requirements in the construction field.



TOKYO SUPERMIX sponsored the Business Forum 07 of the International Water Conference 2022 event of the National Water Supply and Drainage Board.

Furthermore, TOKYO SUPERMIX participated in strategic stakeholder engagement activities to reaffirm its market leadership position. By partnering with key industry associations the company contributed to raise the industry standards on service excellence, providing top-level stakeholder relationship building and knowledge-sharing opportunities.

Performance of Tokyo Super Aggregate

Tokyo Super Aggregate continued to fulfil its strategic role by ensuring an uninterrupted supply of aggregates for the TOKYO SUPERMIX Ready Mix Concrete business unit. This vertical integration ensures consistent quality of manufactured sand and metal used in a range of sophisticated concrete mix designs, making it a critical success factor of the TOKYO SUPERMIX operation.

During the financial year, fuel price increases and shortages posed the biggest threats to the operation of Tokyo Super Aggregate, further intensified by the persistent power outages and electricity tariff hikes. However, the lean operations structure coupled with stringent management oversight allowed Tokyo Super Aggregate to abate the impact of these challenges to a great extent.

Performance of cement-based Value-Added Products

Tokyo Cement Groups' cement-based Value-Added Product range marketed under the TOKYO SUPER brand umbrella, consists of a comprehensive set of ready-to-use dry mortar products that have successfully transformed the construction materials market in Sri Lanka. By drastically changing traditional construction practices these products have significantly improved efficiency and productivity of the construction process, whilst reducing its resource footprint. With the growth of the ready-to-use construction materials market, the TOKYO SUPER Value-Added Products range focused on further innovations that enabled growth in the sector.

The TOKYO SUPER Value-Added Products range has significantly improved efficiency and productivity of the construction process by changing traditional construction practices, whilst reducing its resource footprint.

The Cement-based Value-Added Products market experienced a significant drop in its year-on-year sales contribution with the contraction of the retail and large-scale projects market. Due to the restrictions on the importation of tiles, the local tile manufacturers tightened their grip over their own complimentary product range by demanding consumers to buy their own tile adhesives and grouts as a condition to fulfil tile orders. These import restrictions and the suspension of projects lead the TOKYO SUPERBOND tile adhesives range to experience a significant drop in sales.

Conversely, TOKYO SUPERSEAL water proofer experienced a slight uptake in the retail and projects market due to the gap created by import restrictions on foreign alternatives. TOKYO SUPERCASHT plaster master also managed to grow in comparison to the previous years, as a result of increased costs and breakdowns in sand supply to construction sites. However, with the suspension of projects large and small, the entire Value-Added Products market suffered heavily, resulting in a decline in demand and profitability.

In a background of complete market stagnation, the TOKYO SUPER Value-Added Products unit strengthened its product portfolio. This allowed the business unit to introduce 5 new products to the market.

This includes TOKYO SUPERFIX High Flowable Construction Grout, TOKYO SUPERFIX Concrete Repair Mortar, TOKYO SUPERFIX Extra Bond, TOKYO SUPERBOND Tile Mortar, and the TOKYO SUPERSET Multipurpose Mortar.



TOKYO SUPERFIX High Flowable Construction Grout



TOKYO SUPERFIX Concrete Repair Mortar



TOKYO SUPERFIX Extra Bond



TOKYO SUPERBOND Tile Mortar



TOKYO SUPERSET Multipurpose Mortar

Marketing, Distribution and Sales

The marketing and sales function of Tokyo Cement was impacted by a number of challenges stemming from the widespread economic collapse. Due to the import restrictions in place the total responsibility to fulfil cement market demand fell on the local cement manufacturers. However, national forex illiquidity hampered the opening of Letters of Credit with suppliers, further delaying procurement of raw materials, leading to a cement shortage in the market. The situation was further aggravated by the nation-wide fuel shortage which broke down transport networks.

Meanwhile, the market contraction worsened from May 2022 as a result of the financial and political instability. Key development projects were cancelled or postponed by the private sector due to shortages in construction materials and increases in material prices and operational costs. Whilst most state-funded infrastructure projects were suspended indefinitely due to payment delays or non-payment by the government, setting off a critical cash flow issue amongst contractors.

Distribution cost per unit increased considerably due to the scarcity and pricing of fuel. Fuel prices rose from Rs. 121/- per litre in March 2022, to as high as Rs. 460/- per litre at its peak, averaging at a 280% cost increase. Fuel price volatility with fuel quotas restricted the logistics operations of dealers and distributors. Operational expenses of logistic service providers remained considerably higher due to limited availability and escalated pricing of spare parts and maintenance. Given these multiple factors, transportation costs continued to remain high even though the fuel prices had consecutive downward revisions from December 2023.

Despite the negative marketing environment, the Group shifted its focus to maintain top-of-the-mind brand associations already built around the value propositions of the products. By working closely with the distributors and top dealers in each sales region, the Group deployed several promotional activities that were specifically designed to support second and third tier retail network partners. The Tokyo Cement distributor and dealer network across the island extended their unwavering support to overcome the challenges, whilst ensuring the Group maintains its market share despite the overall shrinkage of market size.



The Company conducted 21 skills development and awareness building seminars that engaged over 1,400 Masons from all parts of the country.

The marketing support extended to the dealer network also included below the line promotional materials such as dealer boards, point of sale materials, and outdoor advertising to help maintain brand visibility. The commercial campaigns created last year for Cement and for Value-Added Products such as Tile Adhesives, Water Proofer and Wall Plasters were extended across all promotional mediums including TV, print, signage, and radio.

Management Discussion and Analysis

Social media platforms and digital marketing campaigns were used to efficiently target specific customer segments with improved mileage. This focused marketing drive also included cinema advertising and social media competitions to help build consumer relationships.


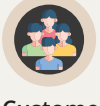






An amalgamated video tutorial was done to showcase how plastering is made easier with TOKYO SUPERCAS Plaster Master.



Video tutorials on usage benefits and long-term value of TOKYO SUPERSEAL Water Proofer were created in collaboration with the popular construction and home design social media influencer channel Lyra Studio.

Stakeholder Engagement

Stakeholder Segment	Engagement Activity
 <p>Shareholders</p>	<ul style="list-style-type: none"> • Media releases providing insights and analysis of the quarterly financial performance reports were published to help boost investor confidence. • The Group conducted quarterly investor relations calls and meetings in addition to participating in investor panels. • The investor relations team made themselves available for inquiries and clarifications from shareholders, brokerages, research houses, and funds. • The Shareholders' AGM for 2021/22 was held in line with the guidelines issued by the Colombo Stock Exchange on holding virtual/hybrid meetings and the applicable statutory laws.
 <p>Customers</p>	<p>Strategic Sponsorships</p> <ul style="list-style-type: none"> • Main Sponsor of the 13th Jaffna International Trade Fair 2023, held in March at Muttraweli Grounds, Jaffna. • Participation at the ARCHITECTS 2023 Exhibition held at the BMICH in February 2023. <p>Advertising and Promotions</p> <ul style="list-style-type: none"> • TV Advertising during the telecast of key sports tournaments including FIFA World Cup, Asia Cup Finals, Sri Lanka vs. Afghanistan Tour, Lanka Premier League, and Sri Lanka vs. India Tour. • Radio advertising for TOKYO SUPER, TOKYO SUPERBOND Tile Adhesives, TOKYO SUPERSEAL Water Proofer and TOKYO SUPERCAS Plaster Master were carried out during primetime news, drivetime shows and other popular programs. • Social media presence was enhanced through online marketing and advertising campaigns on popular platforms such as Facebook, Instagram, and YouTube. • A special digital campaign was carried out using instream ads on Facebook, Skip-ads on YouTube, and Google display ads. • Cinema Advertising was carried out during the debut of a popular blockbuster movie across fourteen theatres around the island. This relationship building exercise was organised with support from the regional distributors and dealer network. • Print advertisements featuring the Value-Added Products were carried out on nine leading corporate/business magazines throughout the year.

Stakeholder Segment	Engagement Activity
	<p>Consumer Engagement</p> <ul style="list-style-type: none"> Published an instructional video showcasing the efficiency improvements of using TOKYO SUPERCASST Plaster Master. Collaborated with a popular construction and home design social media channel to produce a comprehensive video and a Q&A session featuring a Tokyo Cement Technical Expert.
 <p>Suppliers</p>	<ul style="list-style-type: none"> With the onset of the economic downturn, the Group worked proactively with suppliers to reforecast procurement schedules, anticipating delays in establishing LCs with local banks. By working closely with the key suppliers, the Group was able to ensure a guaranteed supply of top-quality raw materials notwithstanding the difficulties faced.
 <p>Industry Associations and Professional Institutes</p>	<p>Industry Professionals' Skill Building</p> <ul style="list-style-type: none"> The skill building seminars for masons continued amidst challenges. The Industry Training and Development Team engaged more than 1,400 masons at 21 skill building seminars conducted in all parts of the island. <p>Strategic Sponsorships</p> <ul style="list-style-type: none"> Sole sponsorship of the 2022 Annual Sessions and four <i>Question Time</i> seminars organised by the Society of Structural Engineers (SSESL). H.V. Perera QC Memorial Arbitration Moot Competition, organised by the Sri Lanka Law College. The International Water Conference 2022 event organised by The National Water Supply and Drainage Board. The 35th Annual Conference of the Organisation of Professional Associations of Sri Lanka. The 10th World Construction Symposium organised by the Ceylon Institute of Builders. <p>Corporate Memberships</p> <ul style="list-style-type: none"> Membership in the following key trade organisations were continued during the financial year; <ul style="list-style-type: none"> The Ceylon Chamber of Commerce The Chamber of Construction Industries The Ceylon Institute of Builders The Green Building Council of Sri Lanka
 <p>Research and Educational Institutions</p>	<ul style="list-style-type: none"> Sponsorship of the Annual Undergraduate Research Symposium 2022 organised by the Faculty of Engineering of the University of Ruhuna. Sponsorship of the UOM Research Week organised by the Faculty of Graduate Studies of the University of Moratuwa. Platinum Sponsor of the 27th International Forestry and Environment Symposium organised by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura.
 <p>Dealers and Distributors</p>	<ul style="list-style-type: none"> Tokyo Cement's field sales team worked closely with the dealers and distributors to overcome the many challenges brought on by the highly volatile market conditions. Tokyo Cement Group rewarded their top performing dealers at the 2023 Annual Dealer Convention. The event celebrated and commended the outstanding performance of the dealer partners from every part of the country.

Management Discussion and Analysis



TOKYO CEMENT and TOKYO SUPERMIX teams at the 13th Jaffna International Trade Fair held in March 2023



TOKYO CEMENT stall at the ARCHITECTS 2023 Exhibition held at the BMICH

Sole Sponsorship of the Annual Sessions 2022 of SSES



The management of Tokyo Cement Group acknowledged and felicitated top performing channel partners at the 2023 Annual Dealer Convention.

Tokyo Cement Quality Standards

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

A testament to the Company's commitment to quality includes operating the only ISO 17025 accredited laboratory in the country for testing of cement, concrete, and cement-based products. Laboratory facilities at the Tokyo Cement Centre for Technical Excellence in Trincomalee also conduct quality assurance tests on raw material inputs, 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 Factories in Trincomalee
- Tokyo Cement Terminal in Colombo Port
- All 12 TOKYO SUPERMIX Ready Mix Concrete Plants

ISO 14001: 2015

- Tokyo Cement Factories in Trincomalee

ISO 17025: 2017

(by the Sri Lanka Accreditation Board)

- Tokyo Cement R&D Laboratory in Trincomalee
- Construction Research Centre in Colombo

Central Environmental Authority licenses

- Tokyo Cement Factories in Trincomalee
- Tokyo Cement Terminal in Colombo Port
- All 12 TOKYO SUPERMIX Ready Mix Concrete Plants
- Tokyo Super Aggregate (Pvt) Ltd
- Tokyo Cement Power (Lanka) (Pvt) Ltd

GREEN™ Mark (Singapore)

- TOKYO SUPER Blended Hydraulic Cement

Compliance Status

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

Tokyo Cement Research and Development Drive

The Construction Research Centre

The worldclass construction materials testing laboratory, the Tokyo Cement Construction Research Centre (CRC) in Colombo is also the nerve centre of the company's Research and Development drive. The R&D role of the CRC encompasses re-engineering existing products and solutions, and new product development to meet the latest quality and performance standards. Its mission also includes supporting the Group's sustainability drive through product modifications that comply with the latest global trends. During the year, the CRC made significant contributions in this front, through the introduction of several ground-breaking solutions.

For the Cement business vertical, the CRC made a key contribution this year by testing and re-engineering the core cement manufacturing process to include locally sourced, alternative raw materials with a lower carbon footprint. Performance-wise, the adoption of alternative raw materials with supplementary cementitious properties enhances end-product quality and workability. The introduction of low-carbon or Carbon Neutral Cements (CNC) follows the global demand for Greener Cements, a path assumed by Tokyo Cement several years ago by successfully transitioning the market to Blended Hydraulic Cements (BHC) from traditional Ordinary

Portland Cements (OPC). Furthermore, locally sourcing raw materials paves the way for improved efficiency through an uninterrupted supply chain, whilst reducing dependency on imported Clinker; thus minimising the Group's exposure to foreign exchange losses.

The CRC's contribution to the Concrete business unit included the development of concrete mix designs using carbon-neutral cements thus reducing the Group's carbon footprint significantly. The adoption of greener cement to produce concrete improves the durability and workability of concrete mix designs, in addition to enhancing its strength, flowability and thermal resistance properties. In the face of the country's ongoing energy crises, the use of recycled gases in concrete batching, enables Tokyo Cement to fulfil its commitment to sustainability. With the technology transfer taking effect immediately across all batching plants around the country, TOKYO SUPERMIX became Sri Lanka's first Ready Mix Concrete supplier to adopt innovative green technologies.

CRC's key contribution to the Value-Added Products business unit was indicated by the introduction of multiple new solutions. The Group's R&D arm was instrumental in carving Tokyo Cement a distinctive edge in the local construction materials market by introducing lower to middle-end dry mortar products under the TOKYO SUPER brand umbrella. Further strengthening its mission to permeate world-class methodologies to transform the local industry, the Group added five new ready-to-use, advanced construction solutions to its comprehensive products range this year. These include;

- TOKYO SUPERFIX High Flowable Construction Grout,
- TOKYO SUPERFIX Concrete Repair Mortar,
- TOKYO SUPERFIX Extra Bond,
- TOKYO SUPERBOND Tile Mortar, and
- TOKYO SUPERSET Multipurpose Mortar

You can refer to the features and usage benefits of each of these novel products, in the Product Catalogue section of this report.

Fulfilling its function as a state-of-the-art cement and cement-based materials testing laboratory, the CRC also provides external consultation services and independent product testing facilities. The CRC team also conducts training and knowledge-sharing sessions for the Group's sales teams on the technical features of different products.

Harnessing Modern Technologies

Tokyo Cement's robust IT platforms used for the operation of strategic management processes were a key enabler of productivity improvements achieved during the year. The key drivers of technological improvements were operational efficiency and administrative flexibility that help the Group reach its goals in a dynamic market with better agility. Continuous improvements in line with the latest technological advancements were made in the IT infrastructure of the Group to ensure Tokyo Cement stays abreast in a highly competitive marketing environment.

The Group's mission-critical ERP system was upgraded this year, to enhance the quality and availability of data pertaining to the end-to-end value chain. This complex task was exclusively and meticulously carried out by the internal Software Engineers' Team with the objective of improving productivity and efficiency of the ERP process to enable faster management decision making. Global best practices in enterprise resource planning were considered in deploying the system upgrade, whilst incorporating the latest hardware and software compliance requirements and data security standards.

The internal IT systems used by the Group's ISO Certified materials testing laboratories were further integrated with the cement plants, value-added products manufacturing plants, and the island-wide Ready Mix Concrete Plant network

Management Discussion and Analysis

to allow for smoother communication and improved management oversight. This paved the way for a centralised and standardised ISO reports generation process, directly contributing to strengthen Tokyo Cement's service excellence and quality assurance processes.

The IT team conducted a comprehensive cyber security awareness campaign to bring the entire staff up to date on the importance of data protection, with the objective of inculcating a broader cyber security culture across the organisation. In addition, the IT team ensured the continuous upgrade of technological tools and platforms used by all subsidiary companies of the Group to enable operational excellence.

Empowering the Tokyo Cement Team

During the year, the primary focus of Tokyo Cement's Human Resource Development initiatives was placed on nurturing employee well-being and staff motivation. A series of programmes with wide-ranging objectives were implemented to boost the employees' individual growth, promote overall happiness, and foster a positive work environment.

These initiatives incorporated a few tailor-made programmes aimed at extending employee satisfaction beyond the workplace through a harmonious work-life balance, which in turn would reflect on the staff members' dedication to work, overall contentment and productivity.

On the statutory front, the Group ensured that all salaries were paid on time, bonuses were released, and annual increments were granted to its employees despite the challenging financial environment that prevailed during the year. Annual performance appraisals were conducted, and employees were acknowledged and encouraged for their performance excellence.

Employee Engagement, Appreciation and Welfare

The financial year was marked with several staff engagement activities that resulted in stronger intra-departmental team building. This included the Tokyo Cement Group Annual Fitness Walk 2022, Inter-department Softball Six-a-Side Cricket Tournament 2022, and the Employee Long Service Awards 2023. Two global events that acknowledge employees' contributions towards organisational success were included in this year's HR calendar, with the celebration of Employee Appreciation Day 2023 and International Women's Day 2023.



The Factory Team I emerged Champions, whilst the Colombo Terminal Team became Runners Up at the Inter-department Softball Cricket Tournament held in October 2022.

Regular fitness and yoga sessions were continued throughout the year allowing for physical or online participation of all Group members. Further, all Group employees were given the facility to purchase their children's school books through a special discounted instalments scheme arranged from a leading stationery manufacturer. In recognition of individual contributions towards organisational growth, top-performing employees were promoted to their next positions based on the recommendations and outcome of the Annual Performance Appraisals. Continuing the Group policy on employee reward and recognition, the annual long service awards presentation was held under the auspices of the senior management of Tokyo Cement.



The Tokyo Cement Group Annual Fitness Walk 2022 was conducted as an effective team-building exercise

Employee Upskilling and Development

A continuous professional development programme was initiated targeting the Executive Staff at the Tokyo Eastern Cement Company. Further, selected employees were given the opportunity to participate in training programmes conducted in collaboration with reputed corporate training and development institutes. As part of this initiative, a team of selected members of TOKYO SUPERMIX took part in a motivational training programme conducted by Dr. Ranil Sugathadasa, at the Chartered Institute of Personnel Management Sri Lanka (CIPM).

The Art of Charity Team, together with the Tokyo Cement Group donated school supplies for 110 students and completed several infrastructure upgrades at Wallewelatenna Vidyalaya in Kandaketiya, Badulla.

NVQ Level III Qualification for Group Technical Staff

During the financial year, the Company facilitated group-wide technical and operational staff members; who already hold the required experience and qualifications, to obtain NVQ Level III Certifications in eight specialised professional fields, offered by the National Apprentice and Industrial Training Authority (NAITA).

Enriching the Nation with 'The Art of Charity'

The Art of Charity was formed by a group of team members from various departments of Tokyo Cement. Every year, the group of colleagues come together to donate school supplies to a resource-lacking school situated in deep rural Sri Lanka. For this year's project, the group had selected Wallewelatenna Vidyalaya in Kandaketiya, Badulla with 110 students. The school was in need of several infrastructure upgrades that would contribute to improve the children's learning environment.



TOKYO SUPERMIX staff participated at a motivational training programme organised by CIPM Sri Lanka.



Old school building used as classrooms at Wallewelatenna Vidyalaya



The new school building donated by The Art of Charity

To complete this year's project, the team was able to collect substantial contributions from many individuals and corporate peers, whereupon Tokyo Cement Group matched the total donated value. Through this concerted effort, the Art of Charity together with the Tokyo Cement Group were able to build a new classroom building, renovate two washrooms, in addition to providing the complete set of school materials for the new academic year for all students currently studying at the school.



School supplies for the new academic year were distributed among 110 students at Wallewelatenna Vidyalaya, Kandaketiya

Employee Profile

Total number of employees of the Group stood at 1,167 as of 31st March 2023.

Group workforce as at end of year 31st March 2023.

Company	2022/23		2021/22	
	Non-Executives	Executives	Non-Executives	Executives
Tokyo Cement Company (Lanka) PLC	339	114	379	117
Tokyo Cement Power (Lanka) (Pvt) Ltd	67	8	68	9
Tokyo Eastern Cement Company (Pvt) Ltd	174	17	205	13
Tokyo Supermix (Pvt) Ltd	336	81	527	96
Tokyo Super Aggregate (Pvt) Ltd	27	4	27	4
Total	943	224	1,206	239

CSR Overview



Tokyo Cement Group’s socio-environmental initiatives make a profound and lasting impact on our Nation by reinvesting in its people and the environment. These projects represent Tokyo Cement’s enduring commitment to effect positive change, and augment the Group’s value creation at present and for future generations.

INTRODUCTION

Tokyo Cement Group’s socio-environmental initiatives are planned and executed to generate a profound and enduring impact on the well-being of the people, the environment, and the nation as a whole. These projects exemplify the extensive scope of Tokyo Cement’s sustainability efforts, seamlessly woven into the fabric of its core business practice.

Throughout the current year, Tokyo Cement together with diverse project partners, persevered and surmounted various obstacles in advancing these programmes, showcasing unwavering determination. The outcomes discussed here go on to show how much can be achieved by staying focused on the destination, despite the challenges along the way. Through these results, the Group amplified the long-term mission of each initiative, augmenting their value and ensuring their lasting benefits.

ON THE ENVIRONMENT

Over the course of several decades, Tokyo Cement Group has channelled its efforts in carefully chosen conservation areas, recognising the need for enduring commitment to effect positive change. These conservation initiatives are rooted in scientific knowledge and sustainable deployment, resulting in tangible outcomes that contribute to accomplish the Group’s singular mission of ‘protecting that which protects us’.

This section showcases the remarkable accomplishments of Tokyo Cement Group’s key programmes that yield long-term benefits for future generations, and

also serve as living examples for others to follow. These remarkable endeavours are a testament to Tokyo Cement Group’s unwavering commitment to sustainability.

Mangroves Reforestation

The Sri Lankan Navy (Navy) organised a series of mangrove planting events during the year, where over 8,000 saplings were planted along the coasts of Jaffna, Pulmoddai, Trincomalee, Pānama, and Mannar areas. This brings the total mangrove trees planted closer to 86,000 since the inception of the Mangrove Reforestation Project.

In addition to the longstanding collaboration with the Navy, nearly 800 plants were also handed over to several non-governmental organisations who were conducting independent mangrove conservation programmes in Jaffna and Trincomalee areas.



Several mangrove plantation programmes were conducted by The Navy in the Northern peninsula

Showcasing the Group’s accomplishments in conserving critical wetland habitats through mangrove reforestation, Tokyo Cement presented its successful case study at the World Wetlands Day 2023 event hosted by Biodiversity Sri Lanka in February.



Collaboration with local communities ensures sustainability of the Mangrove Reforestation Project

At the onset, the mission of Tokyo Cement Group's Mangrove Conservation Project was to replenish the dwindling mangrove ecosystem around China Bay in Trincomalee. The project started in 2012 by setting up a nursery at the Tokyo Cement Factory premises. Each year, the nursery produces approximately 10,000 plants belonging to eight native species. The reforestation programme began on a 20-acre stretch of marshland around the cement factory, which was expanded across the Cod Bay with over 20,900 mangrove trees planted following the natural composition of the wetland habitat. Tokyo Cement is able to successfully extend the reach and impact of the initiative well beyond the Northern and Eastern coastlines by collaborating with the Navy, local fishing communities, and like-minded conservation organisations.

Forest Plant Nurseries

Over 13,700 saplings of native tree varieties propagated at the two nurseries at the Trincomalee Factory and the Mahiyangana Power Plant were distributed during the year, for tree planting campaigns in Welimada, Uva Paranagama, Girandurukotte, Hasalaka, Ududumbara, Mahiyangana, Kantale, Polonnaruwa, Anuradhapura, Trincomalee, and Jaffna areas. These events were conducted by various state institutions and independent community groups in support of the national reforestation drive.



Tree planting events were held to conserve the Mahaweli catchments in Welimada and Ududumbara areas

Tokyo Cement Group partnered with the Department of Forest Conservation's Range Office in Welimada to organise a tree planting event with the participation of local government institutions including schools. At this event over 3,000 trees were planted along the Uma Oya and Hal Oya riverbanks that comprise critical water catchment areas of the Mahaweli River. A similar programme was conducted in the Girandurukotte segment of the Mahaweli River, in concert with the Girandurukotte Police Division.



Tree planting events held in Uva Paranagama and Hasalaka

Two other events were organised in association with the Hasalaka and Ududumbara Divisions of the Sri Lanka Police Department. Over 600 participants representing state and local government institutes, farming communities and schoolchildren came together to plant nearly 7,500 saplings of diverse local plant species in Hadaganawa in Minipe and Meedumgama in Ududumbara Mahaweli catchment areas.



Tree planting events organised by the Hasalaka and Ududumbara Police Divisions in Ududumbara and Minipe Mahaweli catchment areas

Coral Reef Restoration

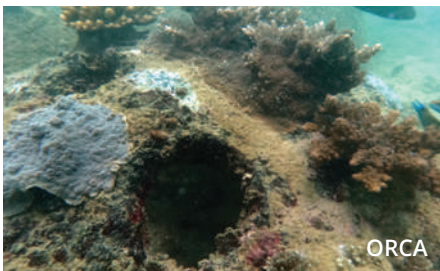
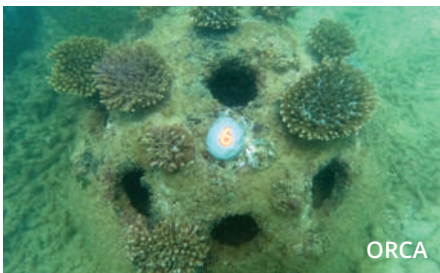
Over the years, Tokyo Cement Group's Coral Reef Restoration Project has established and earned a reputation for itself among conservationists as one of the most effective, science-based marine biodiversity conservation efforts. The project uses upcycled waste from Ready Mix Concrete to make Reef Balls that ensure longevity and faster acclimatisation as artificial coral reef substrate. Each restoration site is managed under the purview of a project partner with expert knowledge about the underwater conditions and reef ecology of the respective area and is operated under permission and supervision of the Department of Wildlife Conservation (DWC).

CSR Overview



Ready Mix Concrete samples discarded in the quality testing process are upcycled to make the Reef Balls used for coral replanting

This year, project partner Ocean Resources Conservation Association (ORCA) took the lead in reef restoration activities, whilst Blue Resources Trust (BRT) focused on knowledge sharing through training and awareness-building sessions, and the Navy contributing to expand the project's reach around the island. During the year, Tokyo Cement deployed over 30 reef balls along the coasts of Trincomalee and Hikkaduwa with ORCA and the Navy. Site care and maintenance were continued by the consortium of partners at all project locations including, Kankesanthurai, Kuchchaveli, Pasikuda, Polhena, Nilwella, Mirissa, Unawatuna, Rumassala, Seenigama, and Kalpitiya coastal areas.



Replanted coral fragments in Rumassala have grown in to mature, rounded colonies with extended plate formations

The Rumassala site indicated the most promising results. Here, the replanted coral fragments were seen to be taking their natural rounded shape, having formed mature colonies with extended plate formations. On multiple reef balls the colonies were observed to have fused their basal plates to create a single larger colony on the artificial reef habitat. All colonies had grown their basal plates to completely cover the cement used to attach them, whilst many had their basal plates growing on the reef ball substrate itself, indicating successful acclimatisation.



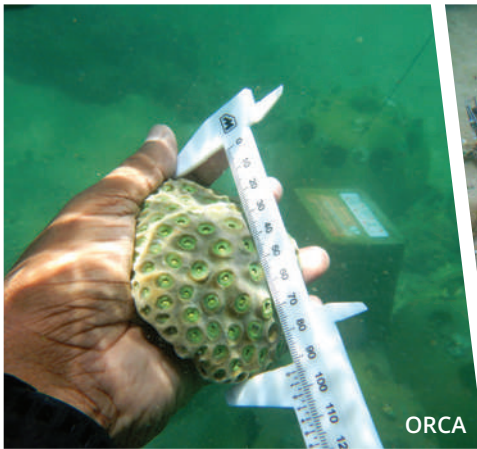
Marine life settling around the coral colonies on fully acclimatised reef balls planted by ORCA in Rumassala

Another key development this year was the commencement of reef restoration activities at the Hikkaduwa Marine National Park. A survey carried out in 2022 by the DWC field wardens trained by Tokyo Cement on reef ball deployment and reef management, identified two probable areas to establish coral nurseries and carry out restoration work.

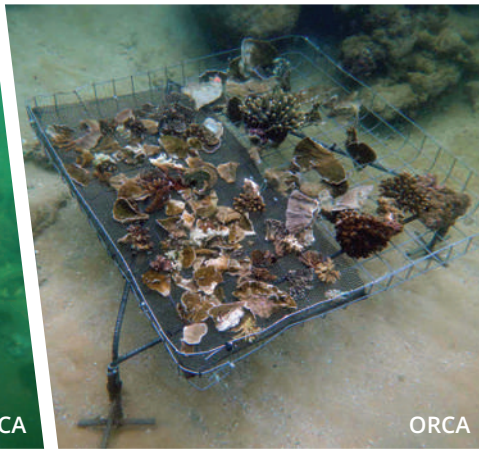


Reef balls being deployed at the Hikkaduwa Marine National Park

20 reef balls supplied by Tokyo Cement were deployed at the primary site located within the reef lagoon, taking in to account the natural flow of sand movement. The reef balls spread over an area of around 50m² but covers an area of influence of approximately 100m². Corals for replanting were collected from within the reef by rescuing corals broken by human activities such as boat movement, and natural tidal activity.



ORCA



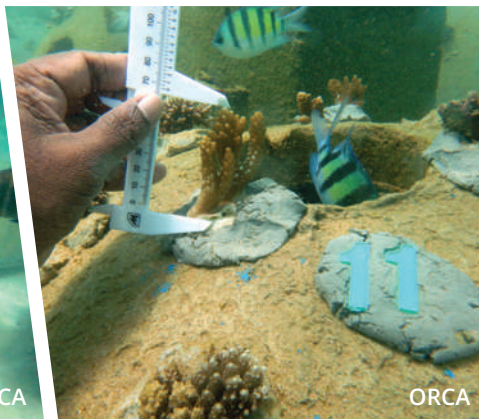
ORCA

Rescued coral nubbins are temporarily stored on the nurseries until they are replanted on the reef balls

Around 400 coral units belonging to the *Acropora* table, *Corymbase* or branching corals, *Montipora*, *Echinopora*, other foliaceous coral species, and *Pocillopora eydouxi* were replanted on the reef balls. These species were selected as they are all fast-growing and are capable of actively creating structures that contribute towards the recovery and enhancement of micro-habitats for other reef fauna.



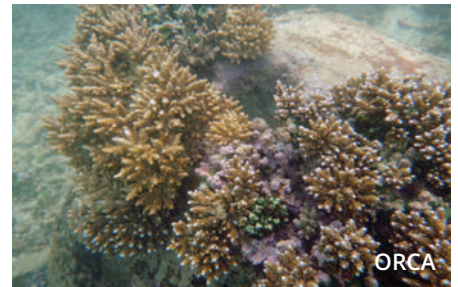
ORCA



ORCA

The reef balls have already become home to many fish and other fauna, indicating successful habitat enrichment

Monitoring activity to increase habitat diversity was done at the Bandaramulla reef in Mirissa, a site developed in collaboration with Dr. Terney Pradeep of the Department of Oceanography and Marine Geology at the University of Ruhuna. On the artificial reef structures planted by his team, two extremely fast-growing species of Staghorn corals (*Acropora formosa* and *A. yongei*), capable of creating high habitat diversity were found. ORCA is studying the possibility of translocating these species that are almost extinct in the South coast, in order to establish a mother colony at the Hikkaduwa site during the upcoming year.



ORCA

A healthy community of Staghorn coral colonies seen at Bandaramulla in Mirissa

Coral Reef Management Workshop for Sri Lanka Navy Divers

Tokyo Cement Group organised a 2-day training workshop on coral species identification and reef restoration for Navy Divers of the Command Diving and Salvage Unit (East) at the Naval Dockyard Trincomalee. The programme was conducted by renowned marine biologists and coral conservation experts of BRT and ORCA. Ten Officers and 40 Sailors participated in the workshop covering practical and theoretical aspects of reef ecosystem management and restoration at the underwater coral nursery located at Sandy Bay, Trincomalee.



Participants from the Navy Diving Unit at the Reef Species Identification and Reef Management Workshop conducted by BRT and ORCA

CSR Overview

Marine Biodiversity Conservation

Assessing the critical habitats of endangered sharks and rays around Jaffna

The Blue Resources Trust continued their research project on assessing the critical habitats of endangered and threatened elasmobranchs around Northern Sri Lanka. This research is conducted to identify central habitats of critically endangered elasmobranchs; sharks and rays with cartilage skeletons such as Sharpnose Guitarfish (*Glaucostegus granulatus*), in the near shore region of Mathagal, Jaffna. The study findings will enrich the body of knowledge available for future conservationists and policymakers to make recommendations to formulate sustainable fishing policies.



This long-term study of sharks and rays aims to make policy recommendations to formulate sustainable fishing practices

Since 2020 this survey is being conducted on the Northern Coast of Jaffna, where a majority of sharks and rays that landed as non-target bycatch are utilised for their fresh/dry meat, and the sharks for their fins. Field surveys are conducted in Mathagal, Kosmanthurai, Valvettithurai, and Myliddy areas using fishery-dependent data and ecological knowledge of fishermen. Data is collected from all landed specimens of Sharpnose Guitarfish

and other rare or unusual specimens, including identification photos, measurements, and tissue samples for further study. Traditional shark tag-and-release methodologies are applied to investigate the elements of their life history, migration and movements, and population structure.



Tissue samples and rare specimens are collected to understand the lifecycle and behaviour of endangered sharks and rays

In addition to the field study, the research team shared their knowledge in a theme talk titled 'Sri Lankan Shark and Ray Fishery: Current Status and Concerns' at the World Ocean Day event organised by the Fisheries Science Society of the University of Jaffna. Further, a briefing report containing the collected data and findings by BRT, in addition to recommendations to improve the management and conservation of these species, will be presented to the Department of Fisheries and Aquatic Resources Development (DFARD) and to the Department of Wildlife Conservation (DWC).

Coastal Clean-up by the Tokyo Cement Factory Staff

Staff of Tokyo Cement Factory took part in a coastal clean-up campaign organised by the Marine Environment Protection Authority in September. The programme was part of the National Coastal and Marine Resources Conservation Week conducted with the participation of staff members of government offices in Trincomalee including the District and Divisional Secretariat, The Urban Council, Sri Lanka Ports Authority, Department of Fisheries, members of the Tri-forces, and schoolchildren.



Tokyo Cement factory staff engaged in the beach clean-up programme in the Cod Bay area

Renewable Energy Generation

Tokyo Cement Group pioneered biomass energy generation in Sri Lanka and is the largest producer in the sector with a total installed capacity of 24MW. This investment has made the Group one of the few cement manufacturers in the world that is 100% energy independent through renewables, and in doing so reduces the carbon impact of the products that it manufactures. The Group also exports up to 8MW of biomass and dendro power and 600kW of solar power to the grid, thereby increasing the national renewable energy contribution. In doing so, the Group retains a major portion of the energy bill within the local economy instead of spending it on imported fossil fuels, allowing for greater national energy security.



Tokyo Cement's renewable energy programme is an additional source of income for rural farmers

Raw material for power generation is sourced from farmers and suppliers through community trade. Tokyo Cement's sustainable fuel wood programme enables critical cash flow to the rural economy by engaging nearly 2,500 farming families and creating hundreds of direct and indirect employment opportunities. Partnering with farmers spread across Mahiyangana, Badulla, Monaragala, Trincomalee, Kilinochchi, and Jaffna districts, Tokyo Cement has so far planted more than 7.5 Million Gliricidia trees contributing to the Group's collective sustainability efforts.



The renewable energy programme has planted over 7.5 Million Gliricidia trees that contribute to the Group's collective sustainability efforts

ON OUR COMMUNITIES

The primary objective of Tokyo Cement Group's community outreach efforts is to develop our nation through investing in people. To achieve this objective, the Group takes a two-pronged approach wherein a set of initiatives are directed at empowering industry stakeholders, whilst the other focuses on uplifting communities who lack access to the required resources.

The Group nurtures strong affiliations with industry stakeholders, through which it disseminates valuable content on innovative technologies and best practices. These partnerships enable Tokyo Cement to uphold a higher standard of knowledge and experience sharing, thus contributing to elevate the entire industry.

Likewise, the Group's social empowerment programmes facilitate the necessary environment and the tools that allow individuals and communities to reach their full potential. They are designed to generate far-reaching value for people, both in the present and for generations to come.

Fountain of Life Drinking Water Project

Tokyo Cement Group's 'Fountain of Life' initiative has installed eight high-capacity water purification plants in seven remote villages where there is limited access to clean drinking water, and a disproportional affliction of high chronic kidney disease. The Group works with village development societies at each location and garner voluntary support from farmer community groups to ensure the sustainable upkeep of the water facility. As of today, these projects supply a cumulative capacity of 38,000 litres of purified drinking water per day to over 4,400 people in Pallankulama, Dachchidamana, Nawakkulama, and Siyambalagaswewa in Anuradhapura, and Veravil, Valaippaadu, and Veerapandiyamunai in Kilinochchi.

CSR Overview

During the year under review, Tokyo Cement Group bestowed a *Fountain of Life* Water Purification Plant to serve the pilgrims attending the annual festival of St. Anthony's Church at the Katchatheevu Island. The project was carried out on invitation from the Sri Lanka Navy to benefit thousands of devotees from both Sri Lanka and India, by providing access to clean drinking water during their stay at the islet.



Tokyo Cement Fountain of Life Drinking Water plant at Katchatheevu Island inaugurated by the Northern Naval Area Commander, Sri Lanka Navy

Skills Development Seminars for Masons

The construction sector skills development programme engaged more than 1,400 masons through 21 sessions held across the country this year, despite the challenges arising from the ongoing economic crisis.



A professional skill building seminar conducted for masons in Kegalle

The seminars centred on providing motivational support for masons to face challenging times, in addition to enhancing the professional skills, workmanship standards, and technical knowledge. Peer networks were created to enable them to exchange possible job opportunity leads and also resolve technical queries with help from the Tokyo Cement training team.



Masons' training seminars held in Ballapana and Divulapitiya areas

The success of the programme lies entirely on the stakeholder capacity building team consisting of professional trainers, Tokyo Cement dealer network, and regional sales teams, who ensure a comprehensive learning experience for the participants.

The FOG Cricket Coaching Academy

Tokyo Cement Group continued the activities aimed at rural cricket development together with the project partner, The Foundation of Goodness (FoG). The long-term objective of the initiative is to make a positive impact on school cricketers from remote backgrounds by giving them access to quality training to hone their cricketing talent.



Cricket Coaching sessions are held in Seenigama and Hikkaduwa with the participation of school cricketers in the region

Despite multiple interruptions, the FoG was able to resume the Southern and Northern cricket coaching camps with the participation of young cricket enthusiasts from regional schools.



Young cricketers are groomed to reach their fullest potential at the Tokyo Cement Cricket Coaching Camps

The FoG maintains and operates the Hikkaduwa Sri Sumangala MCC Lords and Seenigama Sri Wimala Buddhi Surrey Oval cricket training facilities, under the full patronage of the Tokyo Cement Group. Regular cricket coaching sessions are conducted free of cost at the two training centres with indoor and outdoor practice nets. Young school cricketers in the region enrol themselves to be groomed by renowned coaches who share their expertise.



The programme is held in the North as well, in search of future cricketing sensations

The success of the Southern Cricket Coaching Camp at identifying budding talent allowed the programme to be extended to the North in 2017, benefiting aspiring cricketers from areas such as Jaffna, Kilinochchi, Oddusuddan, Mankulam, Mullaitivu, and Vavuniya. This year, the Northern Coaching Camps were held at the Jaffna Central College Grounds with the participation of 58 boys and girls.



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

Platinum Sponsor of 27th Forestry and Environment Symposium

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

Tokyo Cement Group was the Platinum Sponsor of the 27th International Forestry and Environment Symposium 2023 organised by the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura.

Dr. Nandalal Weerasinghe, Governor of the Central Bank of Sri Lanka graced the occasion as the Chief Guest whilst Mr. Vimalendra Sharan, Representative of the Food and Agriculture Organisation of the United Nations (FAO) for Sri Lanka and Maldives delivered the Keynote Speech at this year's symposium.



27th International Forestry and Environment Symposium of the Department of Forestry and Environmental Science, University of Sri Jayewardenepura

Tokyo Cement engaged at this year's event with a view of encouraging undergraduate research momentum in the forestry and environmental conservation sciences, whilst facilitating a platform for the academia and the corporate sector to exchange knowledge. The event provided an opportunity to showcase and create awareness on the long-term environmental initiatives spearheaded by the Tokyo Cement Group.

CSR Overview

The A.Y.S. Gnanam Village Heartbeat Empowerment (VHE) Centre - Dambulla

The A.Y.S. Gnanam Village Heartbeat Empowerment Centre, established two years ago in collaboration with the Foundation of Goodness, continued to be a much-valued catalyst of transformation for people in the Dambulla-Kandalama locales. By offering opportunities for education, training, skills upgradation, and individual growth, the VHE Centre equips children and youth in these rural villages with the tools to thrive and prosper.



The A.Y.S. Gnanam Village Heartbeat Centre offers free educational support for primary schoolchildren

The A.Y.S. Gnanam VHE Centre in Dambulla, currently caters to 886 beneficiaries belonging to 7 schools and 19 remote villages. These beneficiaries, comprising of schoolchildren, youth and adults, are enrolled free of cost at the Centre for various educational and vocational training courses.

Marking a significant milestone, the VHE Centre held its first graduation ceremony in September 2022 for 39 beneficiaries from its first batch who had successfully completed certificate courses in dressmaking, cookery, hospitality, and beauty culture.



39 beneficiaries from the inaugural batch of the A.Y.S. Gnanam VHE Centre in Dambulla had their graduation ceremony

The programmes conducted at the Centre include educational courses for Primary up to Grade 5 students from low-income families. Further, vocational training courses are conducted, to open up better employment opportunities for youth and young adults.



Extracurricular activities are conducted to inculcate essential life skills and good values among young children

A series of extracurricular programmes coupled with sports activities are conducted with the objective of inculcating essential life skills and social values among the next generation of citizens. The holistic programmes are designed in a manner to lay the foundation for sustainable development in the long run.



Theory and practical sessions are conducted as part of the 6-month dressmaking, cookery and hospitality vocational training courses

The VHE Centre represents a comprehensive approach to rural development, conceived by the Foundation of Goodness. The concept anchors on education and skills development to empower communities that lack access to essential resources, with the aim of elevating their livelihoods with greater equality and opportunity.

Foundation-stone laid for an A.Y.S. Gnanam VHE Centre in Trincomalee

To honour the memory of Tokyo Cement's Founder Chairman, Deshamanya A.Y.S. Gnanam, the foundation-stone was laid to establish a Village Heartbeat Empowerment Centre in Trincomalee. The event was held on the 5th of May 2022, which marked the 100th birth anniversary of the late pioneer. This will become the second VHE Centre established through the far-reaching collaboration between Tokyo Cement Group and the Foundation of Goodness.



The second Village Heartbeat Empowerment Centre was established to commemorate Founder Chairman, A.Y.S Gnanam's 100th birth anniversary

As the first VHE Centre in Trincomalee it will serve all communities in the area by offering the programmes in Sinhala and Tamil mediums. Schoolchildren, women, and youth from the surrounding villages will gain access to free educational and vocational training courses. This will include school curricular subjects for primary grades, computer training, English and Sinhala link languages, STEM Educational activities, dressmaking, planetary health education, children's good values initiative, goodness agriculture initiative and sports training.

In addition to the VHE Centre, a contemporary, outdoor Futsal Court will also be added to the facility, bestowing a much-needed and ever-popular engagement activity for the youth in and around the China Bay area.

Launch of 'Nourishing the Future' School Nutrition Programme

Since the economic crisis, rapid currency depreciation and sky rocketing inflation has pushed many Sri Lankans into food insecurity. This has resulted in families being forced to ration food, resulting in many children experiencing malnutrition. Whilst several local and international agencies flagged the rising rate of malnutrition to cause growth deficiencies among children, it was also reported that a significant number of children were compelled to drop out of school as a result.

In an effort to combat childhood malnutrition and reduced access to education, Tokyo Cement launched the 'Nourishing the Future' school meals programme. This programme works with key stakeholders from parents, to teachers and principals, to government officials, to identify the hardest hit communities and provides the students with guaranteed midday meals throughout the school year.



Tokyo Cement launched Nourishing the Future school meals programme to combat childhood malnutrition and reduced access to education

The project was launched at four primary schools in Siyambalanduwa in the Monaragala District, identified as one of the worst affected by the crisis. This includes 258 primary grade students of Wattegama Sirimal Kanista Vidyalaya in Kotiyagala, Bambaragasroda Kanista Vidyalaya in Siyambalanduwa, and Barawaya Primary School, and Danakiriya Kanista Vidyalaya in Kandaudapanguwa.

CSR Overview

Passing another milestone in January 2023, 262 students from two schools in the Mullaitivu District were enrolled into *Nourishing the Future* School Nutrition Programme. This comprised of 145 students in Thirumurikandy Hindu Vidyalayam and 177 students in Iyankankulam Maha Vidyalayam in the Thunukkai Educational Division.

Later during the financial year, Tokyo Cement added Thiriyaya Maha Vidyalaya in Trincomalee; where it was funding the midday meals for over 260 students for several decades, along with 73 primary school students of Meeyagala Kanista Vidyalaya in Dambagalla, Monaragala into the *Nourishing the Future* programme.

With this addition, a total of 785 children in Monaragala, Mullaitivu, and Trincomalee Districts receive a nutritious midday meal on all school days, throughout the year.



The children are given a glass of milk at the start of every school day followed by a balanced midday meal

The daily meal plans are set by the local Ministry of Health (MOH) Office to include all main food groups consisting of greens, proteins, pulses, fresh dairy product, and locally sourced fruits, to supplement the children's nutritional growth needs. The Group also supplied the basic utensils and amenities to standardise each school kitchen to operate under optimal hygienic conditions.



Meals are prepared by voluntary teams of parents with care and attention to strict hygiene standards

In coordination with the respective Zonal Educational Directors, the project is overseen by the school principal, teachers, and parent groups. Almost all food supplies are sourced from the area to ensure consistency and sustainability of the project. Further, the Group garners the voluntary support of parents to prepare the daily meals with care and diligence, making it a self-sustaining community project with a far-reaching human impact.

The Public Health Inspector assigned to the MOH area supervises the programme through regular visits to ensure nutritional and health guidelines are maintained during meal preparation. To ensure the students receive a wholesome lunch on a consistent basis and the children's growth milestones are achieved progressively, Tokyo Cement has also implemented a comprehensive reporting and monitoring mechanism.



785 children in Monaragala, Mullaitivu, and Trincomalee Districts receive a nutritious midday meal on all school days, throughout the year

It is humbling and encouraging to note the considerable increase in daily attendance of students across all the schools where *Nourishing the Future* project is in operation. Furthermore, the number of student enrolment for the new school year at each school have also seen a significant increase since the launch of the programme.

A STEADFAST VISION

An underlying framework and supportive structures enable us to maintain a steadfast, unwavering focus; empowering us to reach our goals with precision, and move steadily onwards, even amid times of turbulence and uncertainty.

The red-tailed hawk demonstrates a natural ability to stabilise its head while remaining in motion, and maintain a steady gaze even against strong headwinds. Their sights remain fixed on their objective through every eventuality, driving incredible accuracy and enabling exceptional results.

Governance and Risk Management

Corporate Governance

Underpinning Tokyo Cement's success is its corporate governance policy, which embraces the principles of sustainable growth anchored in the triple bottom-line framework, encompassing people, planet, and profits.

Corporate governance plays a critical role in shaping the Company's strategic direction and provides the essential checks and balances for effective leadership, ensuring optimal organisational performance, and fulfilling fiduciary obligations. Tokyo Cement Company (Lanka) PLC exemplifies a commitment to corporate governance guidelines, instilling a higher level of confidence among all stakeholders. This dedication to governance not only earns the admiration and trust of peers, partners, investors, employees, and customers but also establishes Tokyo Cement as the industry leader, setting a benchmark for others to follow suit.

Underpinning Tokyo Cement's success is its corporate governance policy, which embraces the principles of sustainable growth anchored in the triple bottom-line framework, encompassing people, planet, and profits. This approach has enabled the Group to thrive and secure a stable market share, whilst upholding its responsibilities as a socially conscious corporate citizen. These ethical business practices have not only contributed to the development of a resilient brand equity that has withstood the test of time, positioning Tokyo Cement as an exemplary Sri Lankan corporate entity that continually generates value for the entire nation.

THE BOARD OF DIRECTORS

The governance structure of Tokyo Cement is headed by the Board of Directors which is the highest decision-making body of the Company. The Board has the overall responsibility and accountability for the management of the affairs of the

Company, maintenance of prudent risk management practices, and safeguarding stakeholder rights.

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

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

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

Appointments to the Board

In accordance with the Companies Act No 7 of 2007, the Board of Directors are appointed by the shareholders at the Annual General Meeting. Under Article 107, Directors are authorised to fill any casual vacancies or as an addition to the existing directorate. Please refer to the

Annual Report of the Directors for new appointments/changes to the Board composition during the year under review.

Composition of the Board

As at end March 2023, the Tokyo Cement Company (Lanka) PLC Board of Directors consisted of Nine (09) members. There are two (02) Executive Directors and one of them is the Managing Director. Seven (07) Directors are Non-Executive Directors, of which, four (04) Directors are Independent Non-Executive Directors, including the Chairman. Three (03) Directors are Non-Executive Directors, and one Non-Executive Director is a Nominee Director of UBE Singapore Holdings Private Limited, Tokyo Cement's technology partner.

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

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

BOARD SUBCOMMITTEES

In conformity with Listing Rules of the Colombo Stock Exchange, Tokyo Cement has established four Board Subcommittees: Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee. The composition of the committees is fully compliant with the Listing Rules. The committees are fully functional and have continued to meet during the year under review to ensure specialised inputs to the Board. Please refer the respective Committee Reports for details regarding the composition and activities of the committees during the year under review.

INTERNAL CONTROL AND MONITORING

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

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

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

As a central, ongoing aspect of internal controls, the Board of Directors monitor operations through regular Board meetings and through regular reviews

of management information obtained at meetings including reports of the internal auditors.

The Internal Audit Department monitors and measures 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 the senior management. Members of the Audit Committee also review the financial statements submitted to the Board, and ensure financial information reported are in compliance with various accounting standards promulgated by the Institute of Chartered Accountants of Sri Lanka.

IT Governance

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

During the year, regular IT risk assessments were conducted to safeguard against potential threats including cyber crime and cyber fraud and business disruptions. Software licenses, anti-virus and firewall software were renewed 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 programmes, 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 Meetings. The investor relations team also conducts meetings with institutional investors and analysts to discuss the Company's

performance on a quarterly basis. Sensitive information, that may not be available to other shareholders, such as information that could influence share prices, are not divulged, during such meetings, to ensure fairness by all shareholders.

Shareholder Value and Returns

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

STATEMENT OF COMPLIANCE

The Board is fully cognisant 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. of Tokyo Cement as a responsible corporate citizen with a long-standing reputation for good governance.

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

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

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

The extent to which the Group is in compliance with the rules set out in Section.

7.10 of the Colombo Stock Exchange listing rules on corporate governance have been tabulated below.

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

Rule No:	Rule	Compliance Status
01	Board of Directors The correct number of Non-Executive Directors, in accordance with Rule 7.10.1 (a)	✓
02	The correct number of Independent Non-Executive Directors, in accordance with Rule 7.10.2 (a)	✓
03	Specified whether the Non-Executive Directors submitted a Declaration annually of his/her independence or non-independence to the Board of Directors - Rule 7.10.2 (b)	✓
04	Confirmed that the Board of Directors made an annual determination as to the independence or non-independence of each Non-Executive Director based on the Declaration mentioned above and other information available to the Board and states the names of Non-Executive Directors determined to be 'Independent' – Rule 7.10.3 (a)	✓

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)/Rule 7.10.3 (d)	✓
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 been 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. Asite Talwatte - (Appointed as Chairman from 11th February 2023)
- Mr. Ravi Dias
- Dr. I. Coomaraswamy - (Appointed from 11th February 2023)
- Mr. W.C. Fernando - (Appointed from 11th February 2023)
- Mr. R. Seevaratnam - Chairman (Expired on 17th January 2023)

MEETING OF THE AUDIT COMMITTEE

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

• Mr. Asite Talwatte	4/4
• Mr. Ravi Dias	4/4
• Dr. I. Coomaraswamy	-/-
• Mr. W.C. Fernando	-/-
• Mr. R. Seevaratnam	2/4

CHARTER OF THE BAC

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

COMPOSITION OF THE BAC

As defined by the Listing Rules and the 'Code of Best Practice', the BAC comprises three Independent Non-Executive Directors and one Director. Two members of the Committee are qualified Chartered Accountants.

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, to review its activities and provide recommendations. The BAC assists the Board of Directors in general oversight of financial reporting, risk management and 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.
 - The effectiveness of financial reporting system is in place to ensure reliability of the information provided to the stakeholders.
 - Accounting policies to determine most appropriate accounting policies after considering all choices available. Process by which compliance with Sri Lanka Accounting Standards, Companies Act No 7 of 2007 and other regulatory provisions relating to financial reporting and disclosures are ensured.
 - Revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

- The annual report and interim financial statements prepared for publication, prior to submission to the board.

- **Supervision of internal audits:** The BAC regularly interacts with the Internal Audit team to assess the effectiveness of financial control systems and to make recommendations to the Board. The Audit Committee monitors and guides the Internal Audit Department which performs audits according to the plan of activities which covers financial and operational audits, risk assessments and IT security reviews.
- **Monitor compliance:** The BAC is empowered to monitor and examine Company compliance with laws and regulations and also adoption of the best practices.
- **Recommendations regarding auditors:** The BAC makes recommendations regarding the appointment and reappointment of external auditors.

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

As required under best practices, the BAC met four times during the 2022/23 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 2024.

CONCLUSION

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



Mr. Asite Talwatte

Chairman – Audit Committee

18th July 2023

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

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

REMUNERATION COMMITTEE MEMBERS

- Dr. Harsha Cabral, PC - Chairman
- Mr. Ravi Dias
- Dr. I. Coomaraswamy - (Appointed from 11th February 2023)
- Mr. R. Seevaratnam - (Expired on 17th January 2023)

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 remuneration packages.
- Recommend the remuneration of the Board of Directors.

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

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

• Dr. Harsha Cabral, PC	4/4
• Mr. Ravi Dias	4/4
• Dr. I. Coomaraswamy	-/-
• Mr. R. Seevaratnam	2/4

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

Directors' emoluments in aggregate for Executive and Non-Executive Directors for the year under review are disclosed in note 8 to the financial statements in page 130.



Dr. Harsha Cabral, PC
Chairman - Remuneration Committee

18th July 2023

Nomination Committee Report

Tokyo Cement Company (Lanka) PLC's Nomination Committee reports directly to the Board, to ensure the Board of Directors represents 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 the 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

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

MEMBERS OF THE NOMINATION COMMITTEE

- Dr. Harsha Cabral, PC – Chairman
- Mr. S.R. Gnanam
- Mr. Ravi Dias
- Dr. I. Coomaraswamy - (Appointed from 11th February 2023)
- Mr. R. Seevaratnam - (Expired on 17th January 2023)

TERMS OF REFERENCE

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

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

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

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

• Dr. Harsha Cabral, PC	4/4
• Mr. S.R. Gnanam	4/4
• Mr. Ravi Dias	4/4
• Dr. I. Coomaraswamy	-/-
• Mr. R. Seevaratnam	2/4

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

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



Dr. Harsha Cabral, PC
Chairman - Nomination Committee

18th July 2023

Related Party Transactions Review Committee Report

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

COMPOSITION OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

In accordance with the requirements of the Listing Rules, the Committee comprised of two Independent Non-Executive Directors and one Director.

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- Mr. Ravi Dias - Appointed as the Chairman from 11th February 2023
- Mr. Asite Talwatte
- Mr. W.C. Fernando - (Appointed from 11th February 2023)
- Mr. R. Seevaratnam - Chairman (Expired on 17th January 2023)

TERMS OF REFERENCE

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

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

Its responsibilities are as follows:

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

SUMMARY OF MAJOR ACTIVITIES DURING THE YEAR

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

• Mr. Ravi Dias	4/4
• Mr. Asite Talwatte	4/4
• Mr. W.C. Fernando	-/-
• Mr. R. Seevaratnam	2/4

The Committee reviewed all proposed related party transactions and ongoing related party transactions during the year. The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.

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



Mr. Ravi Dias

Chairman - Related Party Transactions Review Committee

18th July 2023

Risk Management

The Tokyo Cement Group's steady financial performance is a result of sound risk management practices followed by the organisation. Tokyo Cement was able to overcome these challenges with speed, innovation, and knowledge garnered over four decades of industry leadership, given the extraordinary levels of operational risk that persisted throughout the year.

The risk management strategy, which included many levels of mitigation mechanisms, protected the Group's performance from severe shocks that disturbed the commercial environment. Tokyo Cement's risk management strategy, supported by ongoing scrutiny from the Board, Subcommittees, and Executive Management, allows the Group to preserve its market position with little disruption to its long-term growth potential.

Tokyo Cement swiftly adapted its operations to the economic environment and created extensive action plans to lessen its impact. Modern operational architecture empowered the sales and manufacturing arms with increased control over market-related risk factors, enabling the Group to efficiently meet market demand.

Through strategic sourcing and procurement management, Tokyo Cement was able to reduce the effects of increased import costs. However, due to the rapid devaluation of the Rupee, the Group was forced to sustain a substantial foreign exchange loss. This is an inevitable result of having to realise 180-day credit agreements with suppliers for imported raw materials due to the forex illiquidity in the market. The Group was able to greatly reduce the impact of the economic downturn on its financial performance through careful planning and foresight in decision-making.

RISK MANAGEMENT STRATEGIES

The Group's short-term operational and mid to long-term strategic objectives are weighed against the identification, assessment, and prioritisation of risks. The Group's administrative and operational tasks are carried out within an internal control framework that aids in reducing business risks. In order to reduce the exposure, the Group employs the three major tactics listed below:

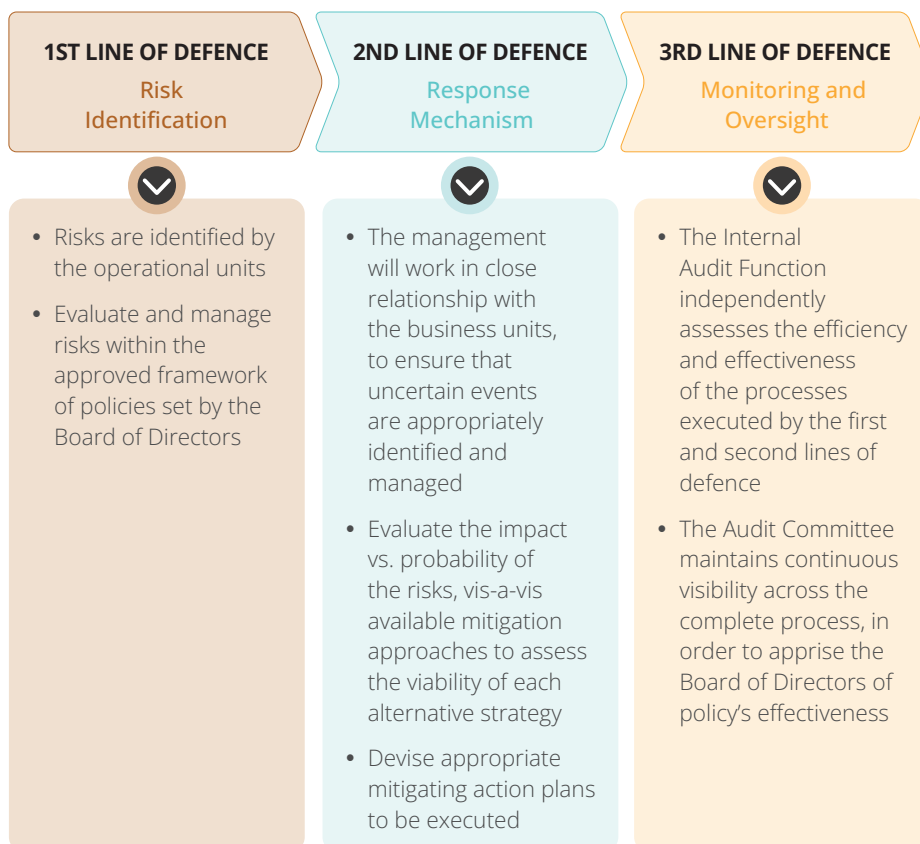
1. Avoiding the risk.
2. Reducing the negative impact/probability of occurrence of the risk or accepting some or all of the potential or actual consequences of a particular risk or explore the possibility in converting any unavoidable risk into an opportunity.
3. Transferring the risk.

BOARD INVOLVEMENT IN RISK MANAGEMENT

The Board of Directors of Tokyo Cement actively engages in the risk management process by identifying potential hazards in conjunction with top management. They collaborate to develop effective approaches to manage recognised risks within the Group's risk appetite, either to eliminate the source of the risk or to reduce its impacts, in order to meet the corporate goals.

FRAMEWORK FOR DEFENCE APPROACH

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



Risk Management

QUANTITATIVE AND QUALITATIVE ASPECTS OF RISK MANAGEMENT

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

Major risks that have already been identified by the company are depicted in the following diagram, and details are provided in the accompanying table below.

TOKYO CEMENT GROUP RISK ASSESSMENT MATRIX



PRINCIPAL RISKS

The main risks are those that are believed to have a significant adverse effect on our capacity to generate value over the short, medium, and/or long term. These risks are recognised during the Risk Prioritisation and Assessment stage of the risk management process, which takes into account the seriousness of impact and propensity for occurrence.

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
1.	Macro-Economic Risk	<ul style="list-style-type: none"> The country's sovereign credit rating has been downgraded as a result of economic instability brought on by budget deficits, current account deficits, balance of payment deficits, unemployment, and inflation. This may negatively affect the Group's business activities, particularly the importation of raw materials. 	●	●	<ul style="list-style-type: none"> The Group works closely with its banking partners to ensure that there are no obstacles to the availability of credit lines for the importation of raw materials, other than the statutory level limits that are applicable to all imports. The Company managed the product mix by giving a higher weightage to locally manufactured cement.

● High ● Medium ● Low

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
		<ul style="list-style-type: none"> The threat of imposing restrictions on selected imports and/or temporary suspension to discourage imports. The rate of inflation as indicated by the CCPI rose from 18.7% in March 2022 to 69.8% in September 2022, to later settled at 50.3% in March 2023. This exerted significant pressure on consumer's buying power and the Group's operational costs. 			<ul style="list-style-type: none"> The Group maintains strong relationships with the relevant stakeholders and banking partners who play a vital role in insulating the Group's financial position against the negative impact of the country's credit ranking. Ongoing initiatives to increase cost effectiveness.
2.	Currency Risks	<ul style="list-style-type: none"> More than 60% of raw materials are imported. The Rupee continued to depreciate up to December 2022, causing an increase in the cost of production. The cost of raw material imports was negatively impacted by the Rupee depreciation. The exchange rate fluctuation negatively impacted pricing decisions. Forex illiquidity created challenges in establishing LCs to import raw materials. 	●	●	<ul style="list-style-type: none"> Strong relationships with banks to enable sustained importation of raw materials. Closely monitor currency rate forecasts and fluctuations. Enter forward buying contracts with foreign suppliers for future procurements. Continuous evaluation of net open forex exposure.
3.	Credit Risk	<ul style="list-style-type: none"> The construction industry continued to experience liquidity constraints in 2022 as well, due to delays in payments for government sector projects. Long outstanding payments due from the CEB to the Renewable Energy Sector of the Group. Potential losses due to impairment of receivables. Increasing working capital cycles stressing cash flow management 	●	●	<ul style="list-style-type: none"> Formal credit policies and procedures were deployed, in consideration of the creditworthiness of each customer. Ensure credit facilities are backed by bank guarantees. Continuous reviewing systems are in place to monitor and report outstanding trade debts. Strengthened credit processes across businesses sectors.
4.	Interest rate risk	<ul style="list-style-type: none"> Interest rate volatility will have a significant impact on the Group's finance costs, particularly in the case of Import Demand Loans (IDLs). Rising interest rates reduce borrowing for new constructions and developments, driving down market demand. 	●	●	<ul style="list-style-type: none"> Continuous negotiations with banks and financial institutions to secure the best rates for the Groups' borrowing and investments. Maintain long-term interest rate agreements. Prudent treasury management. Maintain an appropriate mix of floating rate and fixed rate debt structure.

Risk Management

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
					<ul style="list-style-type: none"> Close monitoring of interest rate movement with an intention of restructuring the debt mix (fixed vs. floating and LTL vs. STL). Persistent follow-up with debtors within the credit period to minimise finance costs.
5.	Refinancing / Liquidity Risk	<ul style="list-style-type: none"> Potential for financial stress and impaired ability to meet future debt obligations. Unavailability of sufficient funds impact smooth functioning of day-to-day operations of the group. 	●	●	<ul style="list-style-type: none"> Restructuring of debt and enhancement of adequate banking facilities. Maintaining a sound cash position. Cash flow forecasting and rescheduling of payment plans.
Market and Strategic Risks					
6.	Geopolitical Risk	<ul style="list-style-type: none"> The threat of large regional players dumping cement into the local market. Increase in fuel prices as a result of the Russia and Ukraine war. Potential implications from geopolitical tensions, possible trade sanctions, supply chain disruptions. 	●	●	<ul style="list-style-type: none"> Long-term contracts with raw material suppliers. Increase consumer awareness on quality standards and product differentiation to build brand loyalty. Investment and enhancement in localised value chain.
7.	Local Political Risk	<ul style="list-style-type: none"> The Group's main manufacturing facilities are in Trincomalee and Colombo, whilst Ready Mix Concrete plants and Cement distribution points are located throughout the island. Curfews imposed to curtail political instability may impact distribution, and market access. Unstable political environment can have a significant impact on sales volumes. 	●	●	<ul style="list-style-type: none"> Backward integration to reduce dependency on external suppliers and service providers. Take proactive measures to coordinate with the Distributors and Dealer Network to avoid accessibility and availability issues.
8.	Subdued Demand	<ul style="list-style-type: none"> Demand for cement and cement-based products may decline due to reduced purchasing power as a result of severely weakened Rupee, inflation, and reduced disposable incomes stemming from the tax hike. Increasing interest rates will deter borrowing for investments in new developments, thereby potentially postponing new construction projects. Government and private sector construction projects being suspended due to the economic crisis, caused the construction industry to shrink significantly. 	●	●	<ul style="list-style-type: none"> Focus on new customer acquisition. Implement reward schemes for distributors. Improve after sales services especially for value added products. Work with banking partners for new financing opportunities for potential customers.

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
9.	Risks from competitor products	<ul style="list-style-type: none"> • Availability of low-quality imported products and other substitute brands at low prices. • High discounts and price cuts by other brands may impact market share. 	●	●	<ul style="list-style-type: none"> • Increase the strength of distribution channels. • Maintain uncompromising quality standards. • Build strong and reliable relationships with the sales and distribution network. • Educate customers and purchase decision influencers, such as masons and engineering professionals, on product performance and benefits. • Targeted pricing to adapt to competitor activities.
10.	Environmental risks	<ul style="list-style-type: none"> • Extreme weather events, such as, floods and severe droughts affect construction activities and renewable energy generation. 	●	●	<ul style="list-style-type: none"> • Diversify the renewable fuel sources used for power generation, such as agricultural waste as an alternative to renewable fuel wood. • Diversify product portfolio to maintain revenue streams.
11.	Risks from acquisitions and investments	<ul style="list-style-type: none"> • Adverse impact due to changes to financial structure, and failure to integrate employees, processes, technologies and products, social and political changes. 	●	●	<ul style="list-style-type: none"> • Rigorous forecasting and analysis of acquisitions, investments, due diligence, and methods of financing. • Maintain and uphold shareholder confidence. • Continuous study of macro environmental factors affecting shareholder dynamics. • Implementation of reward and recognition programmes to ensure low employee turnover. • Retention programmes focused on employees with long tenure with the company.

Operational Risks

12.	Reputational Risk	<ul style="list-style-type: none"> • Tokyo Cement is considered the leading Cement manufacturer in Sri Lanka. • Negative PR due to foreseen or unforeseen event can significantly impact the Group's Brand Equity. 	●	●	<ul style="list-style-type: none"> • Adhering to the strictest of standards across all business operations including environmental, employee welfare, financial and governance compliance. • Carryout impactful CSR programmes that permeate the value created by the Group across multiple rungs of society (Please refer CSR section in this report). • Maintain uncompromising quality standards.
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Risk Management

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
13.	Business Interruption Risk	<ul style="list-style-type: none"> Health and safety of employees. Transportation infrastructure breakdowns arising due to shortages in fuel supply. Delays in payments from the Ceylon Electricity Board (CEB) for power already supplied. 	●	●	<ul style="list-style-type: none"> Enable remote working to facilitate uninterrupted operations whilst upholding health and safety guidelines. Facilitate virtual meeting platforms to conduct statutory meetings such as AGM, Board meetings etc. Deploy proactive measures to ensure uninterrupted operation of the supply network by working closely with Distributors and Dealers. Work closely with the CEB on a plan to expedite payment settlement.
14.	Volatility of raw material prices and discontinuation of key supply chains	<ul style="list-style-type: none"> Raw material prices have continuously increased due to global supply chain shortages and cost increases. Depreciation of the Rupee and longer supplier credit periods reduce the accuracy with which raw material pricing can be forecasted. Absorption of cost increases to remain price competitive would contract margins. Freight rates further impact on the cost of imported raw materials. 	●	●	<ul style="list-style-type: none"> Enter long-term supplier contracts to reduce volatility of raw material prices. Expand the supplier base. Adopt efficient production methodologies via R&D. Optimise the utilisation of owned vessel to reduce charter hiring expense.
15.	Availability of raw materials	<ul style="list-style-type: none"> Interruption to manufacturing process due to non-availability of raw materials. 	●	●	<ul style="list-style-type: none"> Long-term contracts with reliable material suppliers. Expand the supplier base. Product development to use locally sourced raw materials whilst maintaining stipulated product quality standards. Maintaining a larger inventory of raw materials to mitigate unplanned shortfalls.
16.	Disruptions and cost increases associated with inbound and outbound transportation and logistics	<ul style="list-style-type: none"> Local transportation costs concerning both inbound and outbound logistics have continuously risen. Incremental fuel price reductions did little to avert overall transportation costs. Cost of spare parts, tyres, and vehicle maintenance have increased exponentially. 	●	●	<ul style="list-style-type: none"> Negotiate with logistics operators for long-term fixed rate contracts. Strengthen and build stronger, more reliable relationships with the outbound local distribution networks seeking mutual benefit. Work closely with Distributors and Dealers to ensure uninterrupted operation of the supply network.

● High ● Medium ● Low

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
17.	Employee health and safety including occupational health	<ul style="list-style-type: none"> Sickness, injury, or loss of life. Potential for pandemic related infections within working environments. 	●	●	<ul style="list-style-type: none"> Comprehensive safety protocols in place to manage pandemic situations and/or any other health and safety hazards. High levels of health and safety awareness nurtured as part of the Tokyo Cement culture. Comprehensive health insurance programme that covers all employees and dependents. Fitness and well-being programmes made available for staff.
18.	Staff turnover and employee retention	<ul style="list-style-type: none"> The economic crisis and its knockoff effects on individual's savings, remuneration and purchasing power have pushed many to seek new employment opportunities through migration, thereby making retention challenging. 	●	●	<ul style="list-style-type: none"> Progressive HR policies. Maintaining amiable associations with employees across all employee categories. Close grievance handling and match hygiene factors as much as possible. Provision of competitive remuneration packages to counter inflation impact.
19.	Production Technology Related Risks	<ul style="list-style-type: none"> Wear and tear and deterioration of machinery leading to reduced efficiency. Breakdowns and unplanned maintenance of plants and machinery resulting in lost output. 	●	●	<ul style="list-style-type: none"> Scheduled maintenance and continuous evaluation of machinery. Maintaining an inventory of spare parts for immediate repairs. Timely replacement of deteriorated components. In-house and overseas training for staff. Regular and continuous technology transfer from Mitsubishi UBE Cement Corporation.
20.	Quality Risks	<ul style="list-style-type: none"> Adverse impact on sales volume due to returns and damages. Deterioration of consumer trust in the case of product non-compliance. 	●	●	<ul style="list-style-type: none"> Strict quality maintenance in terms of ISO 9001 Quality Management System and compliance with SLS requirements. Operating an ISO 17025: 2017 Certified cement and concrete laboratory. Continuous stringent quality testing of raw materials and finished products before dispatch. Independent testing at a regular frequency for external oversight. Online Quality Management Systems for cross company review and real-time verification. Product demonstrations and training provided at customers' sites to mitigate user error.

Risk Management

No.	Risk Exposure	Description of Risks and Potential Impact	Severity of Impact	Probability of Occurrence	Action Plan/Mitigating Activities
21.	Legal and Compliance Risk	<ul style="list-style-type: none"> Possible legal fees, fines, penalties, and payouts. Operations of the company should be compliant based on local regulations and laws. 	●	●	<ul style="list-style-type: none"> Multi-level review of contracts, compliance and statutory documentation. Timely action and follow up with the legal consultation. Objective and progressive engagement with policy makers and stakeholder organisations, such as industry representative associations and trade chambers.
22.	Data Protection Risk and IT Governance	<ul style="list-style-type: none"> The risk of potential compromise or corruption of data. 	●	●	<ul style="list-style-type: none"> Critical applications are continuously upgraded to meet the latest security standards. Back up procedures, password controls, firewalls, malware, and anti-virus protections are implemented.
23.	Information System Availability Risk	<ul style="list-style-type: none"> Use of web-based applications and platforms can be affected due to global geopolitical situation. Risk of non-availability of certain IT products or systems can be affected due to infrastructure and equipment failure. Adverse impact on loss of confidentiality, integrity, and non-availability of systems. Current shortage of technology equipment as well as shipment delays resulting in non-availability of certain critical technology components for service providers. 	●	●	<ul style="list-style-type: none"> Hiring of certain IT equipment and/or infrastructure facilities/services, as a stop-gap measure. Continuously test and upgrade applications, systems, and networks to safeguard against vulnerabilities and potential threats. Continuous monitoring of network stability. Maintain alternative back up connectivity with service providers. High-level service agreements maintained with service providers.
24.	Cyber Security Risk	<ul style="list-style-type: none"> Cyber-attacks or Ransomware attacks on critical systems and websites. 	●	●	<ul style="list-style-type: none"> Mitigation activities in place. Implement disaster recovery protocols. Deploy appropriate tools and teams to mitigate the risk. Implementation of frequent awareness programmes across organisation.

● High ● Medium ● Low

A close-up photograph of a reindeer's head in winter. The reindeer has thick, brown fur with patches of snow. Its eye is dark and reflective, and a portion of its large, brown antler is visible in the upper right corner. The background is a soft, out-of-focus white, suggesting a snowy environment.

A POWERFUL TRANSFORMATION

We continue to optimise our capabilities and strengths, and rely on our adaptive nature to deliver consistent performance amid ever-evolving conditions.

During the widely opposing conditions of summer and winter, reindeer are known to change the colour of a reflective layer within their eyes. During winter, this layer transitions from a gold-like hue to a deep blue; a transformation that enables them to face the long stretches of darkness which often lasts months at a time.

Financial Statements

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Financial Calendar

Interim Reports

Quarter ended 30 th June 2022	9 th August 2022
Quarter ended 30 th September 2022	9 th November 2022
Quarter ended 31 st December 2022	7 th February 2023
Quarter ended 31 st March 2023	19 th May 2023
Annual Report - 2022/23	31 st July 2023
Forty-First Annual General Meeting	4 th September 2023

Annual Report of the Directors to the Shareholders

ABOUT THE COMPANY

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

THE TOKYO CEMENT GROUP

Tokyo Cement Group Structure

As at 31st March 2023, the Tokyo Cement Group comprised five (05) subsidiaries.

TOKYO CEMENT COMPANY (LANKA) PLC



100%

Tokyo Cement Power (Lanka) (Private) Limited

100%

Tokyo Eastern Cement Company (Private) Limited

51%

Tokyo Super Aggregate (Private) Limited

100%

Tokyo Supermix (Private) Limited

100%

Tokyo Cement Industrial Park (Private) Limited - (Initial Stage)

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 to the Executive Reviews and the Operational Reviews for details of the Company's activities during the financial year 2022/23.

BOARD OF DIRECTORS AND BOARD SUBCOMMITTEES

Board of Directors

Director	Designation	Board Attendance
Dr. Harsha Cabral, PC	Chairman and Independent Non-Executive	6/6
Mr. S.R. Gnanam	Managing Director	6/6
Mr. W.C. Fernando	Director	6/6
Mr. A.S.G. Gnanam	Non-Executive Director	6/6
Mr. E. J. Gnanam	Non-Executive Director	4/6
Mr. Yaoki Hashimoto	Non-Executive Director and Nominee Director of UBE Singapore Holdings Private Limited - Retired from 31 st March 2023	6/6
Mr. R. Seevaratnam	Independent Non-Executive Director - Expired on 17 th January 2023	3/4
Mr. Ravi Dias	Independent Non-Executive Director	6/6
Mr. Asite Talwate	Independent Non-Executive Director	6/6
Dr. Indrajit Coomaraswamy	Independent Non-Executive Director	6/6

BOARD SUBCOMMITTEES

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

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

The terms of reference and reports of the committees are given on pages 86 - 90 of the Annual Report.

Annual Report of the Directors to the Shareholders

CHANGES TO THE BOARD SUBCOMMITTEES

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

The changes to the Board and Board's subcommittees during the year under review are as follows:

Director	Change to the Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee
Mr. R. Seevaratnam	Expired on 17 th January 2023				
Mr. Yaoki Hashimoto	Retired wef. 31 st March 2023	No Change	No Change	No Change	No Change
Mr. Asite Talwatte	No Change	Appointed as Audit Committee Chairman wef. 11 th February 2023	No Change	No Change	No Change
Dr. Indrajit Coomaraswamy	No Change	Appointed wef. 11 th February 2023	Appointed wef. 11 th February 2023	Appointed wef. 11 th February 2023	No Change
Mr. W.C. Fernando	No Change	Appointed wef. 11 th February 2023	No Change	No Change	Appointed wef. 11 th February 2023

DIRECTORS' MEETINGS

The Board of Directors met Six (6) times during the year under review and Eight (8) 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 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 Dr. Harsha Cabral, PC has with the Company, and having considered all the facts and circumstances, determined that 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. Ravi Dias
3. Mr. Asite Talwatte
4. Dr. Indrajit Coomaraswamy
5. Mr. R. Seevaratnam -Expired on 17th January 2023

A signed declaration by the four Independent Directors regarding their independence, was submitted to the

Board and was duly evaluated by the Board. The Board assessed the Directors' independence in accordance with standards established by the CSE and Corporate Governance Rules.

RECOMMENDATIONS FOR RE-ELECTION

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

1. To re-elect Mr. Ravi Dias who retires by rotation in terms of Article 114 of the Articles of Association.
2. To re-elect Mr. Shuichi Nakamoto, who retires by rotation under Article 120 and is eligible for re-election.
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, 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.

5. 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.

6. To appoint Mr. Praveen Gnanam who has consented to be director and who is not disqualified from being appointed or holding office as a Director of a Company be appointed as a director under Article 107 of the Articles of Association

DIRECTORS' INTERESTS

The Directors' Interests in the Company contracts appear on pages 155-160 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 2023, 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

Director's / CEO's Shareholding	Voting Ordinary Shares		Non-voting Ordinary Shares	
	No of Shares Held 31st March 2023	No of Shares Held 31st March 2022	No of Shares Held 31st March 2023	No of Shares Held 31st March 2022
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 Private Limited	26,730,000	26,730,000	-	-
Mr. S. Nakamoto (Non Executive and Nominee Director of UBE Singapore Holdings Private Limited)	-	-	-	-
Mr. W.C. Fernando - Director	3,995	3,995	71,280	71,280
Independent Non-Executive Directors				
Mr. Ranjeevan Seevaratnam - Expired on 17 th January 2023	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. I. Coomaraswamy	-	-	-	-
	100,241,209	100,241,209	71,280	71,280

Annual Report of the Directors to the Shareholders

EQUITABLE TREATMENT TO SHAREHOLDERS

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

INTEREST REGISTER

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

RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing rules given in note 32 on pages 155-160 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.

COMMITMENTS AND CONTINGENCIES

Information with regards to capital commitments and contingent liabilities as at 31st March 2023, is given in notes 29 and 30 on page 149 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 106 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.

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 2023 have been audited by Messrs BDO Partners, Chartered Accountants.

SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL PERFORMANCE

The financial performance and operating environment that influenced financial performance, of the Group and Company and plans for the future, have been discussed in detail by the Managing Director in the Managing Director's Review of Operations in pages 36-38 of this Annual Report. Therefore, we kindly request all interested stakeholders to refer this statement and also the Chairman's Message on pages 32-34 of the Annual Report.

SHAREHOLDERS' INFORMATION

This information is provided in pages 166-170 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

The 20 major shareholders and the percentage held by each of them as at 31st March 2023 are given on pages 169-170.

DIVIDENDS

As recommended by the Board of Directors the interim Dividend for the year 2022/23 of Rs. 1.50 per share was paid on 20th June 2023 amounting to Rs. 601,425,000/-. This dividend is considered as the total dividend payment for the year 2022/23.

STATED CAPITAL

The total issued stated capital stood at Rs. 4,239,611,750 as at end March 2023 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. 16.6 Billion to Rs. 21.6 Billion by 31st March 2023.

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 164.

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 106.

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 91-98 of this report.

AUDITORS

The independent auditor's 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 130 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, and the auditors of the Company are also the auditors of all subsidiaries of the group. All the subsidiary companies are audited by them.

ANNUAL GENERAL MEETING

The Forty-First Annual General Meeting of the Shareholders of Tokyo Cement Company (Lanka) PLC will be held as a virtual meeting without the physical presence of the shareholders, due to economic and other logical conditions not conducive to hold a physical meeting. The Meeting will be held via 'ZOOM' App. Monday the 4th September 2023 at 4.15 p.m. centred at the Cinnamon Grand Colombo, No. 77, Galle Road, Colombo 03, Sri Lanka.



Mr. S.R. Gnanam
Managing Director



Dr. Harsha Cabral, PC
Chairman/Independent Non-Executive Director



Seccom (Private) Limited
Company Secretaries

18th July 2023

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) and 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 2023, conform to the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No 7 of 2007, and the Listing Rules of the Colombo Stock Exchange.
- The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.
- The financial statements consist of:
 - The Statement of Profit or Loss and Other Comprehensive Income of the Company and its subsidiaries, which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year.
 - 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 2023 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2023 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.

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

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



Seccom (Private) Limited,
Company Secretaries

18th July 2023

Independent Auditor's Report



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 "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 2023, 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 115 to 164.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

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

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Measurement of Inventories

The Company and the Group had inventories of Rs. 3,856,339,547/- and Rs.8,352,187,190/- respectively as at 31st March 2023, which represented 41% and 53% respectively of the Company and the Group's current assets.

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, ACCA, 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). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vadivel Bsc (Acc), ACA, ACMA.

Independent Auditor's Report



Other Information

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company's and 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
18th July, 2023

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	4	56,481,677,281	52,477,594,950	35,665,412,644	32,157,358,637
Cost of sales		(35,964,303,381)	(41,065,392,617)	(24,201,584,961)	(27,193,413,071)
Gross profit		20,517,373,900	11,412,202,333	11,463,827,683	4,963,945,566
Other income	5	882,758,393	45,047,154	864,948,375	12,846,484
		21,400,132,293	11,457,249,487	12,328,776,058	4,976,792,050
Selling and distribution expenses		(7,235,064,673)	(5,461,420,115)	(4,355,652,058)	(3,217,667,390)
Administrative expenses		(2,356,592,814)	(1,235,957,052)	(1,411,567,833)	(947,261,204)
Profit from operations		11,808,474,806	4,759,872,320	6,561,556,167	811,863,456
Profit on disposal of vessel		-	471,788,684	-	471,788,684
Dividend income		-	-	1,000,000,026	2,009,000,000
Profit before interest and taxation		11,808,474,806	5,231,661,004	7,561,556,193	3,292,652,140
Finance income	6	184,810,314	82,604,119	75,032,801	34,462,604
Finance expenses	7	(5,220,848,008)	(5,603,757,821)	(4,291,528,013)	(3,957,251,977)
Profit/(loss) before taxation	8	6,772,437,112	(289,492,698)	3,345,060,981	(630,137,233)
Income tax expenses	9	(1,773,746,339)	(68,286,865)	(1,227,653,162)	14,565,562
Profit/(loss) for the year		4,998,690,773	(357,779,563)	2,117,407,819	(615,571,671)
Other comprehensive income					
Items that will not be re-classified to the statement of profit or loss					
Re-measurement of defined benefit obligations		(44,084,251)	88,097,422	(40,758,879)	54,793,256
Tax impact on other comprehensive income		12,987,860	(15,057,121)	12,227,664	(9,862,786)
Other comprehensive income for the year, net of tax		(31,096,391)	73,040,301	(28,531,215)	44,930,470
Total comprehensive income for the year, net of tax		4,967,594,382	(284,739,262)	2,088,876,604	(570,641,201)
Profit/ (loss) for the year attributable to:					
Owners of the parent		4,988,685,368	(377,647,609)	2,117,407,819	(615,571,671)
Non-controlling interest		10,005,405	19,868,046	-	-
Profit / (loss) for the year		4,998,690,773	(357,779,563)	2,117,407,819	(615,571,671)
Total comprehensive income for the year attributable to:					
Owners of the parent		4,957,692,759	(305,328,099)	2,088,876,604	(570,641,201)
Non-controlling interest		9,901,623	20,588,837	-	-
Total comprehensive income for the year		4,967,594,382	(284,739,262)	2,088,876,604	(570,641,201)
Basic/Diluted earnings per share (Rs.)					
- Voting	10	12.44	(0.94)	5.28	(1.54)
- Non-voting	10	12.44	(0.94)	5.28	(1.54)
Dividend per share					
- Voting	11	-	-	1.50	-
- Non-voting	11	-	-	1.50	-

Figures in brackets indicate deductions.

The accounting policies and notes from pages 115 to 164 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	30,308,654,320	28,555,262,783	16,009,091,689	13,596,876,523
Intangible assets	13	53,807,426	64,254,242	18,115,955	25,345,899
Investment in subsidiaries	14	-	-	12,237,177,043	12,237,176,943
Right-of-use assets	15	1,300,425,716	1,408,962,459	1,146,209,461	1,197,655,188
Total non-current assets		31,662,887,462	30,028,479,484	29,410,594,148	27,057,054,553
Current assets					
Inventories	16	8,352,187,190	5,459,541,880	3,856,339,547	3,866,426,855
Trade and other receivables	17	5,776,355,813	5,363,851,159	3,609,467,702	3,186,707,776
Amount due from subsidiaries	18	-	-	683,815,191	547,442,633
Financial assets at amortised cost	19	9,518,969	8,386,534	-	-
Cash and cash equivalents	20	1,673,751,907	6,349,580,090	1,237,821,538	4,072,997,493
Total current assets		15,811,813,879	17,181,359,663	9,387,443,978	11,673,574,757
Total assets		47,474,701,341	47,209,839,147	38,798,038,126	38,730,629,310
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	4,239,611,750	4,239,611,750	4,239,611,750	4,239,611,750
Retained earnings		21,553,945,695	16,596,252,936	12,918,376,936	10,829,500,332
Equity attributable to the owners of the parent		25,793,557,445	20,835,864,686	17,157,988,686	15,069,112,082
Non-controlling interest		94,417,937	84,516,314	-	-
Total equity		25,887,975,382	20,920,381,000	17,157,988,686	15,069,112,082
Non-current liabilities					
Interest bearing borrowings	22	1,162,433,532	1,349,873,335	3,427,917,300	3,750,000,000
Deferred tax liabilities	23	3,081,156,004	1,859,455,057	1,553,803,096	504,266,458
Retirement benefit obligations	24	342,970,200	275,925,307	271,092,394	216,176,559
Lease creditors	25	284,114,225	333,955,726	191,480,010	213,870,467
Total non-current liabilities		4,870,673,961	3,819,209,425	5,444,292,800	4,684,313,484
Current liabilities					
Trade and other payables	26	4,818,332,936	17,055,440,313	5,214,879,097	11,036,387,426
Tax payables	27	507,452,033	159,042,411	160,682,879	126,968,404
Amount due to subsidiaries	28	-	-	4,509,697,138	3,229,357,185
Interest bearing borrowings	22	10,646,498,007	4,187,143,315	5,763,176,545	3,934,567,315
Lease creditors	25	53,807,836	86,149,530	22,706,392	32,870,641
Bank overdrafts	20	689,961,186	982,473,153	524,614,589	617,052,773
Total current liabilities		16,716,051,998	22,470,248,722	16,195,756,640	18,977,203,744
Total equity and liabilities		47,474,701,341	47,209,839,147	38,798,038,126	38,730,629,310
Net assets value per share		64.33	51.97	42.79	37.58

Figures in brackets indicate deductions.

The accounting policies and notes from pages 115 to 164 form an integral part of these financial statements.

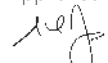
These financial statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.



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

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.		
As at 01st April 2021	4,239,611,750	17,743,576,035	21,983,187,785	63,927,477	22,047,115,262
Comprehensive income for the year					
Profit/(loss) for the year	-	(377,647,609)	(377,647,609)	19,868,046	(357,779,563)
Other comprehensive income					
Actuarial gain on retirement benefit obligations	-	87,218,408	87,218,408	879,014	88,097,422
Tax relating to other comprehensive income	-	(14,898,898)	(14,898,898)	(158,223)	(15,057,121)
Total comprehensive income for the year	-	(305,328,099)	(305,328,099)	20,588,837	(284,739,262)
Dividend to equity holders	-	(841,995,000)	(841,995,000)	-	(841,995,000)
As at 31st March 2022	4,239,611,750	16,596,252,936	20,835,864,686	84,516,314	20,920,381,000
Comprehensive income for the year					
Profit for the year	-	4,988,685,368	4,988,685,368	10,005,405	4,998,690,773
Other comprehensive income					
Actuarial loss on retirement benefit obligations	-	(43,935,990)	(43,935,990)	(148,261)	(44,084,251)
Tax relating to other comprehensive income	-	12,943,381	12,943,381	44,479	12,987,860
Total comprehensive income for the year	-	4,957,692,759	4,957,692,759	9,901,623	4,967,594,382
As at 31st March 2023	4,239,611,750	21,553,945,695	25,793,557,445	94,417,937	25,887,975,382

For the year ended 31st March Company	Stated capital	Retained earnings	Total
	Rs.	Rs.	Rs.
	As at 01st April 2021	4,239,611,750	12,242,136,533
Comprehensive income for the year			
Loss for the year	-	(615,571,671)	(615,571,671)
Other comprehensive income			
Actuarial gain on retirement benefit obligations	-	54,793,256	54,793,256
Tax relating to other comprehensive income	-	(9,862,786)	(9,862,786)
Total comprehensive income for the year	-	(570,641,201)	(570,641,201)
Dividend to equity holders	-	(841,995,000)	(841,995,000)
As at 31st March 2022	4,239,611,750	10,829,500,332	15,069,112,082
Comprehensive income for the year			
Profit for the year	-	2,117,407,819	2,117,407,819
Other comprehensive income			
Actuarial loss on retirement benefit obligations	-	(40,758,879)	(40,758,879)
Tax relating to other comprehensive income	-	12,227,664	12,227,664
Total comprehensive income for the year	-	2,088,876,604	2,088,876,604
As at 31st March 2023	4,239,611,750	12,918,376,936	17,157,988,686

Figures in brackets indicate deductions.

The accounting policies and notes from pages 115 to 164 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flow from/(used in) operating activities					
Profit/(loss) before taxation		6,772,437,112	(289,492,698)	3,345,060,981	(630,137,233)
Adjustments for :					
Depreciation of property plant and equipment	12 A,B	1,480,108,118	1,453,294,391	674,087,019	767,435,204
Amortisation of intangible assets	13.1 A,B	22,934,764	20,428,482	19,717,892	17,946,165
Depreciation of right-of-use assets	15	108,536,743	109,342,991	51,445,727	51,445,727
Provision for retirement benefit obligations	24	66,966,337	27,633,980	48,781,796	18,777,372
Profit on disposal of property, plant and equipment	5	(14,844,997)	(3,782,222)	(9,065,000)	(3,782,222)
Profit on disposal of vessel		-	(471,788,684)	-	(471,788,684)
Interest expense		1,619,989,022	504,566,891	1,997,016,844	537,343,475
Lease interest	7	38,874,846	40,563,512	19,484,709	18,367,493
Write-off of ESC receivables		10,465,178	8,738,426	-	-
Unrealised exchange loss /(gain)		(86,900,019)	4,044,108,889	(86,900,019)	2,388,006,711
Interest income	6	(184,810,314)	(82,604,119)	(75,032,801)	(34,462,604)
Dividend income		-	-	(1,000,000,026)	(2,009,000,000)
Restatement of liabilities	5	(19,402,359)	(3,011,254)	(19,402,359)	(3,011,254)
Operating profit before working capital changes		9,814,354,431	5,357,998,585	4,965,194,763	647,140,150
(Increase)/decrease in inventories		(2,892,645,310)	(2,219,757,236)	10,087,308	(1,621,170,187)
(Increase)/decrease in trade and other receivables		(422,969,832)	(1,068,294,756)	(422,759,926)	(529,133,331)
Increase/(decrease) in trade and other payables		(12,130,538,772)	7,643,180,781	(6,179,144,438)	4,201,088,533
Increase/(decrease) in amount due to/from related parties		-	-	1,144,271,099	1,440,971,382
Cash generated from/(used in) operations		(5,631,799,483)	9,713,127,374	(482,351,194)	4,138,896,547
Interest paid		(1,619,989,022)	(504,566,891)	(1,532,812,132)	(537,343,475)
Income tax paid	27	(190,647,911)	(47,614,970)	(132,174,385)	-
Retirement benefit obligations paid	24	(44,005,695)	(22,373,480)	(34,624,840)	(10,534,202)
Net cash flow from/(used in) operating activities		(7,486,442,111)	9,138,572,033	(2,181,962,551)	3,591,018,870
Cash flow from/(used in) investing activities					
Purchase and construction of property, plant and equipment	12 A,B	(3,245,150,605)	(1,862,413,700)	(3,098,191,838)	(1,077,378,605)
Intangible assets acquired	13.1 A,B	(836,998)	(9,166,774)	(836,998)	(9,166,774)
Interest received	6	183,677,879	82,205,734	75,032,801	34,462,604
Proceeds from sale of property, plant and equipment		14,844,997	578,162,050	9,000,000	578,162,050
Investment in shares - subsidiary		-	-	(100)	-
Dividend received		-	-	1,000,000,026	2,009,000,000
Net cash flow from/(used in) investing activities		(3,047,464,727)	(1,211,212,690)	(2,014,996,109)	1,535,079,275
Cash flow from/(used in) financing activities					
Repayments of interest bearing borrowings		(11,625,212,570)	(13,148,892,480)	(10,994,316,570)	(10,105,980,457)
Receipts of interest bearing borrowings		17,897,127,459	10,510,529,990	12,500,843,100	9,242,130,299
Dividend paid		(266,226)	(833,508,353)	(266,226)	(833,508,353)
Lease rentals paid	25	(121,058,041)	(140,744,268)	(52,039,415)	(53,302,077)
Net cash flow from/(used in) financing activities		6,150,590,622	(3,612,615,111)	1,454,220,889	(1,750,660,588)
Net increase/(decrease) in cash and cash equivalents		(4,383,316,216)	4,314,744,232	(2,742,737,771)	3,375,437,557
Cash and cash equivalents at the beginning of the year	A	5,367,106,937	1,052,362,705	3,455,944,720	80,507,163
Cash and cash equivalents at the end of the year	B	983,790,721	5,367,106,937	713,206,949	3,455,944,720

Figures in brackets indicate deductions.

The accounting policies and notes from pages 115 to 164 form an integral part of these financial statements.

Notes to Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Note					
A Cash and cash equivalents at the beginning of the year					
Bank balances and cash in hand	20	6,349,580,090	1,489,031,416	4,072,997,493	240,976,328
Bank overdrafts		(982,473,153)	(436,668,711)	(617,052,773)	(160,469,165)
		5,367,106,937	1,052,362,705	3,455,944,720	80,507,163
B Cash and cash equivalents at the end of the year					
Bank balances and cash in hand	20	1,673,751,907	6,349,580,090	1,237,821,538	4,072,997,493
Bank overdrafts		(689,961,186)	(982,473,153)	(524,614,589)	(617,052,773)
		983,790,721	5,367,106,937	713,206,949	3,455,944,720

Figures in brackets indicate deductions.

The accounting policies and notes from pages 115 to 164 form an integral part of these financial statements.

Colombo
18th July 2023

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity – Domicile and legal form

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

1.2 Consolidated financial statements

The consolidated financial statements for the year ended 31st March 2023, 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 and distributing to the Ceylon Electricity Board
Tokyo Super Aggregate (Pvt) Ltd	51%	Sri Lanka	Manufacturing and marketing of aggregate
Tokyo Supermix (Pvt) Ltd	100%	Sri Lanka	Manufacturing and marketing of ready mix concrete
Tokyo Cement Industrial Park (Pvt) Ltd	100%	Sri Lanka	Exploratory development project for the manufacturing of cement (initial stage)

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 2022 to 31st March 2023.

1.6 Date of authorisation for issue

The consolidated financial statements of the Group for the year ended 31st March 2023 were authorised for issue by the Board of Directors on 18th July 2023.

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 utilise 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 flows, together with the accounting policies and notes ("financial statements") of the Company and the Group as at 31st March 2023 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No.07 of 2007.

2.4 Going concern

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

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company and the Group's ability to continue to operate as a going concern. The Management has assessed the anticipated implications of macro-economic conditions, exchange

rate volatilities, foreign exchange market limitations and its effect on the Group and the Company appropriateness of use of going concern basis. In determining the above, significant management judgements, estimates and assumptions including the impact of the current macroeconomic challenges have been considered as of the reporting date and specific disclosures have been made under the relevant notes to the financial statements.

The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and hence have adopted the going concern basis in preparing and presenting these financial statements. Further, Directors have confirmed that there is no immediate fund requirement to settle the existing liabilities and the Company intends to obtain continuous support from the fully owned subsidiaries whenever necessary. Nonetheless, the Company and the Group are vigilantly following the current developments and approaching the current challenges and constraints with greater agility and open-mindedness.

2.5 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.6 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.

2.7 Materiality and aggregation

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

2.8 Changes in accounting standards

The Group has considered that, the changes in accounting standards during the financial year do not have a significant impact on the Group's financial statements.

2.9 Standard issued but not yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1st April 2023. The Company and the Group intend to adopt these standards, if applicable, when they become effective.

The following amended standards are not expected to have a significant impact on the Group's Financial Statements,

a) Disclosure of Accounting Policies (Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2).

The amendments to LKAS 1 and SLFRS Practice Statement 2 Making Materiality Judgements, providing guidance to help entities meet the accounting policy disclosure requirements.

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments had no effect on the consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than final financial statements.

b) Definition of Accounting Estimates (Amendments to LKAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendment to LKAS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12 Income Taxes)

The amendments to LKAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of SLFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

d) Classification of liabilities as current or non-current (Amendments to LKAS 01)

The amendment aims to clarify the requirements on determining whether a liability is current or non-current and apply for annual reporting periods beginning on or after 1st January 2023.

The amendments in classification of liabilities as current or non-current (Amendments to LKAS 01) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses or the information that entities disclose about those item

e) SLFRS 17 Insurance Contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka has decided to adopt SLFRS 17 - Insurance Contracts with effective from annual reporting periods beginning on or after 1st January 2025. Early adoption along with the adoption of SLFRS 9 - Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers is permitted if the regulator permits. SLFRS 17 supersedes SLFRS 4 - Insurance Contracts.

The Group carried out an assessment of its contracts and operations and concluded that the adoption of SLFRS 17 has had no effect on the consolidated financial statements.

2.10 Current versus non-current classification

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

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company and the Group classify all other liabilities as non-current.

2.11 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2023. (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.

Notes to the Financial Statements

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

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

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

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

acquired is recorded as the goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Group's statement of profit or loss as a gain on bargain purchase.

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

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

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

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

The financial statements of the subsidiary companies are prepared for the same reporting period as is the Company, which is twelve months ending at 31st March 2023.

Non-controlling interest

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

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

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

2.12 Significant accounting judgements, estimates and assumptions

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

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

Those which the management has assessed to have the most significant effect on the amounts 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 Company and the Group based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

Critical accounting estimate / judgment	Disclosure note
Going concern	2.4
Useful life of property, plant and equipment	3.3
Impairment of non-financial assets	3.9
Impairment of financial assets	3.10.3
Retirement benefit obligations	3.18.1
Leases	3.19
Deferred tax liabilities	3.20.2
Taxes	3.20

2.13 Impact of prevailing macroeconomic conditions

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and illiquid during the first half of the financial year amidst significant foreign exchange shortages and uncertainty of the macroeconomic environment. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of the continuation of import restrictions and the tight fiscal and monetary policy measures adopted. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the impending Extended Fund Facility (EFF)

from the International Monetary Fund (IMF), at the time. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows.

The impact of the prevailing macroeconomic conditions on accounting estimates is discussed under the Note 33 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

Transactions and balances

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

3.2 Business combination and the goodwill

Acquisition of subsidiaries has been accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company and the Group decide whether to measure the non-controlling interest in the acquiree at 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 Company and the

Group acquire 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 the statement of 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 is measured at fair value with the changes in fair value recognised in the Statement of profit or loss and other comprehensive income, in accordance with SLFRS 9. If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount 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.

Notes to the Financial Statements

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 Company and the Group and the cost of the asset can be reliably measured.

Basis of measurement

Initial measurement

Property, plant and equipment are initially measured at cost.

Subsequent measurement

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment loss. Such costs include the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company and the Group de-recognise 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. Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale is capitalised as part of the cost of respective assets.

Restoration cost

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

De-recognition

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

Depreciation

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

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

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

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

Useful lives of property, plant and equipment

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

3.4 Capital work-in-progress

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

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

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

3.5 Intangible assets

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and 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 and the Group 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 group of cash generating units) is less than the carrying amount of cash generating unit (or group of cash generating units) to which the goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to the goodwill are not reversed in future periods.

b) Computer software – Accounting and related software

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

Computer software is amortised over 04 years on a straight line basis. The amortisation period and the amortisation method for computer software are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits

embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of 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 statement of profit or loss.

c) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset, when the Company and the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

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 Company and the Group recognise 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 Company and the Group are reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

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

b) Short-term leases and low value assets

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

Notes to the Financial Statements

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 Company and the Group assess 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 Company and the Group make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

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

For assets excluding the goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and 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 amortisation or depreciation), had no impairment loss been recognised for the asset in prior years.

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 at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

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

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

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

Subsequent measurement

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

a) Fair value through profit or loss

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

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

b) Amortised cost

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

Impairment provisions for trade receivables are recognised based on the simplified approach within SLFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables

is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of profit or loss and other 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 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 Company and the Group elect to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such re-negotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of profit or loss.

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

c) Fair value through other comprehensive income

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Company and the Group in a business combination to which SLFRS 3 "Business Combination" applies, are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. When financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equal to profit or loss recognised in other gain/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 Company and the Group have 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.

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

3.10.2 Financial assets – derecognition

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

Notes to the Financial Statements

3.10.3 Impairment of financial assets

The Company and the Group assess 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 and the Group apply the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company and the Group have 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 statement of profit or loss.

The Company and the Group classify 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 interest bearing borrowings, trade and other payables, and bank overdraft.

Subsequent measurement

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

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired 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.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

3.12 Offsetting of financial instruments

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

3.13 Fair value of financial instruments

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

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

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

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

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

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

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

The level in the fair value hierarchy within which the financial asset or financial liability is 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 at bank and short-term deposits.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at bank and short-term deposits net of outstanding bank overdrafts. Cash and cash equivalents include cash in hand and at bank, 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.

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

3.16 Inventories

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

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

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

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

3.17 Liabilities and provisions

3.17.1 Liabilities

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

Trade and other payables

Trade creditors and other payables are stated at amortised cost. Trade payables are the aggregate amount of obligations to pay for goods and services, that have been acquired in the ordinary cause of business.

3.17.2 Short term borrowing

Short term borrowings are interest bearing borrowings of the Company and the Group which fall due within 12 months of the end of financial year.

3.17.3 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event and it is probable that the Company and 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 obligations of the Company and the Group are based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd. The actuarial

Notes to the Financial Statements

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 24. The main assumptions used relate to mortality, disability rates and withdrawal rates. The assumptions regarding the discount rate and salary rate are of critical importance in determining the pace of providing for a final salary retirement scheme. 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 the Group 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 and the Group recognise 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 and the Group use 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, 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 Company and the Group operate 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 if the tax relates to items that are recognised, in the same or a different period, outside 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.

IFRIC interpretation 23 uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately.
- the assumptions an entity makes about the examination of tax treatments by taxation authorities.
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates.
- how an entity considers changes in facts and circumstances.
- the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company and the Group apply significant judgment in identifying uncertainties over income tax treatments. Since the Company and the Group operate in a complex environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company and the Group considered whether it has any uncertain tax positions, and the Company and the Group

determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

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 Company and the Group recognise revenue when the Company and the Group satisfy 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 and the Group no longer have physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods.

Under SLFRS 15, the Company and the Group determine, 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 and the Group recognise the revenue over time by measuring the progress towards the complete satisfaction of that performance obligation.

Notes to the Financial Statements

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 Company and the Group are able to determine the split of the total contract price between each product line by reference to each product's stand-alone selling prices (all product lines are capable of being, and are, sold separately).

3.22.2 Other source of income

a) Dividend income

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

b) Interest income

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

c) Charter hire income

Charter hire income is recognised on an accrual basis.

d) Other income

All other income is recognised on an accrual basis.

3.23 Expenditure recognition

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

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

3.24 Finance Expenses

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the statement of profit or loss and other comprehensive income. Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

3.25 Borrowing costs

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

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

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

3.26 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.

3.27 Related party transactions

Disclosures are made in respect of the transactions in which the Company and the Group have 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.

Transactions with related parties are carried out in the ordinary cause of business. Sales and purchases from related parties are made on terms equivalent to those that prevail in arm's length transaction. Intercompany interest bearing borrowings/receivables are included in the financial statements.

3.28 Earnings per share

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Goods transferred at a point in time	56,481,677,281	52,477,594,950	35,665,412,644	32,157,358,637
	56,481,677,281	52,477,594,950	35,665,412,644	32,157,358,637

5. OTHER INCOME

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit on disposal of property, plant and equipment	14,844,997	3,782,222	9,065,000	3,782,222
Charter hiring income	818,024,905	-	818,024,905	-
Restatement of liabilities	19,402,359	3,011,254	19,402,359	3,011,254
Sundry income	30,486,132	38,253,678	18,456,111	6,053,008
	882,758,393	45,047,154	864,948,375	12,846,484

6. FINANCE INCOME

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest on treasury bills	1,132,435	398,377	-	-
Interest on money market deposits	183,677,879	82,205,742	75,032,801	34,462,604
	184,810,314	82,604,119	75,032,801	34,462,604

7. FINANCE EXPENSES

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest on borrowings	1,580,342,596	498,771,220	1,318,317,926	434,714,049
Less: Borrowing cost capitalisation	(94,623,156)	(5,069,402)	(94,623,156)	(5,069,402)
Interest on related party borrowings	-	-	674,204,709	104,712,327
Interest on lease	38,874,846	40,563,512	19,484,709	18,367,493
Interest on bank overdrafts	134,269,582	10,865,073	99,117,365	2,986,501
Exchange loss	3,561,984,140	5,058,627,418	2,275,026,460	3,401,541,009
	5,220,848,008	5,603,757,821	4,291,528,013	3,957,251,977

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 property, plant and equipment. Such borrowing costs are capitalised as part of the cost of the assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably as per LKAS 23.

7.1(b) Rate of capitalisation

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

8. PROFIT/(LOSS) BEFORE TAXATION

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit/(loss) before taxation is stated after charging all expenses including the following:				
Depreciation on property, plant and equipment	1,480,108,118	1,453,294,391	674,087,019	767,435,204
Amortisation of intangible assets	22,934,764	20,428,482	19,717,892	17,946,165
Directors' emoluments	50,530,502	49,525,000	50,530,502	49,525,000
Auditors' remuneration - Audit services	7,289,358	6,709,280	4,500,000	4,200,000
Charity and donations	2,335,926	1,687,672	-	-
Staff cost including all benefits	1,766,636,670	1,745,115,839	923,083,364	896,768,756
Defined benefits cost - Retirement benefit obligations	66,966,337	27,633,980	48,781,796	18,777,372
Defined contribution plan cost - E.P.F. and E.T.F.	163,593,113	155,884,134	85,679,866	81,152,716
Depreciation of right-of-use assets	108,536,743	109,342,991	51,445,727	51,445,727
Research cost	8,802,887	15,197,247	8,677,349	14,139,306
Legal expenses and professional charges	73,260,729	72,405,367	53,933,220	59,453,980
Repairs and maintenance	1,195,503,744	1,139,838,775	779,053,728	802,822,376
Social security contribution levy (SSCL) expenses	586,939,190	-	326,373,765	-
Sales commission	1,428,272,910	1,212,171,512	941,418,595	740,385,466
Advertisement expenses	126,235,308	125,768,434	113,775,596	118,795,365

9. INCOME TAX EXPENSES

For the year ended 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current year income tax provision	9.A.1	501,659,695	356,410,508	165,888,860	289,531,025
Under provision in respect of previous years		37,397,837	85,821,958	-	85,725,319
Deferred taxation provision/(reversal)	9.B	1,234,688,807	(373,945,601)	1,061,764,302	(389,821,906)
		1,773,746,339	68,286,865	1,227,653,162	(14,565,562)

9.A.1 Current year income tax provision

Reconciliation between the current year tax expense and accounting profit/(loss)

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit/ (loss) before taxation	6,772,437,112	(289,492,698)	3,345,060,981	(630,137,233)
Income considered separately	(1,869,328,382)	(2,197,960,919)	(1,077,366,160)	(2,043,462,604)
Consolidation adjustment	1,001,870,019	2,009,000,000	-	-
Aggregate disallowable items	4,327,687,827	5,256,618,522	3,071,156,145	2,784,661,654
Aggregate allowable items	(6,393,926,218)	(1,714,474,566)	(5,329,602,902)	(545,426,051)
Tax exempt profit	(3,264,069,895)	(3,199,608,562)	-	-
Adjusted income/ (loss) from business	574,670,463	(135,918,223)	9,248,064	(434,364,234)
Tax loss not utilised	64,222,457	434,364,234	-	434,364,234
Tax loss utilised	(128,296,757)	(132,889,305)	(9,248,064)	-
Taxable income from business	510,596,163	165,556,706	-	-
Income considered separately	1,869,328,382	2,197,960,919	1,077,366,160	2,043,462,604
Tax loss utilised	(7,980,435)	(1,334)	-	-
Taxable income	2,371,944,110	2,363,516,291	1,077,366,160	2,043,462,604
Tax liability @30%	213,554,981	-	11,604,920	-
Tax liability @24%	97,151,055	45,350,300	9,283,936	8,271,025
Tax liability @18%	45,953,655	29,800,208	-	-
Tax liability @15%	75,000,000	-	75,000,000	-
Tax liability @14%	70,000,004	281,260,000	70,000,004	281,260,000
Total tax expense	501,659,695	356,410,508	165,888,860	289,531,025

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

For the year ended 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax attributable to profit or loss	9 .A.1	501,659,695	356,410,508	165,888,860	289,531,025
Tax attributable to other comprehensive income	9. B	(12,987,860)	15,057,121	(12,227,664)	9,862,786

Notes to the Financial Statements

9. INCOME TAX EXPENSES (CONTD.)

9.A.3 Tax loss carried forward

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax loss brought forward	2,602,540,123	2,301,066,528	2,176,435,752	1,742,071,518
Tax loss arising during the year	64,222,457	434,364,234	-	434,364,234
Tax loss utilised during the year	(136,277,192)	(132,890,639)	(9,248,064)	-
Tax loss carried forward	2,530,485,388	2,602,540,123	2,167,187,688	2,176,435,752

9.A.4 Exempt profit

Trading profit from the business of Tokyo Eastern Cement Company (Pvt) Ltd was exempted from income tax under section 16D of the Inland Revenue Act No 10 of 2006.

9.B Deferred tax expenses

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Origination / (reversal) of temporary differences arising from				
Accelerated depreciation for tax purposes on property, plant and equipment	1,006,789,624	(9,499,464)	794,890,948	(47,453,278)
Retirement benefit obligations	(36,485,512)	(1,773,800)	(30,188,273)	(1,483,771)
Benefit arising from tax losses	(278,908,066)	(101,168,388)	(255,993,897)	(78,185,562)
Right-of-use assets	105,617,485	168,337,258	106,851,657	167,141,912
Impairment of trade receivables	(18,235,937)	-	(9,707,346)	-
Unrealised exchange differences	455,911,213	(429,841,207)	455,911,213	(429,841,207)
	1,234,688,807	(373,945,601)	1,061,764,302	(389,821,906)
Other comprehensive income				
Actuarial gain/(loss) on defined benefit obligations	(12,987,860)	15,057,121	(12,227,664)	9,862,786
	1,221,700,947	(358,888,480)	1,049,536,638	(379,959,120)

9.B.1 Deferred tax has been calculated at 30%, 15% and 12% which is expected to apply after the respective tax exemption period, assuming that the tax rate will not be changed over the specified period.

10. BASIC/DILUTED EARNINGS/(LOSS) PER SHARE**10.1 Basic earnings 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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amount used as the numerator:				
Profit/(loss) attributable to owners of the parent	4,988,685,368	(377,647,609)	2,117,407,819	(615,571,671)
	4,988,685,368	(377,647,609)	2,117,407,819	(615,571,671)
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
- Voting ordinary shares	267,300,000	267,300,000	267,300,000	267,300,000
- Non-voting ordinary shares	133,650,000	133,650,000	133,650,000	133,650,000
Basic earnings per share (Rupee per share)				
- Voting ordinary shares	12.44	(0.94)	5.28	(1.54)
- Non-voting ordinary shares	12.44	(0.94)	5.28	(1.54)

10.2 Diluted earnings per share

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

11. DIVIDEND PER SHARE

For the year ended 31st March	Company	
	2023 Rs.	2022 Rs.
Interim/ final dividend		
- Voting ordinary shares	1.50	-
- Non-voting ordinary shares	1.50	-

The interim dividend for the year 2022/23 of Rs. 1.50 per share paid on 20th June 2023, to those shareholders who have given dividend disposal instructions. The total dividend payment for the year 2022/23 is Rs. 1.50 per share.

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

12.A Group

Item	Cost					
	As at 01.04.2022 Rs.	Additions during the year Rs.	Transferred from/to Rs.	Transferred to intangible assets Rs.	Disposals during the year Rs.	As at 31.03.2023 Rs.
Freehold assets						
Land	1,306,866,452	-	-	-	-	1,306,866,452
Buildings and jetty	13,427,838,667	27,896,470	102,150,596	-	-	13,557,885,733
Plant and machinery, and equipment	18,391,260,480	142,802,785	75,292,457	-	-	18,609,355,722
Vessels	1,442,238,524	253,683,032	-	-	-	1,695,921,556
Furniture, fittings and equipment	617,029,916	10,324,514	93,101	-	-	627,447,531
Motor vehicles	2,506,324,227	34,700,000	35,910,000	-	19,825,492	2,557,108,735
Sub Total	37,691,558,266	469,406,801	213,446,154	-	19,825,492	38,354,585,729
Leasehold assets						
Motor vehicles	74,060,000	-	(35,910,000)	-	-	38,150,000
Sub Total	37,765,618,266	469,406,801	177,536,154	-	19,825,492	38,392,735,729
Capital work-in progress	1,098,932,016	2,775,743,804	(177,536,154)	11,650,950	-	3,685,488,716
Grand Total	38,864,550,282	3,245,150,605	-	11,650,950	19,825,492	42,078,224,445

12.B Company

Item	Cost					
	As at 01.04.2022 Rs.	Additions during the year Rs.	Transferred from/to Rs.	Transferred to intangible assets Rs.	Disposals during the year Rs.	As at 31.03.2023 Rs.
Freehold assets						
Land	486,168,136	-	-	-	-	486,168,136
Buildings and jetty	8,681,197,649	12,638,434	81,396,828	-	-	8,775,232,911
Plant and machinery, and equipment	7,737,231,237	91,043,946	53,419,225	-	406,831	7,881,287,577
Vessels	1,442,238,524	253,683,032	-	-	-	1,695,921,556
Furniture, fittings and equipment	498,816,700	4,712,259	-	-	366,600	503,162,359
Motor vehicles	814,911,074	25,000,000	35,910,000	-	9,300,000	866,521,074
Sub Total	19,660,563,320	387,077,671	170,726,053	-	10,073,431	20,208,293,613
Leasehold assets						
Motor vehicles	74,060,000	-	(35,910,000)	-	-	38,150,000
Sub Total	19,734,623,320	387,077,671	134,816,053	-	10,073,431	20,246,443,613
Capital work-in progress	1,086,498,616	2,711,114,167	(134,816,053)	11,650,950	-	3,651,145,780
Grand total	20,821,121,936	3,098,191,838	-	11,650,950	10,073,431	23,897,589,393

	Depreciation				Written down value		
	As at 01.04.2022	Charge for the year	Transferred from/to	Disposals during the year	As at 31.03.2023	As at 31.03.2023	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	-	-	1,306,866,452	1,306,866,452
2,683,538,716	482,386,333	-	-	-	3,165,925,049	10,391,960,684	10,744,299,951
5,230,929,992	623,366,869	-	-	-	5,854,296,861	12,755,058,861	13,160,330,488
309,040,571	96,030,893	-	-	-	405,071,464	1,290,850,092	1,133,197,953
411,849,490	45,560,618	-	-	-	457,410,108	170,037,423	205,180,426
1,615,579,856	225,194,928	31,135,512	19,825,492	-	1,852,084,804	705,023,931	890,744,371
10,250,938,625	1,472,539,641	31,135,512	19,825,492	-	11,734,788,286	26,619,797,443	27,440,619,641
58,348,874	7,568,477	(31,135,512)	-	-	34,781,839	3,368,161	15,711,126
10,309,287,499	1,480,108,118	-	19,825,492	-	11,769,570,125	26,623,165,604	27,456,330,767
-	-	-	-	-	-	3,685,488,716	1,098,932,016
10,309,287,499	1,480,108,118	-	19,825,492	-	11,769,570,125	30,308,654,320	28,555,262,783

	Depreciation				Written down value		
	As at 01.04.2022	Charge for the year	Transferred from/to	Disposals during the year	As at 31.03.2023	As at 31.03.2023	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	-	-	486,168,136	486,168,136
2,060,919,732	314,367,960	-	-	-	2,375,287,692	6,399,945,219	6,620,277,917
3,644,628,101	224,693,945	-	168,127	-	3,869,153,919	4,012,133,658	4,092,603,136
309,040,571	96,030,893	-	-	-	405,071,464	1,290,850,092	1,133,197,953
347,029,316	25,183,984	-	366,601	-	371,846,699	131,315,660	151,787,384
804,278,819	6,241,760	31,135,512	9,300,000	-	832,356,091	34,164,983	10,632,255
7,165,896,539	666,518,542	31,135,512	9,834,728	-	7,853,715,865	12,354,577,748	12,494,666,781
58,348,874	7,568,477	(31,135,512)	-	-	34,781,839	3,368,161	15,711,126
7,224,245,413	674,087,019	-	9,834,728	-	7,888,497,704	12,357,945,909	12,510,377,907
-	-	-	-	-	-	3,651,145,780	1,086,498,616
7,224,245,413	674,087,019	-	9,834,728	-	7,888,497,704	16,009,091,689	13,596,876,523

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.C Other Information

- a) During the year the Group paid Rs.3,245,150,605/- (2022 - Rs. 1,862,413,700/-) and the Company paid Rs. 3,098,191,838/- (2022 - Rs. 1,077,378,605/-) in relation to acquisition of property, plant and equipment and construction of capital work in progress.
- b) The cost of fully depreciated property, plant and equipment which are still in use as at the reporting date for the Group is Rs. 1,991,621,963/- (2022 - Rs. 1,743,207,595/-) and for the Company is Rs. 1,823,728,340/- (2022 - Rs. 1,628,330,515/-).
- c) Details relating to Property, plant and equipment kept as security for borrowings are disclosed in Note 31.

12.D Value of land and ownership

Company	Location	Land extent	Number of buildings	Building cost Rs.	Land cost Rs.
Tokyo Cement Company (Lanka) PLC	Elpitiya	Acres 7.50	2	25,322,760	17,906,600
	Colombo	Perches 40.90	-	-	180,982,714
	Negombo	Acres 2.04	-	-	15,638,902
	Dambulla	Acres 5.00	2	104,690,457	14,675,000
	Trincomalee (leasehold)	Acres 44.10	13	2,807,137,881	-
	Peliyagoda (leasehold)	Acres 1.90	5	36,574,092	-
	Colombo Port - 01 (leasehold)	Acres 1.06	1	46,694,838	-
	Colombo Port - 02 (leasehold)	Perches 152.30	1	14,518,965	-
	Wattala	Acres 1.65	-	-	256,964,920
Tokyo Cement Power (Lanka) (Pvt) Ltd	Mahiyanganaya	Acres 19.00	8	713,943,223	13,338,695
Tokyo Eastern Cement Company (Pvt) Ltd	Trincomalee (leasehold)	Acres 11.79	9	1,385,610,407	-
Tokyo Super Aggregate (Pvt) Ltd	Dompe	Acres 10.50	1	96,151,037	60,584,300
Tokyo Supermix (Pvt) Ltd	Jaffna	Acres 6.50	2	6,429,703	8,835,685
	Negombo	Acres 1.97	1	13,059,773	32,859,000
	Kandy	Acres 1.52	-	-	49,933,848
	Weligama	Acres 12.00	1	10,867,509	93,682,327
	Meethotamulla	Acres 2.10	-	-	246,579,102
	Anuradhapura	Acres 1.31	-	-	45,816,160
	Naula	Acres 10.00	-	-	19,469,800
	Ratmalana	Acres 1.00	2	41,664,402	249,599,400

13. INTANGIBLE ASSETS

13.A Group

As at 31st March Item	Note	Written down value			
		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Goodwill		32,995,007	32,995,007	-	-
ERP and other software	13.1	20,812,419	31,259,235	18,115,955	25,345,899
		53,807,426	64,254,242	18,115,955	25,345,899

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

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

When assessing the impairment, the recoverable amount of the cash generating unit has been determined using the higher of fair value less cost to sell the value in use. Since the value in use of the cash generating unit is higher than the fair value less cost to sell, it has been considered as the recoverable amount where the value in use is based on the present value of the future cash flows of the forecasted business operations of Tokyo Cement Colombo Terminal (Pvt) Ltd as a separate business unit for the following years, using the key assumptions such as discount rate 17% per annum, inflation and general price rate 12% per annum, exchange rate considered from Rs. 320/- to Rs.345/- through the period made by considering the past experience and external source of information which have been approved by the Board of Directors..

13.1 ERP and other software

13.1.A Group

Item	Cost				Amortisation			Written down value		
	As at 01.04.2022 Rs.	Additions Rs.	Transferred from CWIP Rs.	As at 31.03.2023 Rs.	As at 01.04.2022 Rs.	For the year Rs.	As at 31.03.2023 Rs.	As at 31.03.2023 Rs.	As at 31.03.2022 Rs.	
ERP and other software	174,729,786	836,998	11,650,950	187,217,734	143,470,551	22,934,764	166,405,315	20,812,419	31,259,235	
	174,729,786	836,998	11,650,950	187,217,734	143,470,551	22,934,764	166,405,315	20,812,419	31,259,235	

13.1.B Company

Item	Cost				Amortisation			Written down value		
	As at 01.04.2022 Rs.	Additions Rs.	Transferred from CWIP Rs.	As at 31.03.2023 Rs.	As at 01.04.2022 Rs.	For the year Rs.	As at 31.03.2023 Rs.	As at 31.03.2023 Rs.	As at 31.03.2022 Rs.	
ERP and other software	151,401,488	836,998	11,650,950	163,889,436	126,055,589	19,717,892	145,773,481	18,115,955	25,345,899	
	151,401,488	836,998	11,650,950	163,889,436	126,055,589	19,717,892	145,773,481	18,115,955	25,345,899	

13.1.C During the year the Group paid Rs. 836,998/- (2022- Rs. 9,166,774/-) and the Company paid Rs. 836,998/- (2022 - Rs. 9,166,774/-) in relation to acquisition of intangible assets.

Notes to the Financial Statements

14. INVESTMENT IN SUBSIDIARIES

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tokyo Cement Power (Lanka) (Pvt) Ltd				
Ordinary shares (2,200,000,010 shares)	-	-	2,200,000,010	2,200,000,010
Tokyo Eastern Cement Company (Pvt) Ltd				
Ordinary shares (7,751,368,000 shares)	-	-	7,751,368,000	7,751,368,000
Tokyo Super Aggregate (Pvt) Ltd				
Ordinary shares (92,112,245 shares)	-	-	92,112,245	92,112,245
Tokyo Supermix (Pvt) Ltd				
Ordinary shares (2,193,696,688 shares)	-	-	2,193,696,688	2,193,696,688
Tokyo Cement Industrial Park (Pvt) Ltd				
Ordinary shares (100 shares)	-	-	100	-
	-	-	12,237,177,043	12,237,176,943

14.1 Partly - owned subsidiary

As at 31st March	2023	2022
Name of the Company		
Tokyo Super Aggregate (Pvt) Ltd	51%	51%
Accumulated balances of non-controlling interest:		
Tokyo Super Aggregate (Pvt) Ltd (Rs.)	94,417,937	84,516,314

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	2023 Rs.	2022 Rs.
Revenue from contracts with customers	516,825,030	496,553,192
Cost of sales	(412,916,789)	(391,049,888)
Other income	1,652,196	-
Expenses	(74,737,880)	(63,839,229)
Income tax expenses	(10,403,363)	(1,117,043)
Profit for the year	20,419,194	40,547,032
Other comprehensive income	(211,801)	1,471,003
Total comprehensive income for the year	20,207,393	42,018,035

14.1.2 Summarised statement of financial position

As at 31st March	2023 Rs.	2022 Rs.
Non-current assets		
Property, plant and equipment	410,481,736	421,928,125
Total non-current assets	410,481,736	421,928,125
Current assets		
Inventories	158,783,048	108,071,881
Trade and other receivables	98,508,871	95,578,954
Cash and cash equivalents	430,911	290,911
Total current assets	257,722,830	203,941,746
Total assets	668,204,566	625,869,871
Equity		
Stated capital	180,612,245	180,612,245
Retained earnings	12,077,423	(8,129,970)
Total equity	192,689,668	172,482,275
Non-current liabilities		
Interest bearing borrowings	303,416,232	334,228,335
Retirement benefit obligations	5,635,411	4,190,170
Deferred tax liabilities	11,752,537	1,439,946
Total non-current liabilities	320,804,180	339,858,451
Current liabilities		
Trade and other payables	52,930,411	29,774,956
Interest bearing borrowings	33,000,000	33,000,000
Amount due to related parties	23,270,103	10,171,204
Bank overdraft	45,510,204	40,582,985
Total current liabilities	154,710,718	113,529,145
Total equity and liabilities	668,204,566	625,869,871

14.1.3 Summarised statement of cash flow information

For the year ended 31st March	2023 Rs.	2022 Rs.
Cash flows from/ (used in) operating activities	40,158,262	(107,653,587)
Cash flows used in investing activities	(14,133,378)	(50,132,630)
Cash flows from/ (used in) financing activities	(30,812,103)	234,733,582

Notes to the Financial Statements

15 RIGHT-OF-USE ASSETS

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	1,408,962,459	1,518,305,450	1,197,655,188	1,249,100,915
Depreciation for the year	(108,536,743)	(109,342,991)	(51,445,727)	(51,445,727)
At the end of year	1,300,425,716	1,408,962,459	1,146,209,461	1,197,655,188

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

15.1 The following are the amounts recognised in profit or loss statement for the year ended 31st March.

For the year ended 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Depreciation of right-of-use assets	108,536,743	109,342,991	51,445,727	51,445,727
Interest on lease	38,874,846	40,563,512	19,484,709	18,367,493
	147,411,589	149,906,503	70,930,436	69,813,220

16. INVENTORIES

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Raw materials	3,675,280,407	3,176,117,372	817,083,823	2,683,380,584
Finished goods	2,065,711,690	678,857,596	1,519,872,973	556,709,625
Packing materials	642,830,379	453,760,603	409,320,263	137,145,508
Spares and consumables	1,767,746,042	1,100,317,813	923,464,245	445,610,785
Goods-in-transit	200,618,672	50,488,496	186,598,243	43,580,353
	8,352,187,190	5,459,541,880	3,856,339,547	3,866,426,855

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

17. TRADE AND OTHER RECEIVABLES

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade receivables - Related parties	17.1	781,274,144	830,750,030	800,378,633	1,163,712,323
- Others		3,283,578,911	3,080,389,677	1,628,042,918	1,075,243,524
		4,064,853,055	3,911,139,707	2,428,421,551	2,238,955,847
Less: Provision for impairment	17.2	(162,647,569)	(162,647,569)	(80,894,554)	(80,894,554)
		3,902,205,486	3,748,492,138	2,347,526,997	2,158,061,293
Deposits, advances and pre-payments		1,403,951,890	1,358,634,619	1,105,209,349	941,196,020
Other receivables		470,198,437	256,724,402	156,731,356	87,450,463
		5,776,355,813	5,363,851,159	3,609,467,702	3,186,707,776

17.1 Trade receivables - Related parties

As at 31st March Name of the related party	Nature of the relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	16,420,785	327,747,848
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	110,161	135,000
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	2,573,543	39,889,357
Rhino Roofing Products Ltd	Affiliate Company	370,765,744	397,351,630	370,765,744	397,351,630
Rhino Products Ltd	Affiliate Company	293,353,690	342,700,004	293,353,690	342,700,004
St. Anthony's Industries Group (Pvt) Ltd	Affiliate Company	-	99,225	-	99,225
St. Anthony's Homemart (Pvt) Ltd	Affiliate Company	-	1,050,500	-	1,050,500
El-Toro Roofing Products (Pvt) Ltd	Affiliate Company	117,154,710	54,738,759	117,154,710	54,738,759
Escas Diggala (Pvt) Ltd	Affiliate Company	-	34,809,912	-	-
		781,274,144	830,750,030	800,378,633	1,163,712,323

17.2 Provision for impairment

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	162,647,569	162,647,569	80,894,554	80,894,554
Provision recognised during the year	-	-	-	-
At the end of the year	162,647,569	162,647,569	80,894,554	80,894,554

17.3 Mitigation of credit risk exposure

The management reviews impairment indications of each debtor on an individual basis and the fair value of trade debtors is subject to net of impairment loss and (no requirement is sought) to the allowance for credit risk.

Notes to the Financial Statements

18. AMOUNT DUE FROM SUBSIDIARIES

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tokyo Supermix (Pvt) Ltd	-	-	553,750,309	537,271,421
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	106,794,779	-
Tokyo Super Aggregate (Pvt) Ltd	-	-	23,270,103	10,171,212
	-	-	683,815,191	547,442,633

19. FINANCIAL ASSETS AT AMORTISED COST

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Investment in treasury bills	9,518,969	8,386,534	-	-
	9,518,969	8,386,534	-	-

20. CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Favourable balances				
Cash at bank	602,381,228	344,658,121	189,697,726	216,284,665
Money market deposits	1,037,245,890	5,970,050,448	1,037,245,890	3,845,013,321
Cash in hand	34,124,789	34,871,521	10,877,922	11,699,507
	1,673,751,907	6,349,580,090	1,237,821,538	4,072,997,493
Unfavourable balances				
Bank overdrafts	689,961,186	982,473,153	524,614,589	617,052,773

21. STATED CAPITAL

Description	Company			
	At the beginning of the year 01st April 2022 Rs.	Share issue during the year Rs.	At the end of the year 31st March 2023 Rs.	At the end of the year 31st March 2022 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

21.1 Movement in number of ordinary shares

Description	Company			
	At the beginning of the year 01st April 2022	Share issue during the year	At the end of the year 31st March 2023	At the end of the year 31st March 2022
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 ordinary shares rank pari passu in respect of all rights with the voting ordinary shares of the Company except for the voting rights.

22. INTEREST BEARING BORROWINGS**22.1 Long-term interest bearing borrowings**

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	4,302,449,335	7,575,379,140	6,450,000,000	6,815,770,000
Add: Loans obtained during the year	1,310,105,197	678,825,332	1,207,917,300	3,178,776,000
	5,612,554,532	8,254,204,472	7,657,917,300	9,994,546,000
Less: Settlements during the year	(2,980,896,000)	(3,951,755,137)	(2,700,000,000)	(3,544,546,000)
At the end of the year	2,631,658,532	4,302,449,335	4,957,917,300	6,450,000,000
Current maturity portion	1,469,225,000	2,952,576,000	1,530,000,000	2,700,000,000
Non-current maturity portion	1,162,433,532	1,349,873,335	3,427,917,300	3,750,000,000
	2,631,658,532	4,302,449,335	4,957,917,300	6,450,000,000
Analysis of long-term loans by the year of repayment				
Repayable between one and five years	2,519,462,000	4,099,291,000	4,657,917,000	5,550,000,000
Repayable after five years	112,196,532	203,158,335	300,000,300	900,000,000
	2,631,658,532	4,302,449,335	4,957,917,300	6,450,000,000

Long-term interest bearing borrowings of the Company include Rs. 3 billion loan obtained from its fully owned subsidiary, Tokyo Eastern Cement Company (Pvt) Ltd.

Notes to the Financial Statements

22. INTEREST BEARING BORROWINGS (CONTD.)

22.2 Current maturity portion of interest bearing borrowings

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current maturity portion of long-term interest bearing borrowings	1,469,225,000	2,952,576,000	1,530,000,000	2,700,000,000
Short-term borrowings	9,177,273,007	1,234,567,315	4,233,176,545	1,234,567,315
Total current interest bearing borrowings	10,646,498,007	4,187,143,315	5,763,176,545	3,934,567,315

22.2.1 Short-term borrowings

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Import demand loans	22.2.2	9,177,273,007	1,234,567,315	4,233,176,545	1,234,567,315
Working capital loans	22.2.3	-	-	-	-
		9,177,273,007	1,234,567,315	4,233,176,545	1,234,567,315

22.2.2 Import demand loans

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	1,234,567,315	-	1,234,567,315	-
Add: Loans obtained during the year	16,287,022,262	9,831,704,658	10,992,925,800	7,196,001,772
Less: Settlements during the year	(8,344,316,570)	(8,597,137,343)	(7,994,316,570)	(5,961,434,457)
At the end of the year	9,177,273,007	1,234,567,315	4,233,176,545	1,234,567,315

22.2.3 Working capital loans

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	-	600,000,000	-	600,000,000
Add: Loans obtained during the year	300,000,000	-	300,000,000	-
Less: Settlements during the year	(300,000,000)	(600,000,000)	(300,000,000)	(600,000,000)
At the end of the year	-	-	-	-

23. DEFERRED TAX LIABILITIES

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year		1,859,455,057	2,218,343,537	504,266,458	884,225,578
Charged/(reversal) to statement of profit or loss and other comprehensive income	9.B	1,221,700,947	(358,888,480)	1,049,536,638	(379,959,120)
At the end of the year		3,081,156,004	1,859,455,057	1,553,803,096	504,266,458

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
23.1 Tax effect on temporary difference on property, plant and equipment	3,665,060,557	2,658,270,933	2,000,719,687	1,205,828,739
Tax effect on temporary difference on retirement benefit obligations	(97,971,515)	(48,498,143)	(81,327,718)	(38,911,781)
Tax effect on tax loss	(747,302,658)	(468,394,592)	(647,752,332)	(391,758,435)
Tax effect on right-of-use assets	284,093,883	178,476,398	280,361,819	173,510,162
Tax effect on impairment of trade receivables	(48,794,269)	(30,558,332)	(24,268,366)	(14,561,020)
Tax effect on unrealised exchange differences	26,070,006	(429,841,207)	26,070,006	(429,841,207)
	3,081,156,004	1,859,455,057	1,553,803,096	504,266,458

23.2 Deferred tax for tax holiday companies

Deferred tax has been recognised for temporary differences, when reversals of such differences extend beyond the BOI tax exemption period, taking into account the requirements of LKAS-12 for Tokyo Eastern Cement Company (Pvt) Ltd.

Notes to the Financial Statements

24. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	275,925,307	358,762,229	216,176,559	262,726,645
Expenses recognised in statement of profit or loss				
- Current service cost	25,577,543	21,533,868	16,355,312	13,899,224
- Interest cost	41,388,794	32,288,600	32,426,484	23,645,398
- Past service cost	-	(26,188,488)	-	(18,767,250)
	66,966,337	27,633,980	48,781,796	18,777,372
Expenses recognised in other comprehensive income				
- Actuarial losses/ (gains) from change in financial assumptions	44,084,251	(88,097,422)	40,758,879	(54,793,256)
Others				
Payments made during the year	(44,005,695)	(22,373,480)	(34,624,840)	(10,534,202)
At the end of the year	342,970,200	275,925,307	271,092,394	216,176,559

24.1 Sensitivity of assumptions employed in actuarial valuation

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

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

Increase/ (decrease) in discount rate	Increase/ (decrease) in salary escalation rate	Group effect on employee benefit obligations Rs.	Company effect on employee benefit obligations Rs.
1%	-	(20,508,921)	(13,509,453)
-1%	-	23,570,422	15,307,887
-	1%	25,866,270	16,998,069
-	-1%	(22,849,838)	(15,189,635)

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

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

	2023 Rs.	2022 Rs.
a) Discount rate	17%	15%
b) Salary increment rate	12%	10%
c) Retirement age	60 years	60 years
d) Employee turnover ratio	2%	2%

In assessing the discount rate as per the guideline issued by CA Sri Lanka 2023 country default spread on the pre-covid default impact has been considered.

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

25. LEASE CREDITORS

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Gross lease creditor				
At the beginning of the year	1,931,852,819	2,072,597,087	1,018,082,629	1,071,384,706
Less: Payments made during the year	(121,058,041)	(140,744,268)	(52,039,415)	(53,302,077)
At the end of the year	1,810,794,778	1,931,852,819	966,043,214	1,018,082,629
Interest in suspense				
At the beginning of the year	1,511,747,563	1,552,311,075	771,341,521	789,709,014
Less: Charge to the statement of profit or loss	(38,874,846)	(40,563,512)	(19,484,709)	(18,367,493)
At the end of the year	1,472,872,717	1,511,747,563	751,856,812	771,341,521
Net liability to lease creditors				
	337,922,061	420,105,256	214,186,402	246,741,108
Current maturity portion				
	53,807,836	86,149,530	22,706,392	32,870,641
Non-current maturity portion				
	284,114,225	333,955,726	191,480,010	213,870,467
	337,922,061	420,105,256	214,186,402	246,741,108

25.1 Current and non-current portions of finance lease obligation over finance charges and capital repayable have been apportioned between the finance lease repayable within one year and repayable after one year.

Notes to the Financial Statements

26. TRADE AND OTHER PAYABLES

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Bills payable		1,392,939,535	14,557,495,580	1,392,939,535	9,351,992,451
Creditors - Related parties	26.1	212,332,815	198,909,004	1,632,273,279	242,837,548
- Others		2,345,006,418	1,609,786,514	1,773,284,330	1,173,393,936
Other creditors		868,054,168	689,249,215	416,381,953	268,163,491
		4,818,332,936	17,055,440,313	5,214,879,097	11,036,387,426

26.1 Payable to related parties

As at 31st March Name of the related party	Nature of the relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary	-	-	-	8,680,298
Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary	-	-	1,531,408,801	139,241,398
Tokyo Super Aggregate (Pvt) Ltd	Subsidiary	-	-	307,225	161,737
Tokyo Supermix (Pvt) Ltd	Subsidiary	-	-	13,016,712	2,409,129
St. Anthony's Consolidated (Pvt) Ltd	Affiliate Company	109,078,774	126,448,632	72,938,441	74,644,807
South Asian Investment (Pvt) Ltd	Affiliate Company	14,597,276	16,571,761	14,597,276	16,571,761
St. Anthony's Homemart (Pvt) Ltd	Affiliate Company	29,500	492,669	-	206,149
St. Anthony's Hardware (Pvt) Ltd	Affiliate Company	88,627,265	54,478,498	4,824	4,825
Orion City Ltd	Affiliate Company	-	917,444	-	917,444
		212,332,815	198,909,004	1,632,273,279	242,837,548

27. TAX PAYABLES

As at 31st March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year		159,042,411	(233,702,492)	126,968,404	(248,287,940)
Under provision in respect of previous years		37,397,837	85,821,958	-	85,725,319
Taxation for the year	9 A.1	501,659,696	356,410,508	165,888,860	289,531,025
		698,099,944	208,529,974	292,857,264	126,968,404
Add : ESC transferred from other receivables		-	(1,872,593)	-	-
Income tax paid		(190,647,911)	(47,614,970)	(132,174,385)	-
At the end of the year		507,452,033	159,042,411	160,682,879	126,968,404

28. AMOUNT DUE TO SUBSIDIARIES

As at 31st March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tokyo Eastern Cement Company (Pvt) Ltd	-	-	4,509,697,138	3,227,048,056
Tokyo Cement Power (Lanka) (Pvt) Ltd	-	-	-	2,309,129
	-	-	4,509,697,138	3,229,357,185

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 2023 in the financial statements for the Group is Rs. 4,631,859,572/- (2022- Rs. 2,254,167,735/-) and for the Company is Rs. 4,631,859,572/- (2022- Rs. 2,243,712,935/-).

29.2 Other commitments**29.2.1 Company**

- i) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Biomass power for a period of 20 years commencing from year 2008.
- ii) The company has entered into an agreement with the Ceylon Electricity Board (CEB) to purchase Coal Ash from the Norochcholai power plant for a period of 5 years commencing from the year 2018.

29.2.2 Subsidiary companies**a) Tokyo Cement Power (Lanka) (Pvt) Ltd**

- i) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Biomass power for a period of 20 years commencing from the year 2011.
- ii) The Company has entered into an agreement with the Ceylon Electricity Board (CEB) to export Solar power for a period of 20 years commencing from the year 2019.

b) Tokyo Eastern Cement Company (Pvt) Ltd

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

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**30.1 Contingent liabilities**

There were no material contingent liabilities for the Company and the Group as at the reporting date.

30.2 Contingent assets

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

Notes to the Financial Statements

31. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities:

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2023 Rs.	Balance outstanding as at 31.03.2022 Rs.	Repayment	Security pledged
Tokyo Cement Company (Lanka) PLC	a. Term loans					
	i. Commercial Bank of Ceylon PLC	6,000,000,000	750,000,000	2,250,000,000	Repayable in 48 equal monthly instalments of Rs. 125,000,000/- plus interest.	(a) Primary concurrent mortgage Bond for Rs. 110 Mn executed over stock and book debts of the company equal and pari passu with the primary mortgage bond. (b) General terms and conditions documents/ contract forms relating to term loans.
	ii. Commercial Bank of Ceylon PLC	2,400,000,000	1,207,917,300	-	Repayable in 60 equal monthly instalments of Rs. 40,000,000/- plus interest. (After a capital grace period of 01 year with effect from May 2023).	(a) Primary Mortgage bond to be executed for Rs. 2,767 Mn over the machinery owned by Tokyo Eastern Cement Company (Pvt) Ltd. (b) General terms and conditions documents/ contract forms relating to term loans.
	iii. Inter-company loan from Tokyo Eastern Cement Company (Pvt) Ltd	3,000,000,000	3,000,000,000	3,000,000,000	Repayable in 60 equal monthly instalment of Rs. 50,000,000 plus interest. (After a capital grace period of 2 years).	None
Tokyo Cement Company (Lanka) PLC	b. Import demand loan					
	i. Commercial Bank of Ceylon PLC (Combined limit with Tokyo Eastern Cement Company (Pvt) Ltd	8,000,000,000	2,810,321,320	755,420,207	Each loan to be settled within 120 days from date of grant.	(a) General terms and conditions documents/ contract forms relating to import demand loans. (b) Stock and book debt of the Company.
	ii. Hatton National Bank PLC	1,600,000,000	-	479,147,107	Each loan to be settled within 120 days from date of grant.	(a) Documents of title goods/ duly accepted usance drafts.
	iii. Sampath Bank PLC	4,200,000,000	1,422,855,224	-	Each loan to be settled within 120 days from date of grant.	Hypothecation bonds totalling to Rs. 4,200 Mn over stocks and book debts held at the warehouse / factory premises of the company.

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2023 Rs.	Balance outstanding as at 31.03.2022 Rs.	Repayment	Security pledged
c. Overdraft facilities						
	i. Commercial Bank of Ceylon PLC	511,000,000	-	254,556,541	On demand	(a) General terms and conditions relating to overdraft. (b) Stock and book debt of the Company.
	ii. Sampath Bank PLC	50,000,000	112,500	117,812	On demand	-
Tokyo Eastern Cement Company (Pvt) Ltd	a. Import demand loan					
	i. Commercial Bank of Ceylon PLC (Combined limit with Tokyo Cement Company (Lanka) PLC)	8,000,000,000	2,600,284,320	-	- Each loan to be settled within 120 days from date of loan obtained.	(a) Corporate guarantee Bond for Rs. 8,000 Mn executed by Tokyo Cement Company (Lanka) PLC .
	ii. Sampath Bank PLC	4,000,000,000	2,343,812,142	-	- Each loan to be settled within 120 days from date of loan obtained.	(a) Corporate guarantee Bond for Rs. 4,000 Mn executed by Tokyo Cement Company (Lanka) PLC . (b) Hypothecation Bond for Rs. 4,000 Mn over stock and book debts held at the warehouse/factory premises of the company.
	b. Overdraft facility					
	i. Commercial Bank of Ceylon PLC	75,000,000	-	-	- On demand	(a) General terms and conditions relating to overdraft.

Notes to the Financial Statements

31. ASSETS PLEDGED (CONTD.)

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2023 Rs.	Balance outstanding as at 31.03.2022 Rs.	Repayment	Security pledged
Tokyo Cement Power (Lanka) (Pvt) Ltd	a. Term loan					
	i. Sampath Bank PLC	70,000,000	60,800,000	64,560,000	Repayable in 144 monthly instalments as follows: First 24 equal months Rs. 180,000/- Next 12 equal months Rs. 280,000/- Next 24 equal months Rs. 380,000/- Next 12 equal months Rs. 495,000/- Next 11 equal months Rs. 660,000/- Next 01 equal months Rs. 680,000/- Next 12 equal months Rs. 575,000/- Next 12 equal months Rs. 600,000/- Next 12 equal months Rs. 625,000/- Next 12 equal months Rs. 700,000/- Next 11 equal months Rs. 770,000/- and final instalment of Rs. 850,000/-	(a) Corporate guarantee Bond for Rs. 95 Mn executed by Tokyo Cement Company (Lanka) PLC .
	ii. Sampath Bank PLC	25,000,000	11,850,000	15,690,000	Repayable in 84 monthly instalments as follows: First 6 equal months Rs. 5,000/- Next 72 equal months Rs. 320,000/- Next 05 equal months Rs. 321,000/- and final instalment of Rs. 325,000/-	
Tokyo Super Aggregate (Pvt) Ltd	a. Term loans					
	i. Commercial Bank of Ceylon PLC	127,000,000	112,300,000	247,216,232	Repayable in 84 monthly instalments as follows: First 12 equal months Rs. 800,000/- Next 12 equal months Rs. 850,000/- Next 12 equal months Rs. 900,000/-	(a) Mortgage bond for Rs. 50 Mn to be executed over machinery. (b) Insurance policy for Rs. 57 Mn executed over machinery.

Name of the company	Nature of liabilities and the name of bank	Loan/Facility granted Rs.	Balance outstanding as at 31.03.2023 Rs.	Balance outstanding as at 31.03.2022 Rs.	Repayment	Security pledged
					Next 12 equal months Rs. 1,050,000/- Next 12 equal months Rs. 1,500,000/- Next 12 equal months Rs. 1,600,000/- Next 11 equal months Rs. 3,800,000/- and final instalment of Rs. 4,800,000/-	(c) Corporate guarantee for Rs. 585 Mn of Tokyo Cement Company (Lanka) PLC.
	ii. Commercial Bank of Ceylon PLC	258,000,000	224,116,232	120,012,103	Repayable in 84 monthly instalments as follows: First 12 equal months Rs. 1,700,000/- Next 12 equal months Rs. 2,150,000/- Next 12 equal months Rs. 2,600,000/- Next 12 equal months Rs. 3,050,000/- Next 12 equal months Rs. 3,500,000/- Next 12 equal months Rs. 3,950,000/- Next 12 equal months Rs. 4,550,000/-	
Tokyo Supermix (Pvt) Ltd	a. Term loans					
	i Commercial Bank of Ceylon PLC	450,000,000	60,000,000	150,000,000	Repayable in 60 equal monthly instalments of Rs.7,500,000/-.	(a) Primary mortgage Bond for Rs. 118 Mn executed over the property situated at Ratmalana Land owned by Tokyo Supermix (Pvt) Ltd. (b) Mortgage bond for Rs. 106 Mn executed over machinery installed at Maligawa road, Ratmalana. (c) Mortgage bond for Rs. 74 Mn executed over vehicles installed at Maligawa road Ratmalana. (d) Insurance policy for Rs. 251 Mn executed over machinery and vehicles.

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 31.03.2023 Rs.	Balance outstanding as at 31.03.2022 Rs.	Repayment	Security pledged
ii	Commercial Bank of Ceylon PLC	20,000,000	2,840,000	6,800,000	Repayable in 59 equal monthly instalments of Rs. 330,000/- a final instalment of Rs. 530,000/-.	(a) Mortgage bond for Rs. 17.5 Mn executed over land marked lot 1 depicted in plan No 217/119 dated 11/11/2017 situated at Naula, Matale containing an extent of A11-R2-P36.5.
iii	Commercial Bank of Ceylon PLC	273,333,000	22,305,000	66,921,000	Repayable in 8 equal monthly instalments of Rs.10,000,000/-, a final instalment in 51 equal monthly instalments of Rs. 3,718,000/-, and a final instalment of Rs. 3,175,000/-.	-
iv.	Commercial Bank of Ceylon PLC	225,000,000	106,250,000	181,250,000	Repayable in 36 equal monthly instalments of Rs. 6,250,000/-.	(a) Mortgage bond for Rs. 273.3 Mn executed over 10 Nos. of mixture trucks and 4 Nos. of pump cars.
v.	Commercial Bank of Ceylon PLC	200,000,000	73,280,000	-	Repayable in 59 equal monthly instalments of Rs. 3,340,000/- and a final instalment of Rs. 2,940,000/-.	(a) Mortgage bond for Rs. 33.5 Mn executed over 7 Nos. of mixture trucks. (b) Mortgage bond for Rs. 33.6 Mn executed over 4 Nos. of mixture trucks. (c) Mortgage bond for Rs. 259.57 Mn executed over trucks and pumpcars when they were imported. (d) Insurance policy for Rs. 70.8 Mn executed over vehicle.
						Corporate guarantee Bond for Rs. 1,670 Mn executed by Tokyo Cement Company (Lanka) PLC for all term loan facilities in Tokyo Supermix (Pvt) Ltd .
b. Overdraft facility						
i	Commercial Bank of Ceylon PLC	200,000,000	1,703,248	166,971,566	On demand	General terms and conditions relating to overdraft.

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	Dr. Indrajit Coomaraswamy	Mr. Yaoki Hashimoto
Tokyo Cement Power (Lanka) (Pvt) Ltd	X	X	X	X	X	X	X	-	-	-
Tokyo Eastern Cement Company (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	-	-	-
Tokyo Cement Industrial Park (Pvt) Ltd	-	X	-	-	-	-	X	-	-	-
St. Anthony's Consolidated (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
St. Anthony's Hardware (Pvt) Ltd	-	X	X	X	-	-	-	-	-	-
South Asian Investment (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
Rhino Roofing Products Ltd	-	X	X	X	-	-	-	-	-	-
Rhino Products Ltd	-	X	X	X	-	-	-	-	-	-
Escas Diggala (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
St. Anthony's Industries Group (Pvt) Ltd	-	-	X	-	-	-	-	-	-	-
Orion City Ltd	-	-	X	X	-	-	-	-	-	-
St. Anthony's Homemart (Pvt) Ltd	-	X	-	-	-	-	-	-	-	-
EL - Toro Roofing Products Ltd	-	X	X	X	-	-	-	-	-	-

Mr. R. Seevaratnam ceased to be a director of the company with effect from 17th January 2023.

Mr. Yaoki Hashimoto ceased to be a director of the company with effect from 31st March 2023.

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (CONTD.)

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	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Subsidiary Companies					
(a) Tokyo Cement Power (Lanka) (Pvt) Ltd	Subsidiary Company				
i. Fund transfers from/(to)		108,293,603	2,592,695	108,293,603	2,592,695
ii. Expenses incurred by the Company		1,189,463	5,798,407	810,306	4,291,566
iii. Purchase of ready mix concrete		151,764	140,245	-	-
iv. Purchase of raw materials		17,911,998	34,533,905	12,671,763	33,558,520
v. Rent expenses		1,560,000	1,560,000	-	-
vi. Sale of fixed asset		-	410,000	-	410,000
vii. Settlements received		1,479,505	151,465	-	-
viii. Payments made		22,818,818	25,853,607	21,352,060	24,878,222
(b) Tokyo Eastern Cement Company (Pvt) Ltd	Subsidiary Company				
i. Fund transfers from/(to)		2,963,036,705	4,359,562,814	2,963,036,705	4,359,562,814
ii. Expenses incurred on behalf of the Company		162,552,964	90,192,534	162,210,534	90,192,534
iii. Sale of raw materials		1,441,979,207	1,257,485,950	1,432,841,297	1,257,485,950
iv. Interest payment		674,204,709	104,712,327	674,204,709	104,712,327
v. Purchase of ready mix concrete		5,636,675	3,541,925	-	-
vi. Purchase of raw materials		1,630,238,981	763,197,090	1,630,238,981	748,233,376
vii. Purchase of innovation products		111,077	-	111,077	-
viii. Income from lab testing		5,652,944	1,955,150	5,652,944	1,955,150
ix. Dividend received		1,000,000,026	2,009,000,000	1,000,000,026	2,009,000,000
x. Sale of cement		2,243,200,341	1,845,247,432	-	-
xi. Sales commission		90,840,760	12,420,348	-	-
xii. Loan obtained		-	3,000,000,000	-	3,000,000,000
xiii. Settlements received		245,239,465	695,056,916	153,708,962	1,256,113,421
xiv. Payments made		2,896,564,813	3,084,394,870	260,247,330	678,113,896
(c) Tokyo Super Aggregate (Pvt) Ltd	Subsidiary Company				
i. Expenses incurred by the Company		4,782,067	7,279,669	364,977	4,956,561
ii. Fund transfers from/(to)		12,733,922	44,628,490	12,733,922	44,628,490
iii. Aggregate purchases		416,148,497	389,156,721	266,880	56,144

For the year ended 31st March	Nature of the relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
iv. Purchase of ready mix concrete		1,677,900	-	-	-
v. Income from lab testing		166,350	273,700	166,350	273,700
vi. Settlements received		2,031,004	583,172	212,176	583,172
vii. Payments made		485,655,471	373,100,000	55,471	-
(d) Tokyo Supermix (Pvt) Ltd	Subsidiary Company				
i. Expenses incurred by the Company		10,139,381	1,935,233	5,000,704	428,392
ii. Fund transfers from/(to)		13,287,425	11,320,000	13,287,425	11,320,000
iii. Purchase of ready mix concrete		26,103,679	9,985,295	18,637,335	6,303,125
iv. Purchase of sand and metal		415,881,617	389,100,577	-	-
v. Sales of cement		2,311,610,940	1,954,366,827	68,410,599	109,119,395
vi. Sale of other raw materials and spare parts		3,897,675	13,988,329	-	-
vii. Income from lab testing		179,200	1,731,100	179,200	1,731,100
viii. Sales incentive		90,840,760	13,077,756	-	657,408
ix. Rent expenses		5,670,000	7,993,108	4,110,000	4,110,000
x. Purchase of fixed assets		8,381,320	-	8,381,320	-
xi. Sale of fixed assets		303,703	-	303,703	-
xii. Settlements received		3,237,733,198	2,208,027,494	114,348,957	110,923,903
xiii. Payments made		122,811,033	125,891,538	27,982,197	6,494,580
(e) Tokyo Cement Industrial Park (Pvt) Ltd	Subsidiary Company				
i. Investment in stated capital		-	-	100	-
Other Related Companies					
(a) St. Anthony's Consolidated (Pvt) Ltd	Affiliate Company				
i. Sales commission		1,386,583,967	1,103,779,284	912,912,536	641,123,030
ii. Bonus for marketing staffs		42,851,786	30,522,895	42,851,786	30,522,895
iii. Marketing department reimbursement		46,034,193	46,965,703	24,141,056	25,552,983
iv. Payments made		1,612,990,486	1,161,567,298	1,095,372,869	694,720,935
(b) St. Anthony's Hardware (Pvt) Ltd	Affiliate Company				
i. Purchase of chemicals		977,799,215	574,891,080	537,124,430	271,186,355
ii. Sale of CLC blocks		-	89,000	-	89,000
iii. Purchase of consumables		17,110,942	5,479,675	4,206,993	2,822,548
iv. Settlements received		-	96,120	-	96,120
v. Payments made		1,021,490,815	618,152,840	541,357,790	313,983,518

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (CONTD.)

For the year ended 31st March	Nature of the relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
(c) South Asian Investment (Pvt) Ltd	Affiliate Company				
i. Sales commission		28,506,058	99,262,436	28,506,058	99,262,436
ii. Payments made		33,249,039	105,844,874	33,249,039	105,844,874
(d) Rhino Roofing Products Ltd	Affiliate Company				
i. Sale of cement		2,388,306,792	2,187,418,240	2,388,306,792	2,187,418,240
ii. Settlements received		2,718,552,000	2,301,208,882	2,718,552,000	2,301,208,882
(e) Rhino Products Ltd	Affiliate Company				
i. Sale of cement		2,401,374,936	1,911,927,289	2,401,374,936	1,911,927,289
ii. Settlements received		2,746,291,648	2,158,409,092	2,746,291,648	2,158,409,092
(f) Escas Diggala (Pvt) Ltd	Affiliate Company				
i. Sale of ready mix concrete		30,885,571	89,852,481	-	-
ii. Settlements received		65,695,484	84,704,996	-	-
(g) St. Anthony's Industries Group (Pvt) Ltd	Affiliate Company				
i. Sale of cement		-	91,875	-	91,875
ii. Purchase of consumables		484,027	932,510	377,029	620,571
iii. Settlements received		213,613	70,550	99,225	70,550
iv. Payments made		491,417	1,381,789	377,029	1,005,040
(h) Orion City Ltd	Affiliate Company				
i. Rent expense		10,734,092	10,508,901	10,734,092	10,508,901
ii. Reimbursement of Expenses		2,700,974	3,049,280	2,700,974	3,049,280
iii. Payments made		14,352,510	13,484,072	14,352,510	13,484,072
(i) St. Anthony's Homemart (Pvt) Ltd	Affiliate Company				
i. Sale of cement		-	19,885,712	-	373,583
ii. Sale of CLC blocks		145,413	2,068,194	145,413	2,068,194
iii. Sale of innovation product		3,288,150	1,317,766	-	-
iv. Purchase of consumables		9,478,087	10,631,167	8,508,267	6,773,005
v. Settlements received		2,464,240	18,487,320	1,207,900	2,116,470
vi. Payments made		18,794,164	9,875,195	8,714,417	6,669,006
(j) EL - Toro Roofing Products Ltd	Affiliate Company				
i. Sale of cement		520,188,912	212,898,176	520,188,912	212,898,176
ii. Settlements received		525,171,011	200,078,516	525,171,011	200,078,516

32.3 Collaterals or corporate guarantees given to related parties

The Company and the Group have not provided assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes except as referred to in note 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, 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2022 - 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, 18, 26.1 and 28.

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

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

a) Compensation of key management personnel

For the year ended 31st March	2023 Rs.	2022 Rs.
Directors' Emoluments and other key management personnel's remuneration	180,904,582	164,819,417
Non-cash benefits	-	-
	180,904,582	164,819,417

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

For the year ended 31st March	2023 Rs.	2022 Rs.
a) Short-term employee benefits	180,904,582	164,819,417
b) Post-employment benefits	-	-
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
	180,904,582	164,819,417

32.6 Non-recurrent related party transactions

There were no non-recurrent related party transactions, in which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower per 31st March 2022 audited financial statements of the Company, which required additional disclosures in the 2022/23 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 given directions to make immediate disclosure to Colombo Stock Exchange in respect of the non-recurrent transactions.

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (CONTD.)

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 2022 audited financial statements, which required additional disclosures in the 2022/23 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 Cement Industrial Park (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 interest bearing borrowings, 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.

During the current financial year, the Central Bank of Sri Lanka (CBSL) continued tightening its monetary policy stance. This resulted in a sharp upward trend in rates in the first half, driven by factors such as the uncertainty surrounding domestic debt restructuring. The secondary market yields on Government Securities were affected as a result, further impacting market interest rates due to a shortage of liquidity. In September 2022, Sri Lanka reached a staff level agreement on an Extended Fund Facility (EFF) arrangement of USD 2.90 Billion with the International Monetary Fund (IMF). This agreement was contingent upon Sri Lanka fulfilling a series of conditions, including the tightening of fiscal and monetary policies, debt restructuring with international creditors, and implementing public sector reforms. However, in the last three months of the financial year, there was a decrease in interest rates. This can be attributed to reduced Government debt financing requirements and an improved liquidity position in the country.

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.)
2023	1%	(41,991,414)	(41,991,414)
	-1%	41,991,414	41,991,414
2022	1%	(6,143,789)	(6,143,789)
	-1%	6,143,789	6,143,789

Company	Increase/ (Decrease) in interest rate	Effect on profit before tax (Rs.)	Effect on equity (Rs.)
2023	1%	(36,165,424)	(36,165,424)
	-1%	36,165,424	36,165,424
2022	1%	(4,584,527)	(4,584,527)
	-1%	4,584,527	4,584,527

(c) Foreign currency risk

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

The Sri Lankan Rupee experienced significant depreciation in the first half of the financial year, leading to heightened volatility. The foreign exchange markets were inactive and illiquid during this period due to foreign exchange shortages and macroeconomic uncertainty. However, the situation improved in the second half of the year as foreign exchange liquidity increased, driven by a trade surplus resulting from fiscal and monetary policy measures and import restrictions.

During the final quarter, the Rupee appreciated due to the improved foreign exchange liquidity and the anticipation of the Extended Fund Facility (EFF) from the International Monetary Fund (IMF). To manage the financial impacts of liquidity constraints and currency fluctuations, the Group implemented prudent measures and matched liabilities with corresponding inflows when necessary.

The Group successfully navigated the liquidity challenges by aligning its obligations with foreign currency inflows whenever possible and permitted. Additionally, the strength of the Group's balance sheet played a vital role in managing the situation effectively.

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

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

33.1 Introduction (Contd.)

Group

For the year ended 31st March	Increase/ (Decrease) in exchange rate	2023		2022	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
Exchange rate					
USD	1%	(147,020,291)	(147,020,291)	(256,819,114)	(256,819,114)
	-1%	147,020,291	147,020,291	256,819,114	256,819,114

Company

For the year ended 31st March	Increase/ (Decrease) in exchange rate	2023		2022	
		Effect on profit before tax Rs.	Effect on equity Rs.	Effect on profit before tax Rs.	Effect on equity Rs.
Exchange rate					
USD	1%	(108,496,342)	(108,496,342)	(180,238,609)	(180,238,609)
	-1%	108,496,342	108,496,342	180,238,609	180,238,609

(d) Credit risk

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

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

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

(e) Liquidity Risk

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

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Group and the Company's financial liabilities at 31st March 2023, based on contractual undiscounted payments.

Group

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Interest bearing borrowings	10,646,498,007	600,940,300	307,887,000	67,760,000	73,650,000	112,196,232	11,808,931,539
Lease creditors	53,807,836	23,682,203	24,039,314	22,016,520	20,763,371	193,612,817	337,922,061
Trade and other payables	4,818,332,936	-	-	-	-	-	4,818,332,936
Tax payables	507,452,033	-	-	-	-	-	507,452,033
Bank overdrafts	689,961,186	-	-	-	-	-	689,961,186
	16,716,051,998	624,622,503	331,926,314	89,776,520	94,413,371	305,809,049	18,162,599,755

Company

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Interest bearing borrowings	5,763,176,545	1,080,000,000	847,917,000	600,000,000	600,000,000	300,000,300	9,191,093,845
Lease creditors	22,706,392	18,511,335	16,988,130	15,606,353	14,353,202	126,020,990	214,186,402
Amount due to subsidiaries	4,509,697,138	-	-	-	-	-	4,509,697,138
Trade and other payables	5,214,879,097	-	-	-	-	-	5,214,879,097
Tax payables	160,682,879	-	-	-	-	-	160,682,879
Bank overdrafts	524,614,489	-	-	-	-	-	524,614,489
	16,195,756,540	1,098,511,335	864,905,130	615,606,353	614,353,202	426,021,290	19,815,153,850

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 short-term 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 OCCURRING AFTER THE REPORTING DATE

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

Dividend declaration

An interim dividend of Rs. 1.50 per share was paid on 20th June 2023 as recommended by the Board of Directors.

In accordance with Sri Lanka Accounting Standards (LKAS) 10 events after the reporting period, this proposed 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 the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007. The Company has obtained the certificate of solvency from the auditors prior to payment of the dividend of Rs. 1.50 per Voting Ordinary Share and Rs. 1.50 per Non-voting Ordinary Share 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.

AN ENHANCED VISIBILITY



We possess a finely honed vision, and are designed to achieve clarity and focus in the darkest times – offering a sense of purpose and hope in the face of uncertainty and adversity.

The elephant hawk moth's eyes are incredibly sensitive, with the ability to identify colour even in conditions of low visibility. As one of the first animal species in which nocturnal colour vision was first documented, it is able to navigate low-light conditions with ease, and is attuned to any changes in its surroundings.

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Shareholder and Investor Information

DISTRIBUTION OF VOTING ORDINARY SHARES AS AT 31ST MARCH 2023

Category	Number of Shareholders	Number of Shares Held	Holding %
1 - 1,000	3,964	1,094,479	0.41
1,001 - 10,000	2,127	7,944,556	2.97
10,001 - 100,000	656	20,203,696	7.56
100,001 - 1,000,000	100	25,178,455	9.42
1,000,001 - 99,999,999	20	212,878,814	79.64
TOTAL	6,867	267,300,000	100.00

DISTRIBUTION OF NON-VOTING SHARES AS AT 31ST MARCH 2023

Category	Number of Shareholders	Number of Shares Held	Holding %
1 - 1,000	3,121	973,126	0.73
1,001 - 10,000	2,125	8,159,500	6.11
10,001 - 100,000	747	22,294,449	16.68
100,001 - 1,000,000	153	40,646,159	30.41
1,000,001 - 99,999,999	20	61,576,766	46.07
TOTAL	6,166	133,650,000	100.00

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Voting Ordinary Shares		Non-voting Ordinary Shares	
	No of Shares Held 31st March 2023	No of Shares Held 31st March 2022	No of Shares Held 31st March 2023	No of Shares Held 31st March 2022
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 2023	No of Shares Held 31st March 2022	No of Shares Held 31st March 2023	No of Shares Held 31st March 2022
St. Anthony's Consolidated (Pvt) 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 Private Limited	26,730,000	26,730,000	-	-
Mr. Yaoki Hashimoto (Non Executive and Nominee Director of UBE Singapore Holdings Private Limited)	-	-	-	-
Mr. W.C. Fernando - Director	3,995	3,995	71,280	71,280
Independent Non Executive Directors				
Mr. R. Seevaratnam	-	-	-	-
Dr. Harsha Cabral, PC	-	-	-	-
Mr. Ravi Dias	-	-	-	-
Mr. Asite Talwatte	-	-	-	-
Dr. Indrajit Coomaraswamy	-	-	-	-
	100,241,209	100,241,209	71,280	71,280
Total shares in issue	267,300,000	267,300,000	133,650,000	133,650,000

MARKET PRICE PER SHARE

	Voting Ordinary Shares		Non-voting Ordinary Shares	
	31st March 2023 Rs.	31st March 2022 Rs.	31st March 2023 Rs.	31st March 2022 Rs.
Highest for the period	51.90	77.40	48.20	72.00
Lowest for the period	20.00	32.20	14.50	26.00
Value as at the end of the year	50.00	33.90	45.50	26.30

Shareholder and Investor Information

SHARE TRADING FROM 01ST APRIL 2022 TO 31ST MARCH 2023

	Voting Ordinary Shares		Non-voting Ordinary Shares	
	31st March 2023	31st March 2022	31st March 2023	31st March 2022
No of transactions	16,577	55,315	24,820	81,543
No of shares traded	35,809,196	78,605,559	83,576,770	155,862,783
Value of share traded (Rs.)	1,291,909,646	4,659,603,487	2,560,851,351	7,994,964,679

PERCENTAGE OF PUBLIC SHAREHOLDING

	Voting Ordinary Shares		Non-voting Ordinary Shares	
	31st March 2023	31st March 2022	31st March 2023	31st March 2022
The percentage of shares held by public	39.16%	39.16%	100%	100%
No of public shareholders	6,858	7,214	6,166	6,814

MARKET CAPITALISATION

	Voting Ordinary Shares		Non-voting Ordinary Shares	
	31st March 2023	31st March 2022	31st March 2023	31st March 2022
Market capitalisation (Rs. Billion)	13.37	9.06	6.08	3.51
Total market capitalisation of the CSE (Rs. Billion)	3,903.53	3,826.50	3,903.53	3,826.50
As a percentage of the total market capitalisation (%)	0.34	0.24	0.16	0.09

Total Float Adjusted Market Capitalisation of Voting Ordinary Shares as at 31st March 2023 Was Rs. 5,233,734,000/- with reference to the rule no.7.6 (iv) (a) of continuing listing requirements of CSE.

Total Float Adjusted Market Capitalisation of Non-voting Ordinary Shares as at 31st March 2023 Was Rs. 6,081,075,000/- with reference to the rule no.7.6 (iv) (a) of continuing listing requirements of CSE.

As the Float Adjusted Market Capitalisation is less than Rs. 7.5 billion for the Voting and Non-voting Ordinary Shares, Tokyo Cement Company (Lanka) PLC complies with option 3 for the minimum requirement of public share holding . (as per the rule no. 7.14.1 (i) (a) of continuing listing requirement of the CSE.)

TWENTY LARGEST VOTING SHAREHOLDERS

	As at 31st March 2023 No of Ordinary Shares	%	As at 31st March 2022 No of Ordinary Shares	%
St. Anthony's 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 Private Limited	26,730,000	10.0%	26,730,000	10.0%
Marina Bay Holding And Investment Pte. Ltd.	16,038,000	6.0%	16,058,930	6.0%
J.B. Cocoshell (Pvt) Ltd	8,538,729	3.2%	6,856,967	2.6%
Capital City Holdings (Private) Limited	8,019,367	3.0%	8,019,367	3.0%
Citibank Newyork S/A Norges Bank Account 2	3,994,769	1.5%	3,812,168	1.4%
Employees Trust Fund Board	3,550,469	1.3%	3,530,981	1.3%
Northern Trust Company S/A Apollo Asia Fund Limited	3,245,603	1.2%	3,245,603	1.2%
Amana Bank PLC/Hi-Line Trading Pvt Ltd.	3,174,147	1.2%	3,091,563	1.2%
Rubber Investment Trust Ltd A/C No 01	1,865,684	0.7%	775,000	0.3%
Mr. K. Balendra	1,449,093	0.5%	Not in Top 20 List	-
Peoples Leasing & Finance PLC/Mr. D.M.P. Disanayake	1,429,458	0.5%	1,165,270	0.4%
Mr. R. Maheswaran	1,141,940	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	1,078,832	0.4%	1,046,369	0.4%
Seylan Bank PLC/Mohamed Nayaz Deen	1,062,057	0.4%	Not in Top 20 List	-
DFCC Bank PLC A/C 1	1,028,768	0.4%	870,000	0.3%
Seylan Bank PLC/Senthiveri Holdings (Pvt) Ltd.	1,010,092	0.4%	Not in Top 20 List	-
TOTAL	212,878,814	79.5%	205,820,964	76.9%

Shareholder and Investor Information

TWENTY LARGEST NON-VOTING SHAREHOLDERS

	As at 31st March 2023 No of Ordinary Shares	%	As at 31st March 2022 No of Ordinary Shares	%
Northern Trust Company S/A Apollo Asia Fund Limited	10,561,789	7.9%	10,561,789	7.9%
Serendip Investments Limited	6,608,204	4.9%	6,608,204	4.9%
Ssbt-Sunsuper Pty. Ltd. As Trustee for Sunsuper Su	6,401,937	4.8%	Not in Top 20 List	-
Citibank Hong Kong S/A Hostplus Pooled Superannuat	5,783,901	4.3%	Not in Top 20 List	-
Employees Provident Fund	5,643,524	4.2%	5,643,524	4.2%
Northern Trust Company S/A Hosking Global Fund PLC	4,068,032	3.0%	Not in Top 20 List	-
Deutsche Bank Ag As Trustee For Jb Vantage Value E	3,343,706	2.5%	3,343,706	2.5%
GF Capital Global Limited	2,826,000	2.1%	2,826,000	2.1%
DFCC Bank Plc A/C 1	1,840,417	1.4%	1,695,025	1.3%
Mercantile Investments And Finance PLC	1,818,299	1.4%	1,818,299	1.4%
J.B. Cocoshell (Pvt) Ltd.	1,618,575	1.2%	Not in Top 20 List	-
Mr. M.S.M. Ali	1,386,025	1.0%	Not in Top 20 List	-
Amana Bank PLC/Hi-Line Trading Pvt Ltd.	1,349,461	1.0%	1,141,294	0.9%
Peoples Leasing & Finance PLC/Mr. D.M.P. Disanayake	1,313,051	1.0%	Not in Top 20 List	-
Ssbtc - Commonwealth Bank Group Super	1,218,713	0.9%	Not in Top 20 List	-
Deutsche Bank Ag-National Equity Fund	1,200,274	0.9%	2,600,699	1.9%
Bank of Ceylon No. 1 Account	1,199,941	0.9%	1,199,941	0.9%
Mr. K.A.S.R. Nissanka	1,190,191	0.9%	2,000,000	1.5%
Mr. Y.A.H. Rajkotwala	1,139,726	0.9%	1,139,726	0.9%
Mr. M.H.M. Fawsan	1,065,000	0.8%	Not in Top 20 List	-
TOTAL	61,576,766	46.0%	40,578,207	30.4%

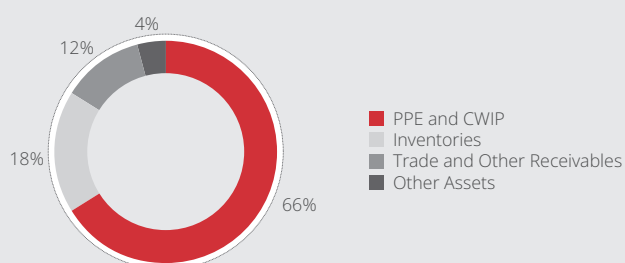
Five Year Summary

For the year ended 31st March Rs. Mn	2023	2022	2021	2020	2019
OPERATING RESULTS					
Turnover	56,481	52,477	42,962	35,768	38,496
Gross profit	20,517	11,412	12,457	10,256	7,888
Profit before taxation	6,772	(289)	5,209	2,629	(1)
Income tax expense	(1,774)	(68)	202	(312)	(475)
Profit after taxation	4,999	(358)	5,411	2,318	(476)
Non-controlling interest	10	20	(29)	-	16
Profit attributable to ordinary shareholder	4,989	(378)	5,440	2,318	(492)
As at 31st March Rs. Mn					
STATEMENT OF FINANCIAL POSITION					
Assets					
Non Current Assets					
Property, plant and equipment	30,309	28,555	28,249	27,494	27,626
Intangible assets	54	64	76	94	116
Operating lease prepayment	-	-	-	-	427
Right-of-use assets	1,300	1,409	1,518	1,346	-
Total non current assets	31,663	30,028	29,843	28,934	28,169
Current Assets					
Inventories	8,352	5,460	3,240	3,493	3,636
Trade and other receivable	5,786	5,372	4,562	5,291	6,315
Cash and cash equivalent	1,674	6,350	1,489	430	341
Total current assets	15,812	17,182	9,291	9,214	10,292
Total assets	47,475	47,210	39,134	38,148	38,461
Equity and Liabilities					
Capital and Reserves					
Stated capital	4,240	4,240	4,240	4,240	4,240
Retained earnings	21,554	16,596	17,743	12,917	10,682
	25,794	20,836	21,983	17,157	14,922
Non - controlling interest	94	84	64	93	94
Total equity	25,888	20,920	22,047	17,250	15,016

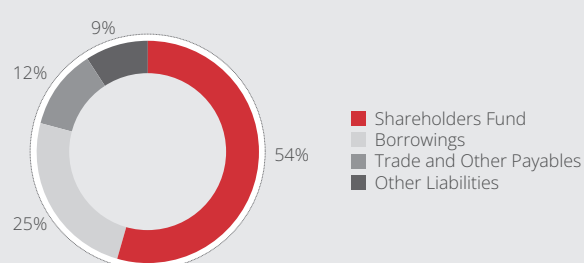
Five Year Summary

As at 31st March Rs. Mn	2023	2022	2021	2020	2019
Non Current Liabilities					
Interest bearing borrowing	1,163	1,350	3,963	7,215	4,853
Deferred tax liabilities	3,081	1,859	2,218	2,859	2,726
Retirement benefit obligations	343	276	359	297	225
Lease creditors	284	334	426	294	19
Total non current liabilities	4,871	3,819	6,966	10,665	7,823
Current Liabilities					
Trade and other payables	5,326	17,215	5,377	2,507	4,814
Short term borrowings	10,646	4,187	4,213	6,296	9,212
Lease creditors	54	86	94	42	7
Bank overdrafts	690	983	437	1,388	1,589
Total current liabilities	16,716	22,471	10,121	10,233	15,622
Total equity and liabilities	47,475	47,210	39,134	38,148	38,461
INVESTOR INFORMATION					
Earnings per share - Voting Ordinary Share (Rs.)	12.44	(0.94)	13.57	5.78	(1.23)
Earnings per share - Non-voting Ordinary Share (Rs.)	12.44	(0.94)	13.57	5.78	(1.23)
Dividend per share - Voting Ordinary Share (Rs.)	1.50	-	2.10	1.50	0.30
Dividend per share - Non-voting Ordinary Share (Rs.)	1.50	-	2.10	1.50	0.30
Return on equity (%)	19.27	(1.81)	24.68	13.44	(3.28)
Interest cover (Time)	5.08	0.47	5.67	2.39	1.00
Market price per share (Rs.) - Voting	50.00	33.90	66.70	22.50	20.70
Market price per share (Rs.) - Non-voting	45.50	26.30	60.60	20.00	18.50
Price earnings ratio (Times) - Voting	4.02	(36.06)	4.92	3.89	(16.83)
Price earnings ratio (Times) - Non-voting	3.66	(27.98)	4.47	3.46	(15.04)
Assets turnover ratio (Times)	1.19	1.11	1.10	0.94	1.00
Net asset per share (Rs.)	64.33	51.97	54.83	42.79	37.22

Composition of Assets

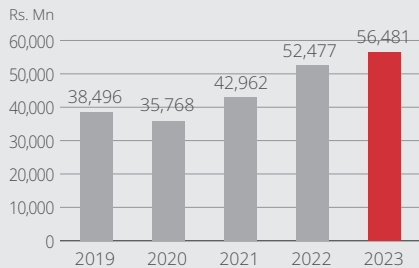


Composition Liabilities

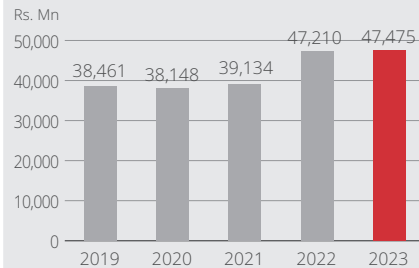


Five Year Summary Graphical Review

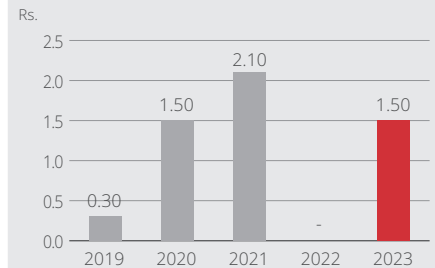
Group Revenue



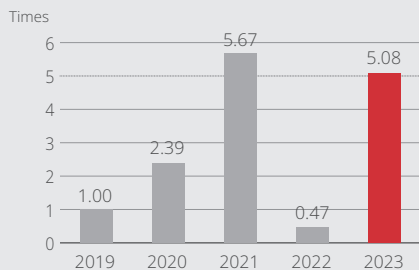
Total Assets



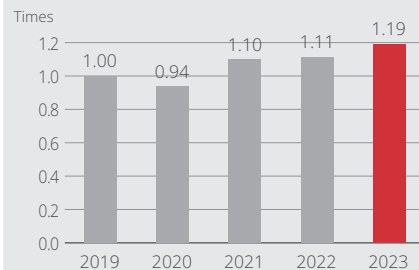
Dividend Per Share



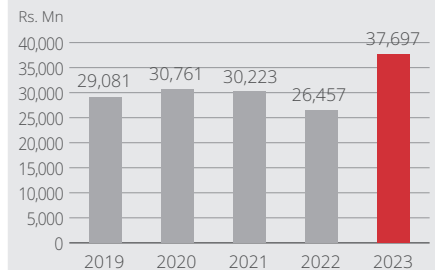
Interest Cover



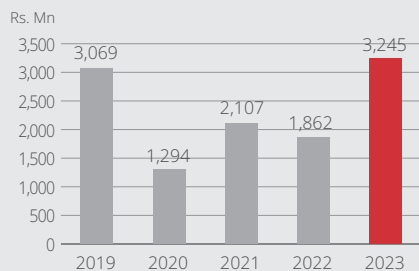
Assets Turnover



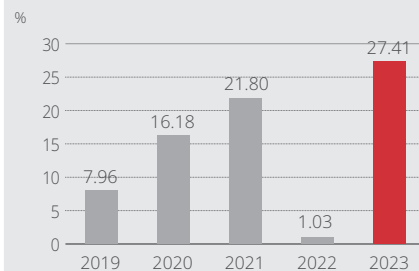
Capital Employed



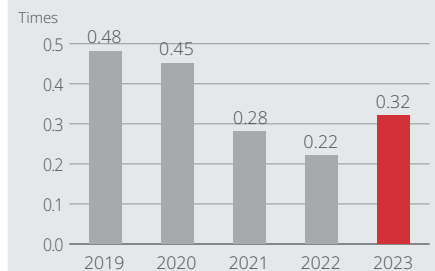
Capital Expenditure



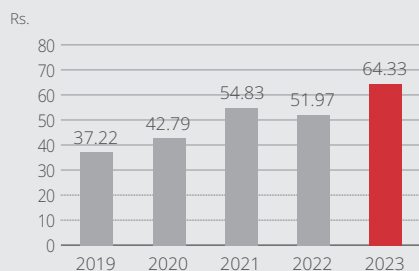
Return on Capital Employed



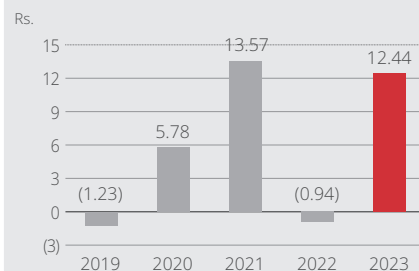
Gearing Ratio



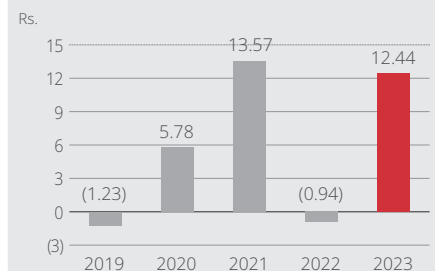
Net Assets Per Share



Earning Per Share - (Voting)



Earning Per Share - (Non-voting)



Notice of Meeting

(Virtual meeting without the physical presence)

NOTICE IS HEREBY GIVEN that the Forty-first 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. The meeting will be held via 'ZOOM' App. on Monday 4th September 2023 at 4.15 p.m centred at the Cinnamon Grand Colombo, No. 77, Galle Road, Colombo 03, Sri Lanka. The business to be brought before the meeting to transact will be:

AGENDA

1. To receive and **adopt** the Report of the Directors, the Statement of Audited Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.
2. That the interim dividends of Rs. 1.50 per share paid on 20th June 2023 be the final dividends for the year 2022/23
3. 3.1 To **re-elect** Mr. Ravi Dias who retires by rotation in terms of Article 114 of the Articles of Association.
- 3.2 To **re-elect** Mr. Shuichi Nakamoto who retires in terms of Article 120 of the Articles of Association
- 3.3 To **re-elect** as a director Mr. Waranakulasuriya Christopher Fernando and being over the age of 70 years and who retires in terms of Articles of Association and pursuant to Section 211 of the Companies Act No 7 of 2007 for which special notice of the following ordinary resolution has been given by a member for the purpose : THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Waranakulasuriya Christopher Fernando who is over 70 years and that he be re-elected a Director of the Company.
- 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.
- 3.6 To **appoint** Mr. Praveen Gnanam who has consented to be director and who is not disqualified from being appointed or holding office as a Director of a Company be appointed as a director under Article 107 of the Articles of Association.
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

18th July 2023

Notes

1. A member entitled to participate and vote at the above meeting is entitled to appoint a proxy to and vote instead of him.
2. A proxy need not be a member of the Company. A form of proxy accompanies this notice.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, 469 1/1, Galle Road, Colombo 3 not later than 48 hours before the time appointed for the commencement of the Meeting.

Text of Resolutions to be Passed at the Annual General Meeting

ORDINARY BUSINESS

Resolution 1 Adoption of Accounts

THAT the Directors' Report and Accounts for the year ended 31st March 2023 as audited and reported by the Company's Auditors be and they are hereby received and adopted.

Resolution 2 Resolved that the interim dividends of Rs. 1.50 per share paid on 20th June 2023 be the final dividends for the year 2022/23.

Resolution 3 Re-election of Directors

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

RESOLVED that Mr. Shuichi Nakamoto, Director of the Company, who retires by rotation in terms of Article 120 of the Articles of Association and being eligible for appointment be and is hereby re-appointed as Director of the Company.

Re-election of Directors

Age Limit not to Apply

THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. Waranakulasuriya Christopher Fernando who is 74 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 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 Mr. Arul Selvaraj Gunaseelan Gnanam who is 72 years and that he be re-elected a Director of the Company.

Appointment of Additional Director

RESOLVED that, Mr. Praveen Gnanam who has consented to be director and who is not disqualified from being appointed or holding office as a Director of a Company be appointed as a director under Article 107 of the Articles of Association.

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 society.

Form of Proxy

Voting Ordinary Shares

For Forty-first 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;

- | | |
|---|--|
| <input type="checkbox"/> Dr. Harsha Cabral, PC | <input type="checkbox"/> Mr. Ravi Dias |
| <input type="checkbox"/> Mr. Simon Rajaseelan Gnanam | <input type="checkbox"/> Mr. Asite Talwatte |
| <input type="checkbox"/> Mr. Arul Selvaraj Gunaseelan Gnanam | <input type="checkbox"/> Mr. Shuichi Nakamoto |
| <input type="checkbox"/> Mr. Elijah Jeyaseelan Gnanam | <input type="checkbox"/> Dr. Indrajit Coomaraswamy |
| <input type="checkbox"/> Mr. Warnakulasuriya Christopher Fernando | |

as my /our Proxy to represent me/us and * / to vote for me/us on my/our behalf at the Forty-first Annual General Meeting of the Company to be held as virtual meeting platform without the physical presence of the shareholders. The meeting will be held via 'ZOOM' App. on Monday 4th September 2023 at 4.15 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

	For	Against
1. To receive and adopt the Report of the Directors, the statement of Audited Accounts for the year ended 31 st March 2023 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Resolved that the interim dividends of Rs. 1.50 per share paid on 20 th June 2023 be the final dividends for the year 2022/23.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Ravi Dias as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Shuichi Nakamoto who retires by rotation in terms of Article 120 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Directors to fix the remuneration payable to the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect as a director Mr. Warnakulasuriya Christopher Fernando and being over the age of 70 years for which special notice has been received from a member for the purpose.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect as a director Dr. Indrajit Coomaraswamy and being over the age of 70 years for which special notice has been received from a member for the purpose.	<input type="checkbox"/>	<input type="checkbox"/>
9. To 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.	<input type="checkbox"/>	<input type="checkbox"/>
10. To appoint Mr. Praveen Gnanam as a Director	<input type="checkbox"/>	<input type="checkbox"/>

.....
Signature of Shareholder/s

Dated : 2023

Notes:

1. Please delete the inappropriate words.
2. Instructions as to completion are enclosed.
3. Members are requested to inform the changes if any, in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.
4. Members are invited to direct all correspondences relating to matters on shares, dividends, change of addresses etc. to the Company's Secretaries quoting their register folio number
5. If you maintain an account with Central Depository Systems (Private) Limited, we 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 Forty-first 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. 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. Shuichi Nakamoto	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 Forty-first Annual General Meeting of the Company to be held on virtual meeting platform without the physical presence of the shareholders. The meeting will be held via 'ZOOM' App. on Monday 4th September 2023 at 4.15 p.m. as a virtual meeting and at any adjournment thereof.

.....
Signature of Shareholder/s

Dated : 2023

Notes:

1. Please delete the inappropriate words.
2. Members are requested to inform the changes if any , in their registered addresses to the Company's Secretaries or Central Depository System as appropriate.
3. Members are invited to direct all correspondences relating to matters on shares, dividends, change of addresses etc to the Company's Secretaries quoting their register folio number.
4. If you maintain an account with Central Depository Systems (Private) Limited, we advice you to inform them directly through your broker with regard to your change of address and dividend mandate.

INSTRUCTIONS AS TO COMPLETION

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2. In perfecting the form of proxy please ensure that all details are legible.
3. In the case of a Company/Corporation, the Form of Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
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 1 st 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. R. Seevaratnam Independent Non - Executive Director (Expired on 17 th January 2023) Mr. Yaoki Hasimoto Non - Executive Director and Nominee Director of UBE Singapore Holdings Private Limited (Retired on 31 st March 2023) 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.com Email: agm@tokyocement.lk
SUBSIDIARY COMPANIES	: Fully Owned Tokyo Cement Power (Lanka) (Private) Limited Tokyo Eastern Cement Company (Private) Limited Tokyo Supermix (Private) Limited Tokyo Cement Industrial Park (Private) Ltd. (Initial Stage) 51 % Owned Tokyo Super Aggregate (Private) Limited
AUDITORS	: BDO Partners, (Chartered Accountants) 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 2
BANKERS	: Commercial Bank of Ceylon PLC Sampath Bank PLC Bank of Ceylon Hatton National Bank PLC

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Circular to Shareholders

TOKYO CEMENT COMPANY (LANKA) PLC TO HOST VIRTUAL ANNUAL GENERAL MEETING OF SHAREHOLDERS WITHOUT THE PHYSICAL PRESENCE OF THE SHAREHOLDERS VIA 'ZOOM' APP.

Dear Shareholders,

1. The Board of Directors of Tokyo Cement Company (Lanka) PLC has decided to convene the Annual General Meeting (the "Virtual AGM") of the Company on Monday 4th September 2023 at 4.15 p.m., centered at Cinnamon Grand Colombo, No.77, Galle Road, Colombo 03, Sri Lanka. The Board of Directors, Key Management Personnel for the administration of the formalities of the meeting, Auditors, Legal Advisers and Company Secretaries will assemble at the said physical location.

and via Online Meeting Platform without the physical presence of the shareholders. The meeting will be hosted in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs and on the assumption that no restrictions imposed by the authorities on conduct of meetings.

2. The decision to hold a Virtual AGM was taken by the Board of Directors to overcome administrative difficulties of holding general meeting, both in terms of time and cost, under present business environment conditions.
3. Shareholders can participate and vote at the meeting on all shareholders' resolutions virtually, online and remotely with their own smart phone, tablet or personal computers; and upon registration to vote virtually, a shareholder could vote via Chat option. The Meeting will be held via Hub that has chats, video calls, meetings, files, etc.
4. Shareholders are urged to exercise their votes by submitting their proxy as explained in the Notice of AGM and Circular to Shareholders published at Company Website and at the Colombo Stock Exchange website.
5. Shareholders are also kindly requested to submit questions to the business of the meeting at least THREE days prior to the date of the AGM.
6. Contact Person on Internet Matters:

Mr. Ranga Gamage (IT Manager) +9411 25 88100 EXT 221 ranga@tokyocement.lk	Mr. Shiran Thotagamuwa (Senior System Administrator) +9411 25 88100 EXT 225 agm@tokyocement.lk
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By Order of the Board
TOKYO CEMENT COMPANY (LANKA) PLC



Seccom (Private) Limited
Company Secretaries

18th July 2023

Submission of Annual Report 2022/23 to Shareholders

Notice to all Shareholders of the Company

Dear Shareholder,

Website

The Annual Report 2022/23, Notice of Meeting, Proposed Resolutions, Form of Proxy and Registration form are available on the corporate website at www.tokyocement.com and the Colombo Stock Exchange website www.cse.lk/home/company-info/TKYO.N0000/financial.

Despatch

If shareholder wish to have a printed copy of the Annual Report 2022/23, kindly send the completed Form of Request to,

Seccom (Pvt) Limited
Company Secretaries
1E – 2/1, De Fonseka Place
Colombo 05.

or scanned copy of the Form of Request Via e-mail to agm@tokyocement.lk or fax to fax number +94 11 2 581618

Within Eight days of the receipt of such request, the company will send a printed copy of the Annual Report to the Shareholder. Alternatively, you could collect a hard copy of the annual report from the above mentioned address by submitting the request from.

QR Codes

You may also scan the QR Code given below to directly access the Tokyo Cement Annual Report 2022/23.



Further Information

If you have any queries on this matter, please contact during office hours (9.00 am to 4.00 pm), the

- a/ General Manager Finance - Mr. H.M. Ajith Kumara on +9411 2 558100 Ext. 266 or email to ajith@tokyocement.lk / Fax +9411 2 508582.
- b/ Company Secretary Mr. K.M.A. Ahamed on +9411 2 589679 (direct) / +9411 2 590176 (general) or email to kmaahamed@hotmail.com / Fax +9411 2 581618.

We kindly request holders of physical securities certificates already issued by listed companies to convert their securities certificates to a dematerialised (electronic) form by lodging such certificates into their respective CDS accounts **immediately**.

Your faithfully,

For Tokyo Cement Company (Lanka) PLC



Seccom (Private) Limited
Company Secretaries

18th July 2023

Form of Request

To :

Tokyo Cement Company (Lanka) PLC
(Company No. PQ 115)
No 469 1/1, Galle Road
Colombo 03
Sri Lanka

REQUEST FOR A PRINTED VERSION OF THE ANNUAL REPORT 2022/23

1. I will collect a copy from your office
2. Please hand over a copy to the bearer of this form
Full name of bearer NIC.....
3. Please post it to my address given below

My details as follows:

Full Name of Shareholder	
Shareholder's NIC/ Passport/Company Registration No.	
Address	
Contact Number	
E-mail	
Share Folio No.	

.....

Signature

.....

Date

Form A

REGISTRATION OF SHAREHOLDER DETAILS FOR ONLINE MEETING

1. Full Name of the Principal Shareholder:
2. Residential Address:
3. NIC No. / Passport No. / Company Registration No:
4. Contact No. (Residence): (Mobile):
5. Email Address

In the event a proxy holder is appointed by the Shareholder, following details are to be furnished;

6. Full Name :
7. Residential Address :
8. NIC No. / Passport No. :
9. Contact No : (Residence): (Mobile):
10. Email Address :

Participation in the AGM - Please tick the box below.

I/ My Proxy holder am/ is willing to participate at the AGM via the online platform

Signature(s)

Date:

Notes:

- a. Shareholders who wish to attend the meeting through an online platform are requested to provide their email address in the space provided in order to forward the web link/ username/ password/ necessary instructions.
- b. In the case of a company/ corporation, the shareholder details form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- c. In the case of a Power of Attorney, this form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.
- d. Duly completed Registration Forms should be delivered to Tokyo Cement Company (Lanka) PLC, 469 - 1/1, Galle Road, Colombo 3 or Email to agm@tokyocement.lk not less than 48 hours before the time appointed for the meeting.

Guidelines to join the AGM via Online Meeting Platform virtual meeting participation.

1. Shareholders are required to join the virtual AGM by clicking on the Meeting link and user credentials sent by Tokyo Cement Company (Lanka) PLC via email.
2. It is recommended to join the Meeting at least ten (10) minutes before the start of the AGM. The Online Meeting Platform will be active thirty (30) minutes before the start of AGM.
3. Once the link is clicked on, the shareholders will be requested to insert the credentials (username/email and password) provided to you by the Company.
4. Once the credentials are entered, you will be directed to the live streaming of the AGM.
5. Once the Virtual AGM has commenced, shareholders can use the "Q & A Forum" to clarify matters regarding the Annual Report.
6. The Company will be posting links to all resolutions included in the agenda in the "Q & A" window of the Meeting separately, as and when each resolution is taken up for voting by the Chairman. Participants are expected to open the link and insert the credentials to login to the Microsoft Forms to mark their preference using the relevant option and click the "Submit" icon enabling the Company to receive the responses.
7. It is advised to check the online AGM access at least a day prior to familiarise with the system and ensure that your devices have an audible sound system so that you could participate effectively.