



# FUELLING AMBITIONS

LANKA IOC PLC ANNUAL REPORT 2023/24



# FUELLING AMBITIONS

Powered by an unwavering spirit to pursue excellence, we achieved an extraordinary performance in the FY 2023-24 across several dimensions of value. For more than two decades, we have maintained our trust and refined our capabilities to fortify energy security whilst fuelling the ambitions of the nation.

Navigating through a complex and dynamic terrain with vision and clarity of purpose, we strive to maintain the best interests of our nation and the society at large strongly anchored on the principles of sustainable growth and positive societal impact.

Our transformative journey continues by infusing life into our vibrant ecosystem. We look forward to fuelling the ambitions of the nation with customer-centric solutions whilst strengthening our financial performance by unlocking the potential of our diversified portfolio of products and services.

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**WITH OUR STRONG VISION TO ENSURE THE ENERGY SECURITY OF THE NATION, WE ENSURED THAT OUR STRATEGIC PATH HELPS TO STRENGTHEN SRI LANKA'S ENERGY FUTURE WITH ENERGY ACCESS, ENERGY EFFICIENCY AND ENERGY SECURITY.**

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**AS A RESPONSIBLE ORGANISATION INTERTWINED WITH THE TWIN OBJECTIVES OF MAXIMISING RETURNS FOR STAKEHOLDERS WHILST CONTRIBUTING POSITIVELY WE ARE DEEPLY COMMITTED TO ADOPTING A SHARED APPROACH TO VALUE CREATION.**

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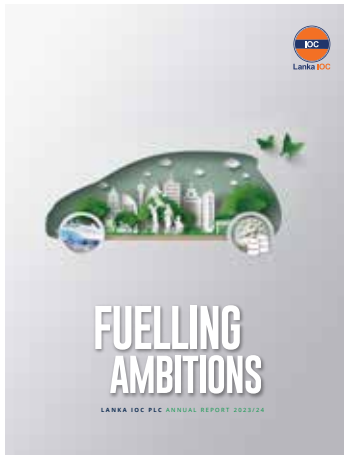


# TRANSFORMING THE ENERGY LANDSCAPE

THE DYNAMIC CHANGES  
IN THE OPERATING  
LANDSCAPE PROVIDES AN  
OPPORTUNITY TO ADAPT,  
EXPEDITE AND TRANSFORM  
TOWARDS NEW DIMENSIONS  
OF VALUE



# ABOUT THIS REPORT



## Presenting the 9th Integrated Annual Report of Lanka IOC PLC 2023 - 2024

This Report gives a comprehensive look at the interconnectedness of our approach to our operations; with the ultimate purpose of creating sustainable value.

### Scope and Boundary

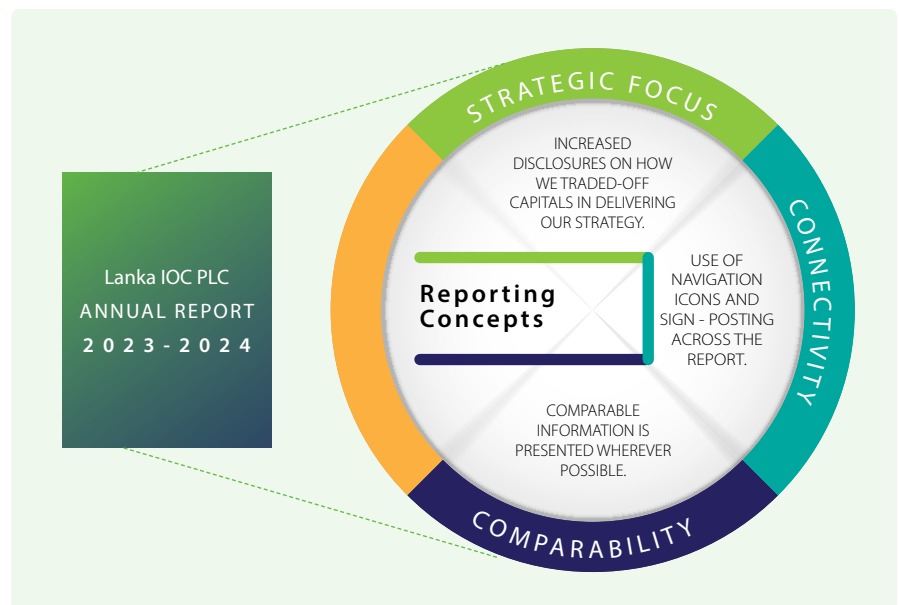
This Report covers the operations of Lanka IOC PLC for the period from 1st April 2023 to 31st March 2024. The financial and sustainability reporting of the Company is performed under an annual reporting cycle. The financial and non-financial information presented in the narrative report represents the information of the Company. There were no significant changes to the Company's organizational structure, size or supply chain during the year under review.

### Materiality

The content included in this Report has been carefully selected following a materiality assessment, through which the business, social, environmental and external issues which could have the most significant impact on the Company's ability to generate value were identified. The process for determining material issues is given in this Report.

### Forward Looking Statements

The report includes forward-looking statements related to the Company's operations outlining the future outlook, plans, financial and operational projections and targets. Despite futuristic statements being made in a responsible manner, we encourage the reader to adopt a precautionary approach and bear in mind the possibility that the end-result may differ. We do not take responsibility, nor are we liable to publicly update or revise these statements following the publication date of this report.

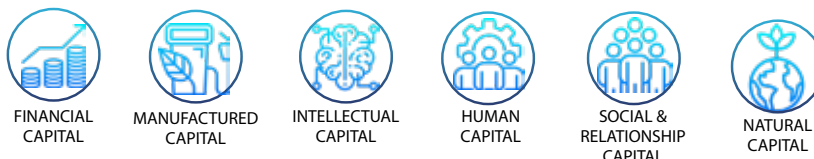


### Standards and Principles

- ◆ Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka Reporting Standards
- ◆ International <IR> Framework of the International Integrated Reporting Council prepared in accordance with the GRI Standards: Core option
- ◆ Sustainable Development Goals Reporting
- ◆ Listing Requirements of the Colombo Stock Exchange
- ◆ Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka (2017)
- ◆ Gender Parity Reporting Framework - CA Sri Lanka
- ◆ Laws and regulations of the Companies Act No. 7 of 2007
- ◆ Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars
- ◆ Code of Best Practices on Party Transactions (2013 advocated by SEC)

### ICON Guide

#### CAPITAL REPORTS ICON



#### OUR STRATEGIC PILLARS



#### PRODUCT ICONS



#### SDGs



### Directors' Responsibility

The ultimate responsibility for ensuring the integrity of this Annual Report lies with the Board of Directors of Lanka IOC PLC. We confirm that the Report provides a balanced view of the performance in 2023-24. We hereby confirm that the 2023-24 Report addresses all relevant material matters and fairly represents the Company's integrated performance. We also confirm that the Report has been prepared in line with the guidance provided in the Integrated Reporting Framework of the International Integrated Reporting Council.

The report has been unanimously approved by the Board and signed on its behalf by :

**Mr. Dipak Das**  
Managing Director

### Feedback

We welcome your comments on our 9th Integrated Annual Report 2023-24, together with any queries and suggestions for improvement.

Please direct your valuable feedback to:

**Company Secretary**  
**Lanka IOC PLC**

Sri Lanka

E-mail: [companysecretary@lankaio.com](mailto:companysecretary@lankaio.com)

# ABOUT US

## Bringing Energy to Life



### INTRODUCTION

**Lanka IOC believes that Sri Lanka deserves a world-class petroleum industry and is building a healthy and competitive fuel network that will both boost the nation's economy and care for its environment.**

The Company is a subsidiary of Indian Oil Corporation Ltd. (IOCL), India's state-owned energy company, which is the country's largest commercial enterprise with operations in eight countries. IOCL is currently metamorphosing from a pure sectoral company with dominance in downstream India to a vertically integrated, transnational energy behemoth. It is already on the way to becoming a major player in petrochemicals by integrating its core refining business with petrochemical activities, besides making large investments in E&P and import/marketing ventures for oil & gas in India and abroad.

Currently, IOCL possesses business interests across the entire hydrocarbon value chain – from refining, pipeline transportation, and marketing of petroleum products to the exploration & production of crude oil & gas and the marketing of natural gas and petrochemicals.

Thus, LIOC draws synergies and strength from the parent entity's six decades of expertise and experience. It has played a pivotal role in developing the framework, driving innovation, and ensuring environmental sustainability in the energy sector. Navigating through a challenging business landscape, we have been successful in delivering value to our stakeholders. Over the years, we have demonstrated our continuous commitment to providing the best quality products and superior customer service. By enhancing the value proposition offered to our customers, we have transformed the energy landscape of Sri Lanka. Our LIOC team consists of a workforce of 159 employees who are based at Colombo and Trincomalee offices. We also support the livelihoods of over 5,000 indirect workers who are based at our Retail Outlets across the country.

Lanka IOC PLC, with a corporate history of 22 years, is the leading private-sector auto fuel retailer in Sri Lanka. Over the years, the Company has made a significant impact on the socioeconomic landscape by enabling mobility, economic activity and development. With an island-wide footprint of 249 Retail Outlets the Company services 20% of the country's retail fuel demand.

### VISION

A major, integrated energy company, with a strong environment conscience, playing a national role in oil security.

### MISSION

To attain leadership in developing, adopting and assimilating state-of-the-art technology competitive advantage.

To provide technology and services through sustained research and development.

To achieve international standards of excellence in all aspect of petroleum with focus on customer delight through value of products and services and cost reduction.

To maximize creation of wealth, value and satisfaction for the stakeholders.

To foster a culture of participation and innovation for employee growth and contribution.

To cultivate high standards of business ethics and total quality management for a strong corporate identity and brand equity.

To help enrich the quality of the life of the community and preserve ecological balance and heritage through a strong environment conscience.

# KEY BUSINESS VERTICALS



## Automotive Fuels

### Positioning

Possess a market share of 20%. Auto fuels are distributed through retail fuel outlets. A range of premium and branded fuels have also been introduced to ensure fuel efficiency and engine performance.



## Bunkering

### Positioning

Market leader in bunkering serving local and foreign vessels from the Colombo, Trincomalee and Hambantota ports.



## Lubricants

### Positioning

The second market player in the lubricants sector. The Servo brand of lubricants are used for automotive, marine and industrial applications.



## Grease

### Positioning

Sri Lanka's 1st Grease plant with 3,000 MT capacity, which will serve the country's entire grease requirement.



## Bitumen

### Positioning

We are the market leader in the Bitumen business and sell Bitumen for industrial and road construction purposes. We also export Bitumen to neighbouring countries.



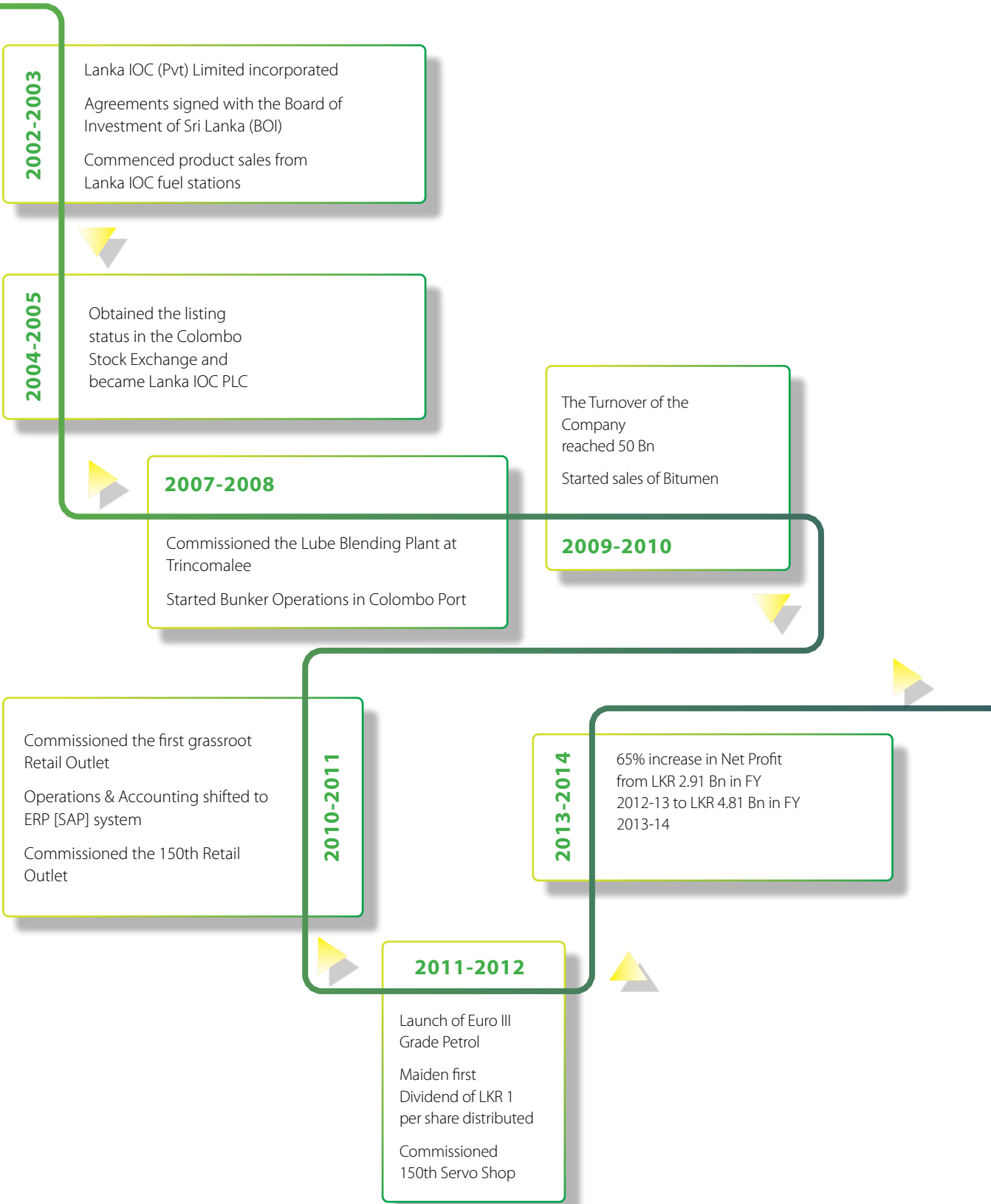
## Petrochemicals

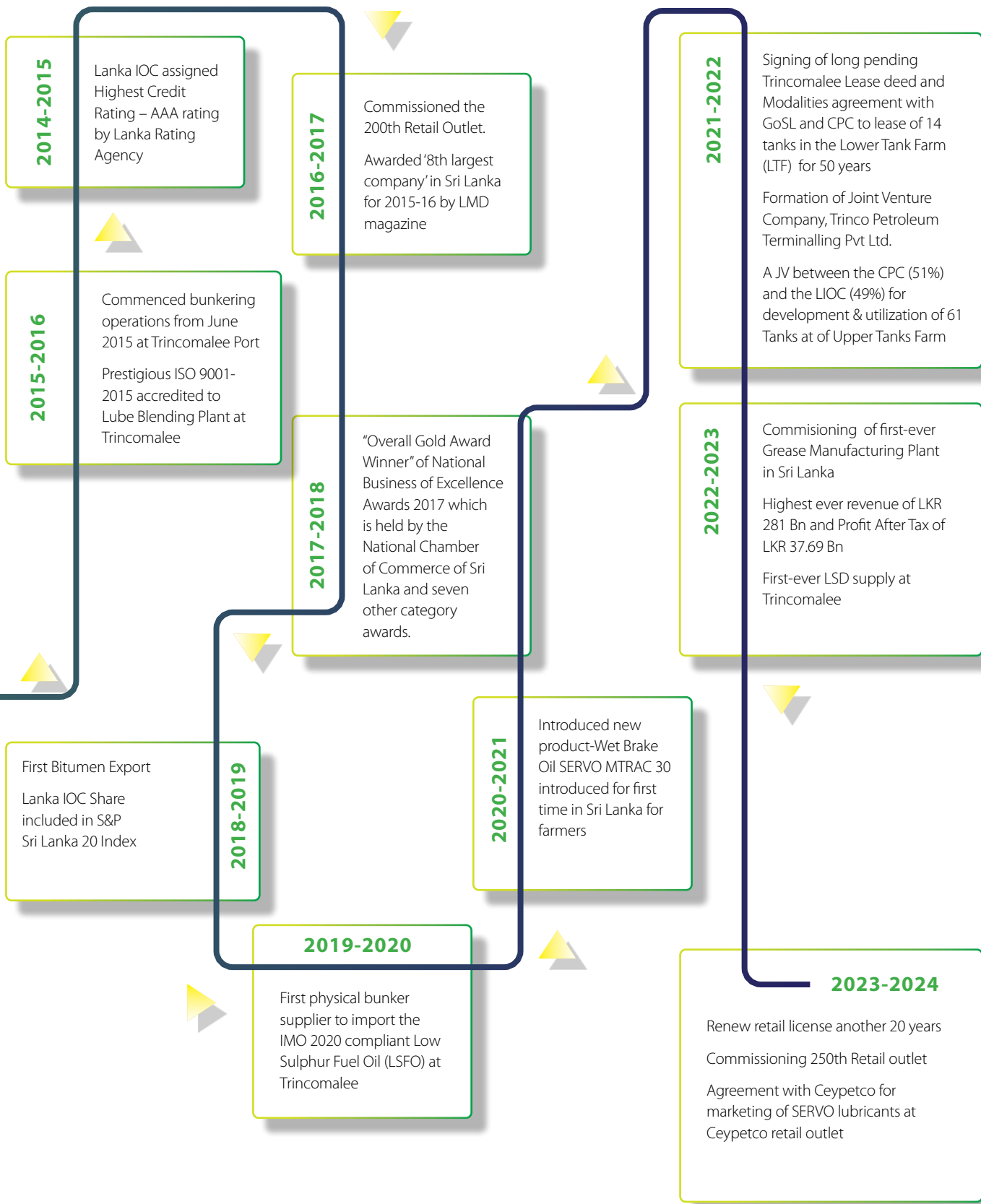
### Positioning

A segment which the Company has embarked on with much potential and introduced the 'Propel' brand of petrochemicals.



# HISTORICAL MILESTONES





# PERFORMANCE HIGHLIGHTS FOR THE ECONOMIC DEVELOPMENT OF SRI LANKA

## What we do



LIOC is one of the leading providers of petroleum products in Sri Lanka, and we operate under the longstanding expertise and values of our parent company, IOC. Our employees, suppliers and contractors are part of the local communities where we operate. Our activities generate revenues for the government through the taxes we pay and the taxes we collect on their behalf. This helps governments fund health care, education, transport and other essential services. Additionally, by providing uninterrupted service, we directly contribute towards maintaining the smooth functioning of many businesses and industries in Sri Lanka.

## How We Operate



We operate under values of honesty, integrity, and respect for people, as well as focusing on safety and sustainability, which are critical to our strategy. We are committed to doing business in an ethical and transparent way. Our products are reliable, and as such, many people and businesses place their trust in us. With our strong commitment to stand together with the nation as a reliable energy partner, even though we have faced many adversities due to strict economic policies, LIOC has been unwavering in its commitment to attending to the fuel and petroleum needs of the nation.



## Our Contribution to the Economy during the Year Under Review

Our goals are to positively impact society on both a social and economic level and to be respected among the communities in which we operate. We try to listen sincerely and with humility, and we are driven to fully understand and, to the extent that it is possible, evolve with the changing needs and requirements of society, especially as they relate to the environment. We build strong and trusted relationships with customers and partners, which are foundational to our success. We live by our values and do the right things with respect to ethics, safety, and the environment; and we aspire to a situation where everyone feels connected to what we stand for. We build trusting and effective teams where everyone feels ownership and has a voice in how work gets done.



## Revenue Generation and Foreign Exchange Earnings

LIOC makes a significant contribution towards revenue generation for the Sri Lankan economy. The Company's sales of petroleum products generate substantial revenue, and a considerable portion of this revenue is derived from the auto fuel segment.

A high percentage of Sri Lanka's transportation relies on fossil fuels. The demand for auto fuel remains consistently high at any time of the year. LIOC's ever-expanding distribution network and retail outlets across the country ensure that quality automotive fuels are available everywhere to meet the needs of individual consumers, commercial vehicles and industries.

We have expanded our market presence to neighboring countries, and we have once again successfully exported bitumen to Nepal. This helped to contribute to earn export income, despite the domestic consumption of bitumen being at a standstill. By earning foreign exchange through exports, LIOC strengthened the country's economic stability in a time when local industries were facing restrictions.

The slowdown was pronounced in Europe, while the USA remained relatively resilient. Developing economies, on average, have experienced stable growth over 2022-2023, although with sizeable shifts across regions. In this challenging global economic environment, LIOC is proud to announce that we managed to achieve a record financial revenue in the year under review.



## Employment Opportunities

As one of the top performing organizations in Sri Lanka, the business operations of LIOC provide direct and indirect employment opportunities. The Company's operations include service stations, distribution centers, and retail outlets. These sectors require a skilled and competent workforce. By employing thousands of individuals across various job categories, the Company contributes to an increased employment rate, which is reflected in the country's development indices and boosts economic growth.



## Tax Payments

LIOC adheres to tax regulations in Sri Lanka and fulfills its tax obligations to the Sri Lankan government. The Company dutifully pays various taxes, such as corporate income tax, value-added tax (VAT), and other applicable levies. These tax payments significantly contribute to the government's revenue streams, affirming its commitment to being a responsible corporate citizen and supporting the economic growth and development of Sri Lanka.



## Corporate Social Responsibility (CSR) Initiatives

At LIOC, we consider our contributions to social welfare and community development to be connected to a fundamental aspect of our values. We have also adopted the Sustainable Development Goals (SDGs) outlined by the United Nations as part of their 2030 sustainability development agenda. By aligning our CSR activities with the SDGs, we aim to increase the significance and impact of our Corporate Social Responsibility (CSR) initiatives. As a result, LIOC has progressively augmented its investments towards more meaningful and impactful CSR projects. Our objective is to support projects that have the potential to benefit a larger cross-section of the community.



## Investments in Infrastructure

LIOC invested in significant infrastructure development during the year. These investments were aimed at expanding the availability of fuel stations across the country, enhancing the country's energy infrastructure, and contributing to the efficient supply and distribution of petroleum products. LIOC is actively involved in developing essential infrastructure such as storage facilities, distribution networks, and fuel stations. By enhancing infrastructure, the Company not only benefits its own operations but also supports other sectors that depend on reliable energy sources. Wider availability means more convenience, thereby contributing to economic activities in those sectors.



## Ensuring Stability

In the financial year under review, we have been successful in maintaining uninterrupted service to all our stakeholders. Despite the many challenges posed by regulations and the constriction of the economy, LIOC did not fall under pressure and showed resilience. There were even unprecedented increases in the remuneration of its direct employees. Overall, LIOC was able to help maintain the operations of the country through its uninterrupted service, foreign exchange transactions and operations and expansion activities.

## Our Contribution to The Economic Development of Sri Lanka



**Rooftop Solarized Capacity 2 MW**  
Sustainable energy production



**Rs. 62.23 Bn Contribution to the nation as taxes and levies supporting development**



**Development of environmentally friendly lubricants contributing to a greener future**

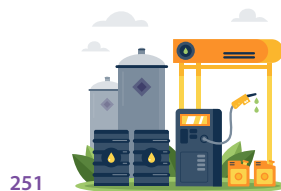


**Rs. 1.4 Bn Investment in Revenue Generating Assets**  
Investments geared toward growth



**Rs. 270 Mn invested in CSR Projects Improving the lives of the general public**

**Foreign Exchange Revenue USD 168.77 Mn contribution to nation's development**



**251 Retail Outlets**



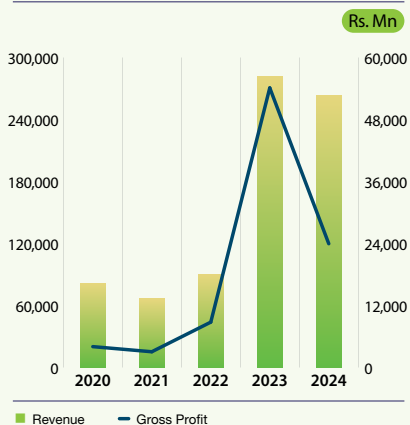
**Serving 20% of the country's auto fuel requirement**  
Wealth distribution and prevention of monopolies



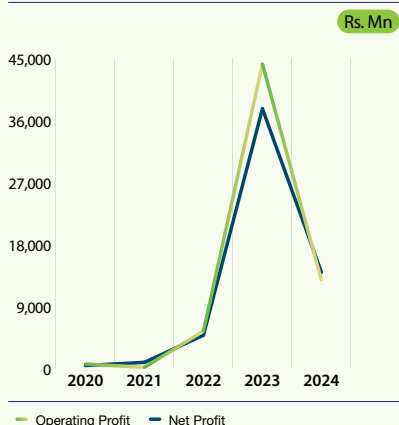
# FINANCIAL HIGHLIGHTS

	Metric	2023-24	2022-23	2021-22	2020-21	2019-20
<b>OPERATING RESULTS</b>						
Revenue	Rs Mn	263,569	281,488	89,951	66,686	81,947
Gross Profit	Rs Mn	24,018	54,182	8,845	3,113	4,106
Operating Profit	Rs Mn	12,809	44,177	5,410	161	635
Net Profit/(Loss) Before Tax	Rs Mn	17,083	44,702	5,612	988	599
Income Tax	Rs Mn	(3,138)	(7,006)	(793)	(105)	(177)
Net Profit/(Loss) After Taxation	Rs Mn	13,945	37,696	4,818	882	422
Dividends	Rs Mn	2,130	1,198	453	399	399
<b>CAPITAL EMPLOYED</b>						
Stated Capital	Rs Mn	7,576	7,576	7,576	7,576	7,576
Revenue Reserves (Retained earnings)	Rs Mn	64,982	53,198	16,709	12,347	11,870
Shareholders' Funds (Total equity)	Rs Mn	73,470	61,233	24,285	19,923	19,446
Borrowings - Short term	Rs Mn	4,307	4,468	25,778	20,590	16,955
Other Short term Liabilities	Rs Mn	23,915	15,906	14,568	5,842	3,284
Total Current Liabilities	Rs Mn	28,221	20,374	40,347	26,432	20,239
<b>ASSET EMPLOYEED</b>						
Non-current assets	Rs Mn	11,187	9,675	10,658	19,753	9,610
Current assets	Rs Mn	90,608	72,538	54,413	26,654	30,149
Total assets employed	Rs Mn	101,795	82,213	65,071	46,407	39,760
<b>KEY RATIOS</b>						
<b>Profitability Ratio</b>						
Earning Per Share	Rs	26.19	70.79	9.05	1.66	0.79
GP Ratio	%	9	19	10	5	5
Operating Profit Margin	%	5	16	6.0	0.2	1
Net Profit Ratio	%	5	13	5.4	1.3	0.5
ROCE	%	16.5	67.2	10.8	0.4	2
ROE	%	19	62	20	4	2
<b>Market Ratios</b>						
Net Assets Per Share	Rs	137.98	115.00	45.61	37.42	36.52
Dividend per share	Rs	4.00	2.25	0.85	0.75	0.75
Equity to total assets ratio	%	72	74	37	43	49
Dividend cover	Times	6.5	31.4	10.6	2.2	1.1
Dividend Payout (Paid Basis)	%	6	25	51	95	99
Dividend Yield (%)	%	2	6	4	5	4
Price Earning Ratio (P/E)	Times	4.46	2.42	4.29	11	20
Price to book value	Times	0.8	1.5	0.9	0.5	0.4
<b>Liquidity Ratios</b>						
Current Ratio	Times	3.2	3.6	1.3	1.0	1.5
Quick Assets Ratio	Times	1.9	1.7	0.7	0.6	0.8
Turnover to capital employed (no of times)	Times	4	5	4	3	2
<b>Solvency Ratio</b>						
Interest cover (no of times)	Times	6.3	21.8	5.6	0.3	1.3
Debt/Equity	%	6	7	106	103	87
Debt/Total Assets	%	4	5	40	44	43
<b>SHARE PRICE MOVEMENT AND ENTITY VALUES</b>						
Market Value Per Share (Highest)	Rs	182.00	296.00	81.30	31.30	22.00
Market Value Per Share (Lowest)	Rs	94.00	158.00	18.30	13.00	14.50
Last Traded Price Record	Rs	116.75	171.5	38.80	19.00	15.80
Market Capitalisation	Rs Mn	62,165	91,318	20,660	10,117	8,413
Enterprise Value	Rs Mn	21,266	68,750	24,022	18,066	12,656

REVENUE VS GROSS PROFIT



OPERATING PROFIT VS NET PROFIT



DIVIDENDS



REVENUE

**Rs 263.57 Bn**

(2022/23) Rs 281.49 Bn

GROSS PROFIT

**Rs 24.02 Bn**

(2022/23) Rs 54.18 Bn

OPERATING PROFIT

**Rs 12.81 Bn**

(2022/23) Rs 44.18 Bn

NET PROFIT

**Rs 13.95 Bn**

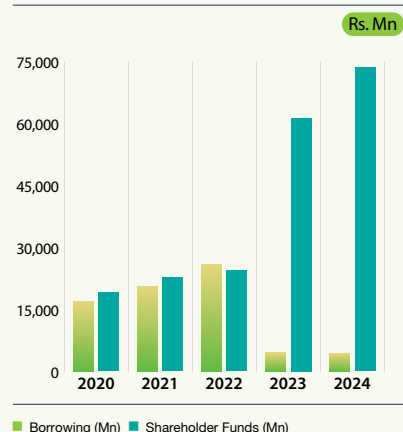
(2022/23) Rs 37.69 Bn

DIVIDENDS

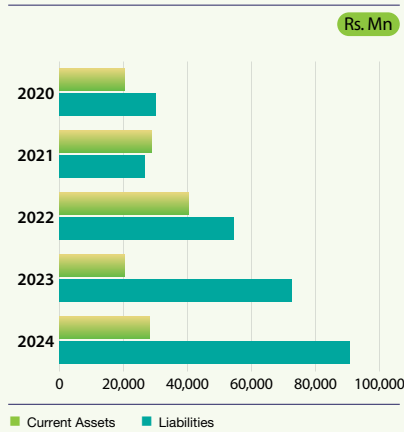
**Rs 2.13 Bn**

((2022/23)) Rs 1.19 Bn

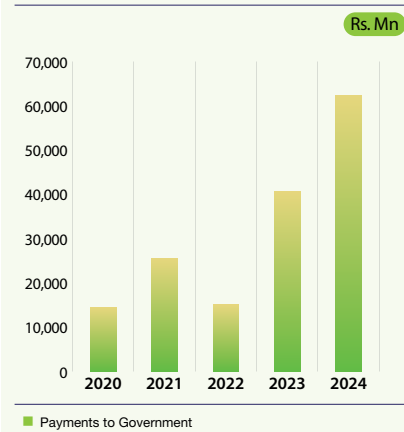
BORROWING VS SHAREHOLDERS' FUND



CURRENT ASSETS VS CURRENT LIABILITIES



PAYMENTS TO GOVERNMENT



BORROWINGS

**Rs 4.31 Bn**

(2022/23) Rs 4.47 Bn

SHAREHOLDER FUNDS

**Rs 73,47 Bn**

(2022/23) Rs 61.23 Bn

CURRENT ASSETS

**Rs 90.61 Bn**

(2022/23) Rs 281.49 Bn

CURRENT LIABILITIES

**Rs 28.22 Bn**

(2022/23) Rs 20.37 Bn

PAYMENTS TO GOVERNMENT

**Rs 62.23 Bn**

(2022/23) Rs 40.51 Bn



## CHAIRMAN'S MESSAGE

**WITH OUR STRONG VISION TO ENSURE THE ENERGY SECURITY OF THE NATION, WE ENSURED THAT OUR STRATEGIC PATH HELPS TO STRENGTHEN SRI LANKA'S ENERGY FUTURE WITH ENERGY ACCESS, ENERGY EFFICIENCY AND ENERGY SECURITY.**



Dear Shareholders,

It is with immense satisfaction and pride that we reflect upon our journey that has been an epitome of dedication, hard work and determination as your Company continued its progress amidst challenges and volatility in the demand, supply and business landscape throughout the year 2023-24. A transformative presence of over two decades in Sri Lanka marked by the collective business acumen and agility honed over the years enabled us to go beyond the call of duty to deliver on our commitments to stakeholders. The challenges continued to present themselves in different manifestations compelling requirement of quick and accurate decision making regularly to steer through the fast-evolving unpredictable business environment. It is heartening that your Company took the right calls at the opportune time to remain a step ahead of competitors and safeguard the interests of all stakeholders while seamlessly catering to all energy requirements across sectors of the economy. Your Company has been successful in reporting a praiseworthy financial performance along with significant strides of operational success across verticals despite headwinds, maintaining its progressive outlook. It is my pleasure to present you the Annual Report and Financial Statements for the year ended 31st March 2024.

### The local context to performance

The Sri Lankan economy faced significant macroeconomic pressure especially due to the compliance requirements of the International Monetary Fund (IMF) staff level agreement. During the year, both positive and negative indications in the key economic indicators were witnessed. Normalcy was observed in the availability of Dollars with healthy worker remittances, modest income from Tourist arrivals and decent export proceeds. The country was able to ensure noticeable enhancement in the Central Bank of Sri Lanka's foreign exchange reserves, reduction of inflation to reasonable levels and interest rates to single digit. Yet, few parameters set by IMF still remained a cause of concern and the economy struggled to achieve the same.

The free float of the Rupee against the USD kept the currency under check though the volatility remained a cause of concern as your Company faced challenge in the form of exchange fluctuations throughout the year. However, exchange rate volatility was managed to a large extent by keeping track of market updates and through calculated calls on currency procurement. Still, the downgrading of the country's sovereign credit rating remained a roadblock for banks when opening LCs for Gasoil/Gasoline import. This was exacerbated by high fluctuations in international oil prices which generated fresh challenges which had more to do with geo-political situation rather than direct fuel demand and supply. Consequently, opening of Letter of Credits from the banks acceptable to suppliers of oil and arranging confirmations of the same from banks outside of Sri Lanka continued to pose challenges though on many occasions your Company was successful in circumventing the requirement for LC confirmation and in few cases even the opening of LCs, which led to substantial savings in costs as a result of our perseverance. Your Company was quick to respond, whenever it was required, to the new developments, creating solutions in tandem with the Ministry of Power & Energy to ensure that the country remains energized at all times.

### The global economy

The global economy continued its signs of recovery in 2023-24 from the slowdown shock of the pandemic. However,

geo-political tensions with continuing war between Russia-Ukraine and its spread into many parts of Middle East coupled with threat of further outbreak and participation of other superpowers, created fears on numerous occasions adversely affecting energy markets and supply chains inducing periodic inflationary pressures and concerns over declining consumer demand or constrained supplies. Consequently, growth forecasts were subdued as many developed economies faced a sharp surge in inflation particularly in food and fuel prices, creating runaway inflation levels. Central banks world-wide had to resort to interest rate adjustments and monetary tightening reviews, time to time to curtail and salvage the ill effects of such global war threats. In this backdrop, regular turbulence was witnessed in the currency markets as the US Dollar strengthened placing pressure on many emerging economics which faced a depreciation of the local currencies.

### Enriching the nation – beyond business

During the financial year 2023-24, your Company remained resolute and focused in ensuring a steady supply of fuel across the island ensuring supply to the remotest of areas of the country. Your Company placed the interests of people first and rose to insurmountable challenges of a rapidly shifting dynamic environment to respond swiftly to immediate needs of the country. I wish to commend the agility and



*Inauguration of Retail Outlet*



# CHAIRMAN'S MESSAGE

extraordinary zeal demonstrated by our team to respond towards the greater good of the community at large.

It is a matter of pride that despite the entry of a new player into the retail sector, we have been able to achieve and enhance supply of Gasoil and Gasoline to the end customers in our efforts to increase market share. During the year, your Company operationalized 41 new retail outlets with opening up of some of the state-of-the-art outlets having complete automation, offering several facilities such as LP Gas cylinders, café, shopping centers all under one roof with round the clock fuel supply services. This signifies our commitment to go beyond the boundaries to ensure the interests of our stakeholders are safeguarded at all times.

With its continuous co-ordination and efforts with authorities and the Government of Sri Lanka, your Company was able to secure the renewal of its Petroleum Products License for next 20 years from Ministry of Power & Energy which was handed over to LIOC by the Honourable President of Sri Lanka, in a special ceremony.

### Delivering on value

I am happy to convey that your Company reported a commendable revenue of around Rs. 264 Bn during the year under review. The robust revenue was augmented by the auto fuel segment. With the regularity and continuity of fuel supply, Lanka IOC ensured that the nation remains energized.

### A commitment to ESG

Sustainability remains the core of our business as it guides our strategic path and expansion plans. Sustainable growth is our foremost priority and over the years our approach of integrating sustainability across the value chain of our operations has served us well. This has contributed to our organizational resilience and has helped us in navigating through many challenges in the past.

With our strong vision to ensure the energy security of the nation, we ensured that our strategic path helps to strengthen Sri Lanka's energy future with energy access, energy efficiency and energy security. Over the last



Chairman Planting a tree at Trincomalee Terminal

few years, we witnessed the importance of looking out for sustainable energy solutions and we also remain committed to provide long-term sustainable solutions in driving the nation towards a low carbon economy and supplementing achievement of Sri Lanka's Carbon neutrality target by 2050, as per nation's commitment, as submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in 2021.

### Awards and accolades

Your Company was feted once again at the prestigious TAGS Awards ceremony organized by the Institute of Chartered Accountants (CA Sri Lanka) with a Silver Award. This is the third consecutive year that the Company has been conferred with one amongst the top three awards by CA Sri Lanka validating our commitment to improve our corporate reporting and accountability standards. The Company's Annual Report 2022-23 was also feted the CMA Awards with Lanka IOC shining with a Gold Award in the Energy Sector and has been recognised amongst the Top Ten Best reports. Your Company also bagged top awards in the National Business Excellence Awards 2023 as Gold Award winner for Excellence in Corporate Governance, Gold Award Winner in Trading Sector and Silver Award (Runner Up) in Extra Large Companies Category which are testimony of continuous pursuit of excellence by your Company.

### Caring for our community

Your Company has always reached out to the community with compassion and empathy during difficult times. During the year we initiated several CSR activities by providing much needed relief items to underprivileged members of the community. Your Company inter-alia also made a significant contribution of Rs. 200 Mn towards the President's Fund aimed towards upliftment of the weaker and downtrodden sections of the society, apart from several other initiatives of providing much needed dialysis machines to government hospitals, taking up beach cleaning activities for ensuring marine health and environment protection, adopting an ambulance service, dry rations to the needy, medical equipment and essential medicines to hospitals, etc.

### Future outlook

The approval of an Extended Fund Facility by the IMF together with coordinated policy interventions to restore macro-economic stability have set in place a path to recovery, with the economy expected to record an expansion going forward.

Presently, we are witnessing encouraging signs of progress across number of key economic parameters including inflation. Interest rates are also on a decline, a result of easing inflation, reduction in the

high-risk premia attached to debt restructuring concerns and effectiveness of the tightening monetary policy adopted by the Central Bank of Sri Lanka. The Sri Lankan Rupee is also expected to gradually stabilize and remain rangebound around current levels, given more positive market sentiments, restoration of macro-economic stability and an anticipated improvement in external sector activity.

During the year only one private player entered the fuel retail sector. However, during the year 2024-25, two more players are expected to commence operations in fuel retail. We welcome this move which will create added competition thereby leading to improvements in service quality and competitive pricing which will ultimately translate to enhanced customer benefits. We look forward to further elevate our customers' experience by creating new and advanced services at our Retail Outlets. In this direction, we are also happy to announce commencement of supply of XP 100 petrol shortly which is a 100 Octane fuel for high end cars. Introduction of XP 100 shall be a landmark and a remarkable feat as such fuel is available only in 7 other countries across the globe.

We will continue to expand our retail network subject to approval from MoPE which will strengthen our geographical reach of our existing network of 251 retail outlets. As the forces of change converge to create new possibilities, we are well-positioned to face the future and the opportunities that lie ahead. As Sri Lanka paves its way through to economic revival, we look forward to partnering with the nation in fueling the unwavering Sri Lankan spirit with energy security. We look forward to shaping the future by reinforcing our leadership position across the key business segments powered by our inherent strengths. We continue to pledge our unwavering support to invest for the long-term growth of the energy market whilst exploring new horizons of opportunity.

### A note of gratitude

As we traverse through yet another uniquely challenging year, which required the Company to respond with proactiveness, I wish to offer my sincere appreciation to my fellow Directors on the Board for their wise counsel in leading the Company to achieve a remarkable performance. I congratulate the Managing Director and his executive team for their dedication and tireless efforts in delivering the desired results. I would also humbly like to thank the Government of Sri Lanka for the support and guidance extended to the Company.

Our LIOC team had to face numerous challenges during the year. I am deeply grateful to their unstinted dedication and the willingness to go beyond in responding to the needs of the organization in delivering a superior service with a tenacious spirit. I thank every employee for their valuable contributions in the face of unprecedented challenges. I would also like to take this opportunity to extend my gratitude and appreciation to our valuable customers, business partners and all other stakeholders who have been an integral part of our value chain. With two decades of transformative value being delivered across many spheres we look forward to serving the nation and energising the nation and the collective aspirations of all Sri Lankans.

Best Wishes,



**Sujoy Choudhury**

Chairman

Lanka IOC



# MANAGING DIRECTOR'S REVIEW

**AS A RESPONSIBLE ORGANISATION INTERTWINED WITH THE TWIN OBJECTIVES OF MAXIMISING RETURNS FOR STAKEHOLDERS WHILST CONTRIBUTING POSITIVELY WE ARE DEEPLY COMMITTED TO ADOPTING A SHARED APPROACH TO VALUE CREATION.**



Dear Stakeholders,

It is heartening that despite innumerable challenges throughout the year, your Company navigated its way by continuously challenging the status quo and striving for greater levels of excellence. Lanka IOC displayed tremendous resilience and tenacity as it traversed its way through a volatile business environment during the financial year 2023- 24 to report strong operational and financial results.

During the year, we strengthened our foothold and boosted our service capabilities across the length and breadth of this beautiful island nation. We expanded our network with several new customer touchpoints whilst diversifying our offering to seize market opportunities. This has fueled our performance, attesting to the growing demand for our services whilst positioning the Company towards greater heights of success.

This feat was by no means easy, given the unfavorable economic headwinds that engulfed us throughout the year. The skills and aptitude of our LIOC team together with our astute strategies and entrepreneurial mindset enabled us to deliver a phenomenal performance. Faced with direct competition from the new players in the retail fuel sector, the Company looked beyond the immediate short-term horizon to set in place the right platform of growth over the long term. This called for a complete change of perspective and an agile response to the emerging challenges and a transformed work environment in the year under review.

### Fuelling Aspirations

Despite Sri Lanka withstanding the severe economic constraints that engulfed the country over the last few years, the finalization of the staff level Agreement with the International Monetary Fund (IMF) posed new challenges considering the strict measures needed to be enforced as per IMF to bring the economy on track aimed at speedy recovery and restoring normalcy. In this direction, we wish to commend the economic and fiscal measures taken during the year by Government of Sri Lanka which proved to be effective and instrumental in driving the economy towards a stable path.

The inflation levels were contained within acceptable levels and the strengthening of foreign exchange reserves normalized the exchange rates, which is a healthy economic indicator.

However, with volatility continuing in the exchange rate and significant interest rate reductions throughout the year, the business impacts were mixed and needed to be monitored and controlled to manage any adverse implications.

The downgraded sovereign rating of the country by leading international rating agencies continues to be a cause of concern. In the backdrop of these disruptions, the banking system remains constrained in providing facilities at competitive rates and sizable financial outgo continues towards bank charges for opening of LCs, confirmation of LCs and servicing of short-term borrowings. However, with unparalleled efforts of the LIOC team, we have been able to achieve breakthroughs with a few suppliers by doing away with LC opening and/or confirmation requirements and pursuing similar terms with all other suppliers.

We stand resolutely together with the people of this island nation to be a steadfast and reliable energy partner. Lanka IOC has stepped up its activities attending to the emergent needs of the nation. This validates the relevance of our impactful presence and our commitment to fuel the aspirations towards business revival and growth.

### A snapshot of the financial performance

The year under review was indeed another year of significant achievements. The stellar performance recorded was achieved by pragmatically harnessing the potential of our various business verticals. Building critical success factors across our portfolio of products has strengthened our foundation for transformative growth. Your Company was successful in delivering record high levels of volumes with a growth trajectory across its key business verticals of auto-fuel, bunkering, lubricants and bitumen.

Lanka IOC recorded a revenue of LKR 264 Bn which was driven by volume growth but capped due to Retail Selling Price fixation by the Government of Sri Lanka. Volume growth in lubricants, bunkering and bitumen apart from Auto-Fuel also boosted the overall profitability. Thereby the Company's net profit after tax was pegged at LKR13.94 Bn for the year 2023-24. By effectively managing its funds throughout the year despite constraints and challenges, your Company was able to maintain net debt free position throughout the year.

Your company adopted a proactive stance by adapting swiftly to the forex and import restrictions imposed by the government through timely decisions on building optimum inventory levels and effective management of stocks. Thereby the Company was able to efficiently manage its cost of imports whilst ensuring business continuity. Introduction of trigger pricing for the



Inauguration of New Retail outlet



# MANAGING DIRECTOR'S REVIEW

procurement of bunkering fuel helped us to manage the procurement costs considerably. Borrowing levels increased during the year mainly on account of an increase in short-term loans utilized to finance increasing working capital requirements in view of the increased volumes in Auto fuel as well as Bunkering fuel verticals.

## Executing our strategy

The Company's strategy over the years has been focused on evolving and transforming to the next level of growth by continuously infusing life into our vibrant ecosystem of innovation and introducing meaningful solutions. Accordingly, our strategic priorities were underpinned by a holistic blueprint of strengthening our financial performance by unlocking the potential of our diversified business verticals. This necessitated us to calibrate our strategic blueprint to swiftly align ourselves to a dramatically changed volatile operating environment. The Company focused on its key strategic priorities of sustainable financial performance, customer centricity, enhanced market penetration, internal business processes, sustainable operations and building a future ready LIOC team.

Your Company, therefore, focused on optimizing the value and potential of each product segment to derive greater profitability. Several strategies were put in place to drive higher volumes and profit margins across the business verticals. The Company operationalized 37 new Petrol Sheds during the year giving an emphatic rise to our presence in the energy market across Sri Lanka. Despite constraints posed by restrictions of vehicular imports, the lubricant segment maintained a modest growth trajectory mainly driven by the expansion of its distributor network to 32, expansion of active SERVO shops to 302 (With 536 as Universe) along with greater institutional sales. Furthermore, operating costs were optimized by focusing on the procurement costs and optimum inventory levels. Despite the downgrade

of the sovereign rating, your Company was successful in expanding its tender procedure to attract a wider net of bidders in a global scale. This enabled the Company to obtain offers from many potential bidders to evaluate the most favorable options.



*Inauguration of New Retail outlet at Ninewels Location*

Bunkering segment of the Company delivered progressive operational results with over 65% increase in volume. We focused on negotiating the agreements and contractual terms whilst focusing on timely collection of outstanding dues.

The auto fuels segment of the Company was affected by the price fixation formula based on IMF requirements considering which the prices were decided by the Government of Sri Lanka on monthly basis considering a maximum margin of 4% for the retailers. Despite periodic price revisions the Company continued to face disparities in full cost recovery on a consistent basis in the auto-fuel segment.

With an aim to improve lubricant business, your Company recently entered into agreement with Ceypetco (CPC) for marketing of SERVO lubricants from CPC petrol sheds. This agreement is another step towards inclusive growth moving beyond the competitive forces. We are confident that this move will provide a significant impetus to lubricants sales and enhance the brand value of SERVO as well as CPC fuel outlets in the lubricants market.

Your Company has inaugurated a fully automated & women-operated Lanka IOC filling station within the city limits for the first time in the last two decades. We hope to open many more such outlets. The Company has taken another unique step by arranging life insurance for the team of 1,500 pump attendants employed within our network

along with coverage for critical illnesses. This shall go a long way in boosting the morale of pump attendants and providing them further financial security in case of eventualities.

During the year, we replaced 200 dispensing units with modernized machines. We are in the process of supplying environmentally friendly, state-of-the-art XP 100 fuel for high-end vehicles which is a high octane fuel available only in 7 other countries across the globe.

We are optimistic on our joint venture partnership with Ceypetco to develop and operationalise the 61 tanks in the Trincomalee Upper Tank Farm, which shall be a major step in our diversification initiatives. Following the signing of the historic agreement in January 2022, your Company continues to participate in the JVs Board meetings to provide constructive deliberations for the development of the Upper Tank Farm under Trinco Petroleum Terminal (Pvt) Ltd with 49% shareholding with LIOC and 51% with CPC.

## Driving social value

As a responsible organization intertwined with the twin objectives of maximizing returns for stakeholders whilst contributing positively we are deeply committed to adopting a shared approach to value creation. During the year, we initiated several community reach activities which included donating dry rations to various sections of the community such as needy families, elderly homes, orphanages, disability centers, etc,

We also donated Wheelchairs, Spectacles, white canes for the blind community and hearing aids to the underprivileged elders. Special CSR program for donating Dialysis machines to Government hospitals in Colombo and rural areas was conducted during this Financial Year. Taking care of the environment, Beach cleaning and Tree planting were facilitated through funding by the company. We also conducted Medial camps, blood donation camps during the Financial Year 2023-24. In order to serve the downtrodden and needy sections of the society, we also contributed LKR 200 Mn to the President’s Fund during the year.

Being a responsible corporate citizen, we shall continue to engage in such meaningful dialogues with all our stakeholders, while striving to improve social, environmental and economic performance of our operations.

### Mainstreaming sustainability

Our business operations are firmly entrenched within a philosophy of sustainability. We place significant emphasis on conducting our business in a socially responsible and holistic manner for long-term growth and sustainability. While responding to society’s growing demand for energy, we work in the best possible way to balance and integrate economic, environmental and social considerations into our business decisions. Over the years, we have been committed to solarize our network of outlets thus ensuring a sustainable operation and we have a network of 87 solarized outlets.

As a responsible energy company, we have been deeply committed to introduce environmentally friendly energy alternatives and have thus far supported this endeavor through our network of EV charging stations along with our environmentally friendly range of auto fuels. We are deeply cognizant of the impact of our operations on marine life and take adequate precautionary measures to mitigate environmental hazards. All of this has helped us in aligning our business, social, and environmental objectives.

### A People-Centric Approach

We are cognizant that the past few years have been extremely challenging for our team. This has taken a toll on the overall well-being of the employees. In this context, we



Donation of Dialysis Machine to BH- Padaviya

have created a workspace which promotes engagement with our team through periodic communication and a range of engagement activities. We have, over the past few years, consistently created an environment where our employees are valued and respected by creating a convivial culture of togetherness. A performance management system has been introduced which ensures that employees are rewarded in an equitable manner, thereby nurturing an enabling and performance-driven culture.

### Way forward

The present socio-economic and political instability will undoubtedly affect the future growth prospects. However, we are confident that the right structural reforms will enable the country to move towards the desired direction. We will continue to build on our core strengths to deliver sustainable shareholder value and business growth in tandem with our commitment to reinforce our impactful presence in Sri Lanka. We are confident that our diversified portfolio across the energy sector, unrivalled skill base and prudent strategies will place us in good stead to mitigate risks and deliver consistent results.

We welcome the GoSL’s initiative to introduce the fuel pricing formula with 4% margin which shall enable auto fuel to be priced based on the recent procurement cost. This is based on a transparent formula which will pass on the benefits of any fuel price adjustments in the global market to the end consumer. This measure will certainly ensure sustainable value creation for our business.

### Appreciation

I wish to extend my deep gratitude to the Chairman along with the team at our parent company Indian Oil Company for their collective wisdom and unmatched guidance on setting the right strategic direction amidst the volatile business environment.

I take this opportunity to place my sincere appreciation to the Board of Directors for their insights and stewardship. Our talented LIOC team proved their mettle by rising strong with relentless dedication to enable the strategic priorities of the Company to be achieved amidst many challenges.

A special note of thanks is extended to the Ministry of Power & Energy which has always been accessible, facilitating constructive discussion on the challenges as and when required. I extend my appreciation to the Ministry of Finance, Central Bank of Sri Lanka and all other officials for extending their continuous support.

I wish to extend my appreciation to our business partners and retail fuel outlets who relentlessly strived to uphold the highest standards of service despite the challenging environment. I wish to thank all our committed teams at the retail outlets and channel partners for their support and dedication in seamlessly delivering our services.

**Dipak Das**  
Managing Director

# BOARD OF DIRECTORS



**Mr. Sujoy Choudhury**  
**Non-Executive Chairman**

Mr. Sujoy Choudhury serves as Director (Planning & Business Development), on the Board of Indian Oil Corporation Limited, one of India's largest commercial enterprises and among the leading Indian companies in Fortune's 'Global 500' list. In addition, Mr. Choudhury is Non-Executive Chairman on the Boards of IndianOil Total Pvt. Ltd., which is engaged in Bitumen Derivative business and CII Northern Regional Committee on Energy. Besides, he is Director on the Board of IndOil Montney Ltd. that handles IndianOil's upstream business in Canada.

In an earlier stint, Mr. Choudhury held responsibility for overseeing petroleum-related activities across various Indian states. His significant contributions include enhancing hydrocarbon infrastructure, introducing winter-grade diesel in high-altitude areas, developing specialized lubricants for the FMCG industry and implementing innovative construction techniques such as geotextiles and steel concrete structures suitable for hilly terrain.

A mechanical engineer and MBA (Finance) from Jadavpur University, Kolkata, Mr. Sujoy Choudhury brings with him a wealth of cross-functional expertise acquired over years of immersion in various facets of the Indian energy sector. With a diverse background encompassing engineering, retail sales and petrochemicals within IndianOil, Mr. Choudhury has demonstrated leadership and proficiency across different functions and geographical regions.



**Mr. Dipak Das**  
**Managing Director**

Mr. Dipak Das is a Mechanical Engineering graduate from NIT Silchar, India and holds a certificate in Petroleum Management. With over 28 years' expertise in the Petroleum Sector, Mr. Das has wide experience in various roles in Indian Oil Corporation Ltd., (IOCL), a Global Fortune 500 Company.

He played a lead role in various capacities in the State of Kerala, Telangana, Andhra Pradesh, Rajasthan, West Bengal and Northeastern States in India covering vast geographies.

Apart from his various key portfolios in Retail Sales and Operations sector, Mr. Das played





important roles to bring Lakshwadeep Islands into the Energy Map in India and Petroleum Retail Outlets were set up in the Kavaratti, Minicoy, Andrott and Kalpeni islands of Lakshwadeep including Storage Terminals in two islands during his tenure as the Retail Sales Head in Kerala State.

In addition to his main role as the Managing Director of Lanka IOC PLC, Mr. Das serves on the Board of Ceylon Petroleum Storage Terminals Limited and as the Managing Director of Trinco Petroleum Terminal (Pvt) Ltd., which is a joint venture of CPC & Lanka IOC contributing his expertise to the Sri Lankan petroleum sector. Also, he serves as the Chairman (Government Liaising) of Indian CEO Forum and performs as an active member of various chambers such as Ceylon Chamber of Commerce, Indo Lanka Chamber of Commerce & Industry, National Chamber of Commerce, International Chamber of Commerce Sri Lanka, Sri Lanka India Society etc. He takes initiative of organizing various CSR programs to assist the underprivileged communities across the island.



**Prof. Lakshman R Watawala**  
**Independent Non-Executive Director**

Prof. Lakshman R Watawala is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA), Fellow of the Chartered Institute of Management Accountants of UK (FCMA UK) and a Chartered Global Management Accountant (CGMA).

He is a proud receiver of the National Honours Sri Lanka Sikhamani conferred for distinguished services of a general nature by the President of Sri Lanka in 2019.

He was inducted to the Hall of Fame of CA Sri Lanka in November 2013 and received the Lifetime Achievement Award from CMA Sri Lanka in 2018.

He served as Chairman of People’s Bank, Chairman of People’s Merchant Bank, Chairman and Director General of the Board of Investment of Sri Lanka, Advisor to the Ministry of Finance, First Chairman of the Pan Asia Bank Ltd, Director South West Asia Informatics Holdings Ltd. of Singapore, and Chairman of the National Insurance Trust Fund.

He currently serves as the Deputy Chairman of Gestetner Ceylon PLC and Director at Lake House Printers and Publishers PLC. He is also the Chairman of the Audit Committee of these companies.

He is currently the President of the Institute of Certified Management Accountants of Sri Lanka (CMA) and its founder, He is also the Past President of the Institute of Chartered Professional Managers of Sri Lanka (CPM) and its Founder Past President of Institute of Chartered Accountants of Sri Lanka, Past

# BOARD OF DIRECTORS

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President of the South Asian Federation of Accountants (SAFA) and Founder signatory to formation of SAFA in 1984, Founder President of the Association of Accounting Technicians of Sri Lanka (AAT), Past President of the Organization of Professional Associations of Sri Lanka (OPA) and Past President of the Association of Management Development Institutions of South Asia (AMDISA).

He also served as a Committee Member of the Ceylon Chamber of Commerce and was Founder Chairman of the Sri Lanka Economic Summit and Ten Best Corporate Citizens Awards Committees.

He was appointed by the Supreme Court of Sri Lanka as the Senior Member of the Committee of Chartered Accountants to assist the Supreme Court in the repayment of depositors of certain specified failed deposit taking companies.



**Amitha Gooneratne**  
**Independent Non-Executive Director**

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of the Institute of Chartered Accountants, UK and Wales and a Fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a public quoted company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Private) Limited.

Mr. Gooneratne was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka. On his retirement from Commercial Bank PLC in April 2012 he assumed duties as the Managing Director of Melstacorp LTD which subsequently obtained a public listing and became the Group holding company. He was a Board member of several of the Groups subsidiary companies which included Aitken Spence PLC, DCSL PLC, Browns Beach Hotel PLC, Balangoda Plantations PLC, Continental Insurance Ltd, Lanka Bell Ltd, Periceyl (Private) Ltd, Bellvantage Ltd, to name a few. Mr. Gooneratne retired from Melstacorp PLC and its Group companies in September 2022. He is an independent Director of Lanka IOC PLC, Non-independent, Non-executive Director of Teejay Prints (Private) Limited and Non-Independent Non-Executive Chairman of Commercial Development PLC.



**Mr. R V N Vishweshwar**  
**Non-Executive Director**

Mr. R V N Vishweshwar is working with Indian Oil Corporation for the last 31 years and holding the position of Executive Director (Corporate Finance & Treasury) at Corporate Office, New Delhi. He has completed B.Com(Hons) and Bachelor of Law from Delhi University. He is an Associate Member of the Institute of Cost Accountants of India. During the span of 31 years of service, he has handled various key positions at different levels in IOCL.

Mr. Vishweshwar began his career at Digboi Refinery, Assam wherein he handled consolidation of accounts, banking, insurance, payroll and revenue/capital payments. He was actively involved in data and system interface for development of financial management system in Ingres RDBMS, during migration to Oracle and was also the key coordinator for SAP implementation.

During his stint at Corporate Treasury for about 5 years he covered Fx transactions - spot + derivatives(plain vanilla forwards/ Options/Swaps and Range forwards), managed overall cash flow, monitoring for the purposes of risk management, arrangement of funds - Fx as well as domestic.

While posted at Refineries Headquarters he oversaw activities of Trusts related to Provident Fund, Pension, Gratuity, Post Retirement Medical Benefit etc. catering to the retirement benefits of employees and also handled payroll.

He was the Team Lead for SAP - FICO Group at Indian Oil. He oversaw migration towards GST implementation, New GL activation, CRM and implementation, facilitating SAP interface for IOC foray into CGD business. He also oversaw SAP-HR and SAP-MM module during his tenure.

During his stint with Marketing Division at Mumbai, he was overseeing Taxation (Direct as well as Indirect), spearheading the digital initiatives and was heading the Finance function of Marketing Division before moving to his next role as Executive Director (Corporate Finance & Treasury) at Corporate Office, New Delhi.



**Mr. Nikhil Deep Mathur**  
**Non-Executive Director**

Mr. Nikhil Deep Mathur, age 58 years, is an Executive Director (Retail Transformation) with Indian Oil Corporation Ltd, and has 32 years experience with India's largest enterprise Oil Refiner and Marketeer 'Indian Oil Corporation Ltd' (2023 Turnover USD 105 Bn Fortune 94) in its Petroleum downstream operations of Sales, Marketing, Construction & Maintenance of facilities for consumer products through Retail Outlets pumps (B2C) as well as Industry (B2B) in India.



Mr. Mathur handled tankage projects for bulk storage facilities, construction of petrol pumps and construction of railway loco fuelling facilities for 5 years.

He has managed sales and maintenance of retail outlets and bulk facilities of company and customers as a sales person for 27 years in various capacities in the hierarchy and has led sales teams across India managing petroleum outlet networks in urban, highway and rural markets, development of new outlets, Government coordination for maintenance of essential POL services etc. He has also been positioned at Marketing Head Office in Retail Sales vertical for 6 years, involved in policy, strategic projects, and international market entry projects.

Mr. Mathur is a Civil Engineering graduate from the prestigious Birla Institute of Technology and Science (BITS) at Pilani (Rajasthan, India). He further completed his Executive International MBA from the prestigious Management Development Institute (MDI), Gurgaon with an International Module at ESCP-EAP at its Paris and Berlin campuses.

Mr Mathur is currently posted as Executive Director (Retail Transformation) at Indian Oil Corporation's Marketing Head Office at Mumbai, in-charge of Retail Strategy including transitioning into renewable energy resources for consumers like CNG, EV Charging, and battery swapping.

Mr Mathur has been nominated to the Board of Directors of Lanka IOC, a listed company in Sri Lanka, w.e.f. 21st March 2024 by the parent company Indian Oil Corporation Ltd.



## **Ms. Amali Liyanapatabendi**

### **Company Secretary**

Amali Liyanapatabendi is an Associate Member of Chartered Governance Institute UK & Ireland and has a Post Graduate Diploma in Business Management from the University of Colombo. She has over 20 years of experience in company secretarial practice gained by working in the private sector organizations.



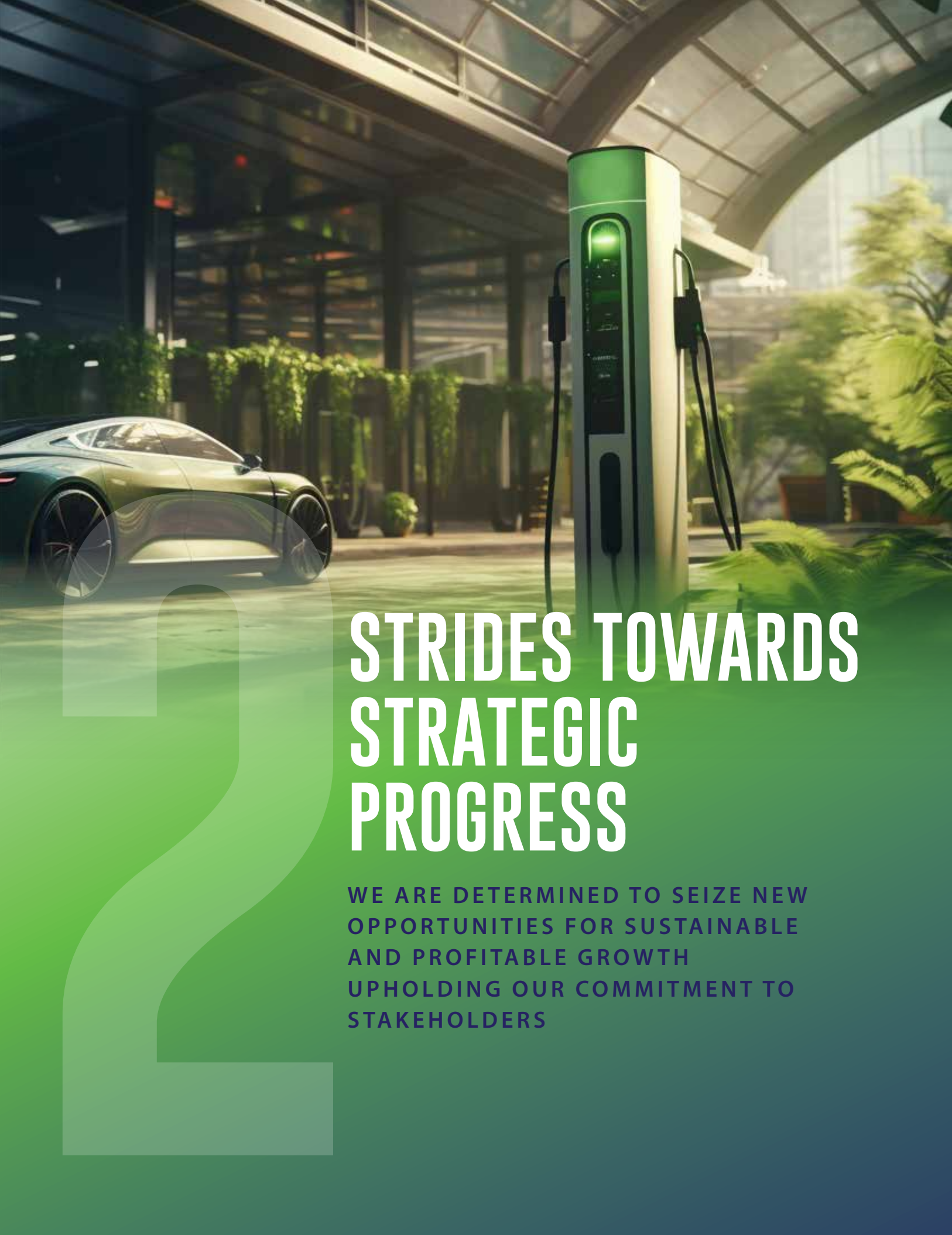
## SENIOR MANAGEMENT

### *Seated Left to Right*

Mr. Swapan Haldar - SVP(LM&P)  
 Mr. Dipak Das - MD Lanka IOC  
 Mr. Aseem Bhargava - SVP (Finance)

### *Standing Left to Right*

Mr. Debanjan Mukherjee - SVP (Ops & LBP)  
 Mr. Sandeep Kumar - VP (Finance)  
 Mr. Rajesh Kumar Bhagat - SVP (Ops, Import  
 & Bunker Sales)  
 Mr. Shashank Jadhav - SVP (Engineering)  
 Mr. Amber Ahemad - SVP (Retail Sales & HR)  
 Mr. Biraj Mandal - VP (Ops Trincomalee)



# STRIDES TOWARDS STRATEGIC PROGRESS

WE ARE DETERMINED TO SEIZE NEW  
OPPORTUNITIES FOR SUSTAINABLE  
AND PROFITABLE GROWTH  
UPHOLDING OUR COMMITMENT TO  
STAKEHOLDERS



# OPERATING ENVIRONMENT

During the financial year under review, Lanka IOC PLC's operations were significantly influenced by both macro economic conditions and geopolitical developments.

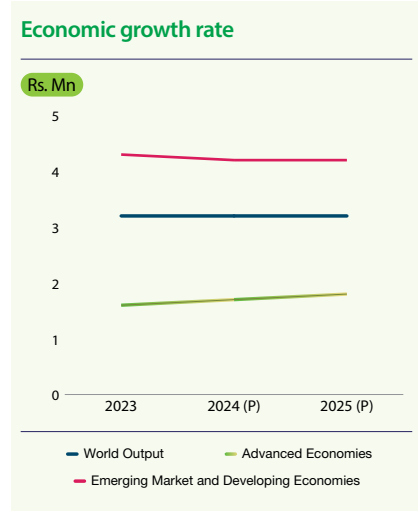
## Analysis of global economic performance

The global economy demonstrated resilience during the disinflation period of 2022-2023, maintaining steady growth despite high inflation and interest rate hikes. This resilience was supported by robust employment and income growth, driven by higher-than-expected government spending, household consumption, and an increase in labour force participation. Households in advanced economies also drew on substantial pandemic-era savings, which helped buffer the impact of rising borrowing costs. Changes in mortgage and housing markets further mitigated the effects of policy rate increases.

Global growth is estimated to be 3.2% in 2023 and is projected to continue at this pace through 2024 and 2025. This forecast reflects a slight upward revision from previous estimates. However, the growth rate remains modest by historical standards due to persistent high borrowing costs, reduced fiscal support, and long-term impacts from the COVID-19 pandemic and geopolitical tensions such as Russia's invasion of Ukraine. Inflation is expected to gradually decline, with advanced economies reaching their targets faster than emerging markets.

Risks to the global outlook are balanced, with potential downsides including new geopolitical tensions and persistent core inflation. Conversely, faster-than-expected disinflation and productivity gains from Artificial Intelligence could enhance growth. Central banks aim to achieve a soft landing by managing inflation without premature policy easing. Concurrently, fiscal policies need to focus on debt

sustainability and priority investments, while multilateral cooperation is crucial to address geoeconomic fragmentation and climate change challenges.



## Geopolitical Environment

**Regional Tensions:** Regional geopolitical tensions, particularly between China and India, had a direct impact on Lanka IOC. The entry of China's Sinopec into the Sri Lankan market increased competition for Lanka IOC. Sinopec's expansion was part of China's broader strategy to extend its influence in South Asia, which posed both a competitive threat and an opportunity for collaborative ventures in the region.

**Strategic Partnerships:** Lanka IOC leveraged its relationship with Indian Oil Corporation (IOC) to maintain a strong supply chain and operational resilience. This partnership helped mitigate some of the risks associated with geopolitical instability and ensured a steady supply of petroleum products despite regional tensions.

**Supply Chain Challenges:** Geopolitical issues also affected global oil supply chains. Fluctuations in global oil prices and disruptions caused by international sanctions or trade restrictions required Lanka IOC to navigate complex supply chain logistics to maintain its market position and service reliability.

## Performance of the global oil industry

In 2023, the global oil industry experienced notable shifts influenced by a combination of supply dynamics, geopolitical events, and economic factors.

## Supply and Demand Dynamics:

- The global oil market saw strong non-OPEC+ supply growth, particularly from the United States, Brazil, and Guyana. U.S. crude oil production, driven by improved drilling efficiencies, hit record highs, exceeding 20 million barrels per day (mb/d) in September.
- OPEC+ maintained a cautious approach to market management, extending output cuts into 2024 to counteract potential oversupply. Despite these efforts, oil prices fell due to high U.S. crude exports and weaker global demand growth.

## Price Fluctuations:

- Oil prices were volatile throughout the year, with Brent crude oil prices falling significantly from their highs in September. By December, Brent futures were trading around \$74 per barrel, and WTI close to \$69 per barrel. This decline was partly due to a bearish market sentiment driven by robust non-OPEC+ supply and sluggish demand.

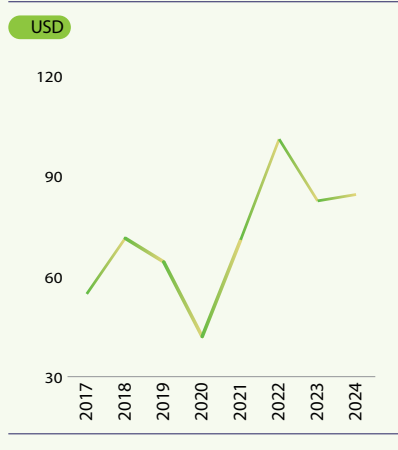
## Geopolitical and Economic Influences:

- The oil market was impacted by the ongoing Russia-Ukraine conflict, which led to longer and more costly trade routes and segmented markets. Despite adjustments, the market remained less transparent and more complex.
- China's economic performance was a major factor, with its oil demand showing strength in the first half of the year but facing uncertainties due to structural economic challenges. India, on the other hand, emerged as a bright spot with resilient demand.

These dynamics highlight the complex interplay of supply growth, geopolitical tensions, and economic conditions that shaped the global oil industry in 2023.



### Brent Crude Annual Average Price in USD



### Performance of the local economy

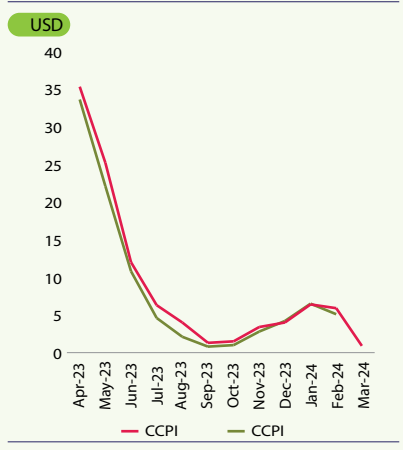
During the financial year under review, the Sri Lankan economy showed signs of recovery after a prolonged period of economic hardships caused by multiple internal and external shocks. Simultaneously, other aspects of the operating environment, including social and political conditions, evolved, presenting both opportunities and threats to Lanka IOC PLC's operations. The Company demonstrated agility in identifying these changes and adapting its strategy to minimize potential risks while capitalizing on opportunities to generate value by effectively deploying resources.

### Macro-economic environment

#### Key indicators

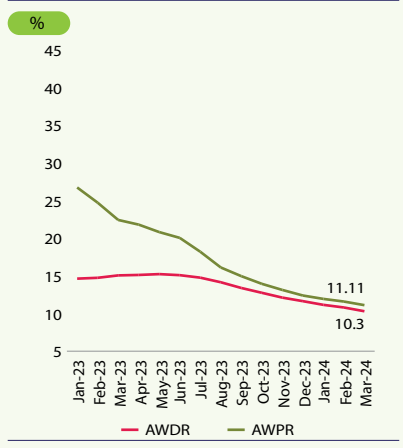
Inflation continued to ease out through the year in the aftermath of having reached historic highs in latter part of 2022. Inflation also ranged within the target mid-single digits level bringing in greater confidence on broader price levels within the economy.

### Headline inflation



**Interest rates** – The Central Bank of Sri Lanka (CBSL) relaxed its monetary policy commencing June 2023 and during the financial year ended 31 March 2024, the CBSL reduced the two main policy rates of Standing Deposit Facility Rate and Standing Lending Facility Rate by seven percentage points closing in at 8.50% and 9.50% respectively. Government security rates and commercial bank lending and deposit rates followed the macro rate directions and saw considerable reductions by the end of the financial year.

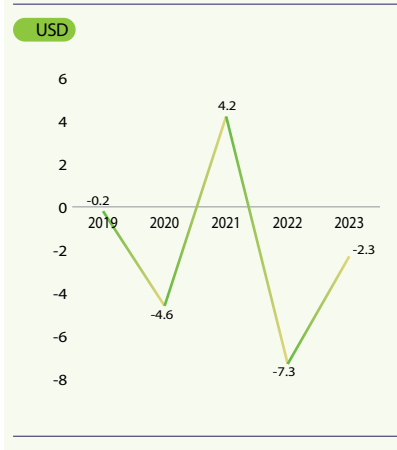
### Commercial bank lending and deposit rates



**GDP growth** – Stimulated by the CBSL's relaxing monetary policies and easing inflation, Sri Lanka's GDP growth entered positive territories during the third quarter of 2023 ending deep contraction, with growth recorded in all three sectors of Services,

Industries and Agriculture. However, on a yearly basis, GDP recorded a 2.3% contraction in 2023.

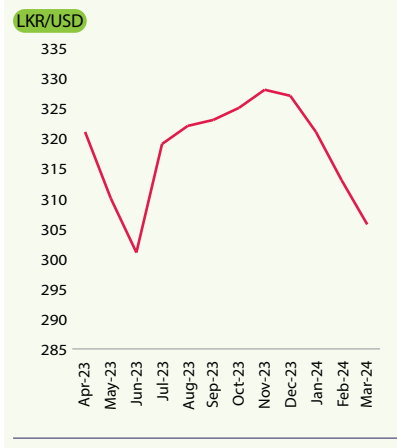
### Annual GDP Growth



### External sector stability

**Exchange rate** - The Sri Lanka rupee continued on its appreciating trend with a 7.6% appreciation against the US dollar during the year up to 28 March 2024. The Sri Lanka rupee also appreciated against other major currencies, such as the euro, the pound sterling, the Japanese yen, the Indian rupee, and the Australian dollar during the same period. Monthly average exchange rate for March 2024 was Rs. 305.66 for USD, the second lowest since the economic crisis in March 2022. The relative stabilization of the exchange rate allowed greater confidence in planning for businesses.

### Monthly average exchange rate



# OPERATING ENVIRONMENT

Gross official reserves – Gross official reserves continued to improve throughout the year. The merchandise trade deficit contracted during 2023 reaching one of the lowest levels in the past 15 years, resulting from lower expenditure on merchandise imports. Worker remittances which reached USD 6.0 Bn and earnings from tourism which reached USD 2.1 Bn bolstered gross official reserves, and the trend is expected to continue.

## Political stability and Government policies

The year under was notable for political stability compared to the prior year. The monetary policy was effectively deployed in controlling key economic indicators, with the contractionary policy approach adopted ending in June 2023, given positive movement and stabilisation of inflation. The fiscal policy focused on enhancing fiscal revenue with upward revisions introduced to taxes applicable. The Government of Sri Lanka secured major foreign inflows during the year, including the second tranche of the Extended Fund Facility of the International Monetary Fund amounting to USD 337 Mn and other credit lines from the World Bank and the Asian Development Bank. Funds thus received have been channeled towards reviving various sectors of the economy.

Source: Central Bank of Sri Lanka <https://www.cbsl.gov.lk/>

## Lanka IOC PLC's reaction to Sri Lankan economic conditions

In 2023, Lanka IOC PLC demonstrated remarkable resilience in the face of evolving economic challenges. The Company managed to ensure uninterrupted fuel supplies across Sri Lanka and achieved a substantial increase in revenue and net profit.

Lanka IOC's revenue for the year was Rs. 263.6 Bn. This impressive performance was primarily driven by the high international oil prices. Additionally, the Company expanded its footprint by commissioning 41 new fuel stations, bringing the total to 251, and increasing sales volumes by nearly 12%, despite restrictions such as QR code quotas.

Furthermore, all of Lanka IOC's business segments, viz., auto fuels, bunkering, lubricants and petrochemicals and bitumen performed exceptionally well, whilst preserving their market stance.

The Company also ensured employee wellbeing taking care of their needs and requirements.

The Company also aligned its practices to environmentally friendly means, thereby reduce its carbon footprint.

## Other macro aspects

### Evolving employee expectations

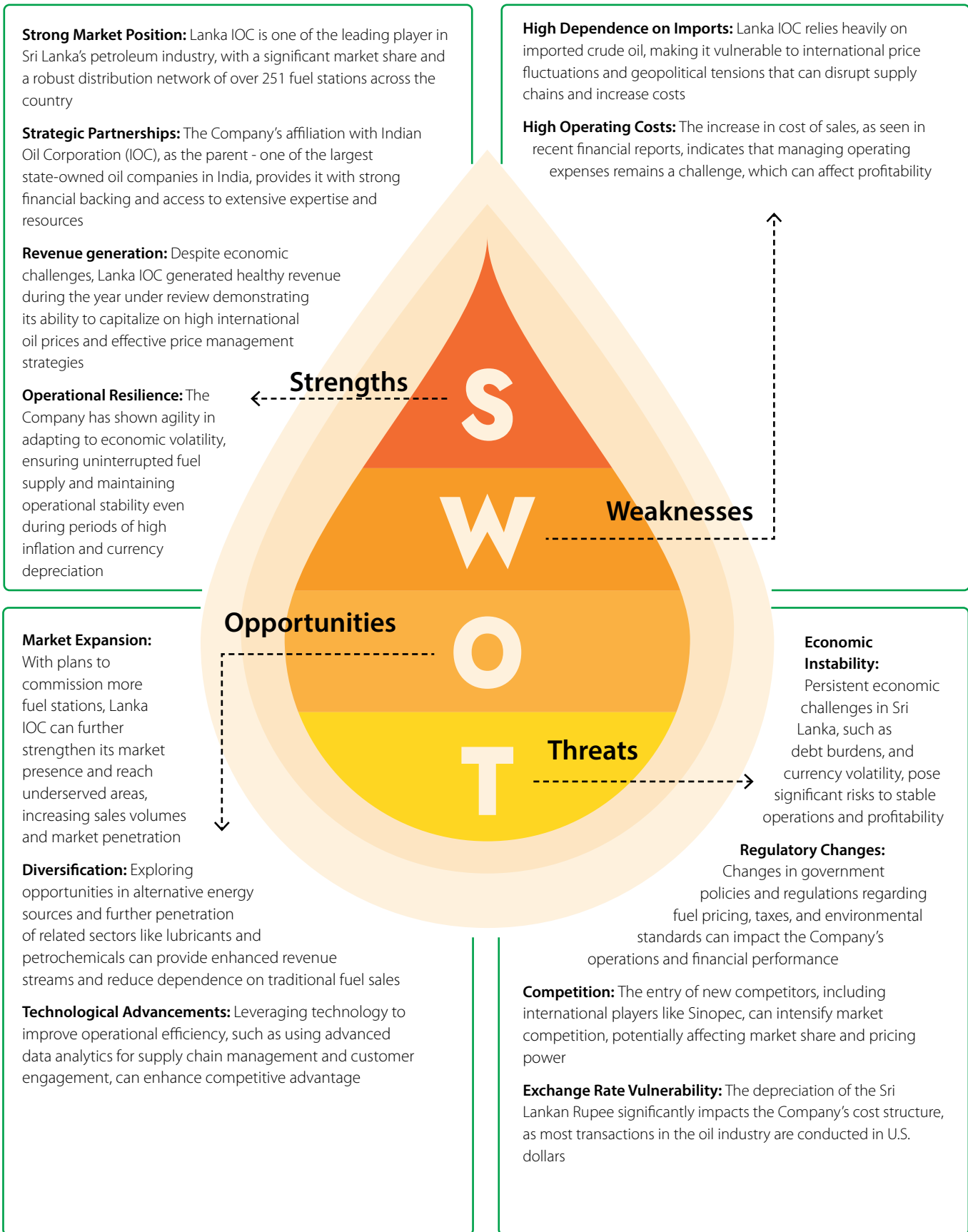
With the hardships faced by the economic crisis employee concerns were mostly concentrated on job security and certainty in remunerations and benefits. Mental well-being was also a key concern as employees were subject to various challenges stemming from high cost of living. The country also continued to experience migration of labour to foreign countries in pursuit of more lucrative employment opportunities and better living conditions.

### Climate change

Lanka IOC PLC faces several pressures due to climate change, impacting its operations, strategy, and long-term sustainability. Here are the key areas of pressure:

- ◆ **Operational Disruptions from Extreme Weather** - Increasing frequency and severity of extreme weather events such as floods, cyclones, and droughts disrupt supply chains, damage infrastructure, and elevate maintenance and repair costs. Floods, for example, can damage fuel storage facilities and disrupt transportation routes, leading to significant operational delays and increased logistics costs.
- ◆ **Infrastructure Vulnerability** - Rising sea levels and coastal erosion pose a direct threat to Lanka IOC's coastal facilities. The risk of flooding and storm surges can lead to infrastructure damage, necessitating costly relocations or fortifications to protect assets and ensure continuity of operations.

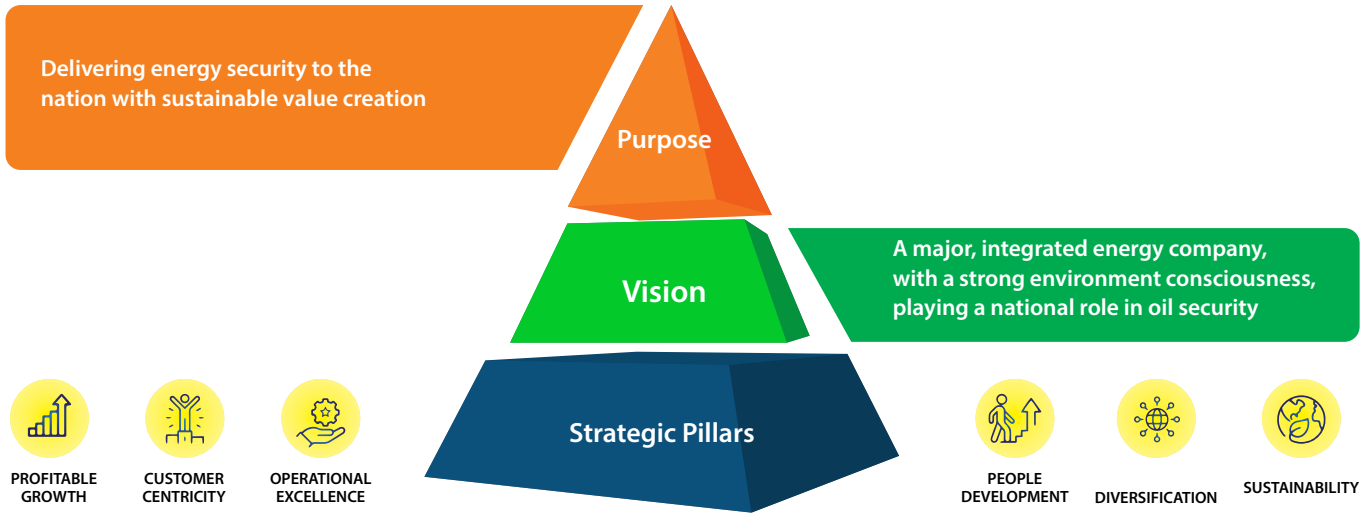
- ◆ **Changing Energy Demand** - Climate change influences energy consumption patterns. Higher temperatures increase the demand for cooling, while extreme weather events can disrupt energy supply. Lanka IOC must adapt to these changes to ensure a consistent supply of fuel, which may require significant investment in infrastructure and supply chain resilience.
- ◆ **Regulatory and Policy Pressures** - As global and national policies increasingly focus on reducing carbon emissions, Lanka IOC faces pressure to transition to more sustainable energy sources. This involves significant investment in cleaner technologies and renewable energy, which can strain financial resources but is necessary to comply with evolving regulations and public expectations.
- ◆ **Economic Impact** - Climate change can indirectly affect Lanka IOC through its impact on the broader economy. For example, reduced agricultural productivity and increased economic instability can alter fuel demand patterns, impacting sales and profitability. Additionally, climate-related health issues can reduce workforce productivity, further challenging operational efficiency.
- ◆ **Stakeholder Expectations** - There is growing pressure from stakeholders, including investors, customers, and regulatory bodies, for oil companies to adopt sustainable practices and reduce their carbon footprint. Failure to meet these expectations can result in reputational damage and reduced investor confidence.





# OUR STRATEGY

The challenges in the last few years have proven that the energy industry has never been more uncertain or complex – where heightened volatility is a constant factor that needs to be responded to with swift and agile decisions. Lanka IOC's strategies in the short to long term planning horizons are geared to deliver sustainable value and growth by leveraging our attractive market positioning. Through our holistic strategy we focus on strengthening our operational and financial performance while simultaneously creating a positive impact on society by balancing the financial objectives of our direct operations with our sustainability ambitions.

## Strategic framework



STRATEGIC FOCUS AREA	2023-24 INITIATIVES AND RESULTS	2023-24 PRIORITIES
 <p><b>PROFITABLE GROWTH</b></p> <p>Despite the extreme uncertainty and volatility that prevailed in the external environment for most part of the year, LIOC succeeded in recording substantial profits in 2023-24. All key segments of the business were impacted by the adverse economic conditions and thus, greater emphasis was placed on managing these impacts to steer the Company towards profitable growth.</p> <ul style="list-style-type: none"> <li>Efficient allocation and utilisation of resources.</li> <li>Optimising the value and potential of each product segment.</li> <li>Expanding our footprint to generate higher sales.</li> <li>Actively monitoring price dynamics and implementing pricing strategies.</li> </ul>	<ul style="list-style-type: none"> <li>Commissioned 41 new retail outlets, which have shown promising sales growth. Auto fuel contributed 76% to the revenue.</li> <li>Retaining 33% market share, solidifying our position as a leading bunker fuel supplier in Colombo and other ports.</li> <li>Agreement signed with Laugfs Gas for sale of LPG cylinder at LIOC retail outlet.</li> <li>Fully-automated and all women retail outlet in Colombo city.</li> <li>Insured 1,500 LIOC customer attendance.</li> </ul>	<ul style="list-style-type: none"> <li><b>41 new fuel stations in 2023/24.</b></li> <li><b>Expanding our reach in the industrial sector.</b></li> <li><b>Seeking new distributors in the Maldives to facilitate the export of our lubricant products.</b></li> </ul>
 <p><b>CUSTOMER CENTRICITY</b></p> <p>In a dynamic operating environment, customer centricity involves transforming internal mindsets and processes, adjusting the ways of working and service delivery to remain agile and relevant.</p> <ul style="list-style-type: none"> <li>Continue to offer uninterrupted services to our customers.</li> <li>Focusing on mechanisms to improve customer convenience.</li> <li>Improve the visual identity of the Retail Outlets</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the LIOC footprint with 41 new retail outlets, 01 new lube distributors.</li> <li>Revamped the visual identification of retail outlets.</li> <li>Facilitated transacting via digital modes for the ease of our customers.</li> <li>Partnership to distribute SERVIO lubricant with CPC networks of retail outlets.</li> <li>Launch of the mobile lube shop.</li> </ul>	<ul style="list-style-type: none"> <li><b>Maintain seamless delivery of products and services to ensure reliable and high-quality products are delivered to customers.</b></li> <li><b>Evolve along with customer aspirations to create a superior and differentiated services.</b></li> </ul>



STRATEGIC FOCUS AREA	2023-24 INITIATIVES AND RESULTS	2023-24 PRIORITIES
 <p><b>OPERATIONAL EXCELLENCE</b></p> <p>LIOC values operational excellence which it considers as the backbone of its success and a crucial factor in its sustained profitability.</p> <ul style="list-style-type: none"> <li>Maintenance and upkeep of our physical and digital infrastructure.</li> <li>Technology driven automation.</li> <li>Expanding our procurement network and strengthening our supply chain.</li> <li>Increase the storage capacity of fast-moving additives.</li> </ul>	<ul style="list-style-type: none"> <li>Completed the replacement of 200 existing fuel pumps with new automated dispensing units.</li> <li>Effectively maintained our complaint management procedure.</li> </ul>	<ul style="list-style-type: none"> <li><b>Unlock value creation through transformative digital solutions in creating a safer, cost efficient and more productive environment.</b></li> <li><b>Improve the preparation and execution of critical activities.</b></li> </ul>
 <p><b>PEOPLE DEVELOPMENT</b></p> <p>We strive to attract and recruit the best talent for all roles across the Company and our goal is to maintain a diverse and inclusive workforce reflective of the communities we serve. We invest and we are committed to nurturing and developing our team to excel as future-ready employees.</p> <ul style="list-style-type: none"> <li>Advocating a work culture that encourages people to take ownership and deliver results.</li> <li>Provide efficient and innovative leadership and capability development.</li> <li>Career progression opportunities.</li> <li>Assess and refine the remuneration and rewards packages.</li> <li>Health and safety of employees.</li> </ul>	<ul style="list-style-type: none"> <li>15 new promotions.</li> <li>Conducted a series of motivational sessions engaging leading personalities.</li> <li>Providing health insurance to 1,500 pump attendants</li> <li>Employee wellness programme</li> <li>Salary revision in line with inflation and keeping up with industry benchmarks</li> </ul>	<ul style="list-style-type: none"> <li><b>Continuous implementation of talent strategy and initiative.</b></li> <li><b>Continue to prioritise employee safety and wellbeing.</b></li> </ul>
 <p><b>DIVERSIFICATION</b></p> <p>In the face of dynamic challenges diversification which will help improve our revenue base.</p>	<ul style="list-style-type: none"> <li>Commissioning of the first grease plant in the market, we have moved towards to Lanka and producing of grease to the local a strategy of market.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exploring more market development and continue to divert product portfolios and venture into new business- verticals.</b></li> <li><b>Exploring new overseas markets for products.</b></li> </ul>
 <p><b>SUSTAINABILITY</b></p> <p>sustainability in Sri Lanka, as the single largest private sector auto plays a pivotal role.</p> <p>Sustainable practices are entrenched across all facets of our business from the products that we market to our operations from sourcing, distribution through our Retail Outlets.</p> <ul style="list-style-type: none"> <li>Drive environmental sustainability as part of operations.</li> <li>Maintain our commitment to highest ethical standards and integrity.</li> <li>Strategic CSR initiatives targeted at addressing issues of national importance.</li> </ul>	<ul style="list-style-type: none"> <li>Rs. 270 Mn investment in social sustainability as an advocate of initiatives.</li> </ul>	<ul style="list-style-type: none"> <li><b>Continue to implement more climate-friendly initiatives.</b></li> </ul>

# SUSTAINABLE PRACTICES AT LIOC

At LIOC, we understand that we make a significant impact on the environment and society, while we are also placed in a position of high responsibility as an energy and fuel provider. Sustainability has become the cornerstone of our strategies, and it is applicable to the way we do business and to our conduct with the communities where we operate. We have embedded this commitment to sustainability in our strategy, business, and decision-making processes.

Governments are primarily responsible for prioritizing and implementing approaches that will help us as a nation meet the UN's 17 Sustainable Development Goals (SDGs). We strive to play our part in helping governments and societies achieve the SDGs, and this is one of the main considerations in the development of our progress strategy. We believe the actions we take as part of our strategy can help directly contribute to 12 of the SDGs while indirectly contributing to others.

Our holistic approach to sustainability means that we will not just focus on environmental conservation. While providing the vital energy people need, we also champion inclusion, respect human rights, and contribute to local communities and economies. We focus on proactively managing our commitment to sustainable development in value creation as well as Environmental, Social and Governance (ESG) spheres.

## Why is it Important?

### For our Investors

Many investors now consider ESG factors when making investment decisions. A strong ESG report can demonstrate a company's long-term sustainability and potential for growth.

### For our Stakeholders

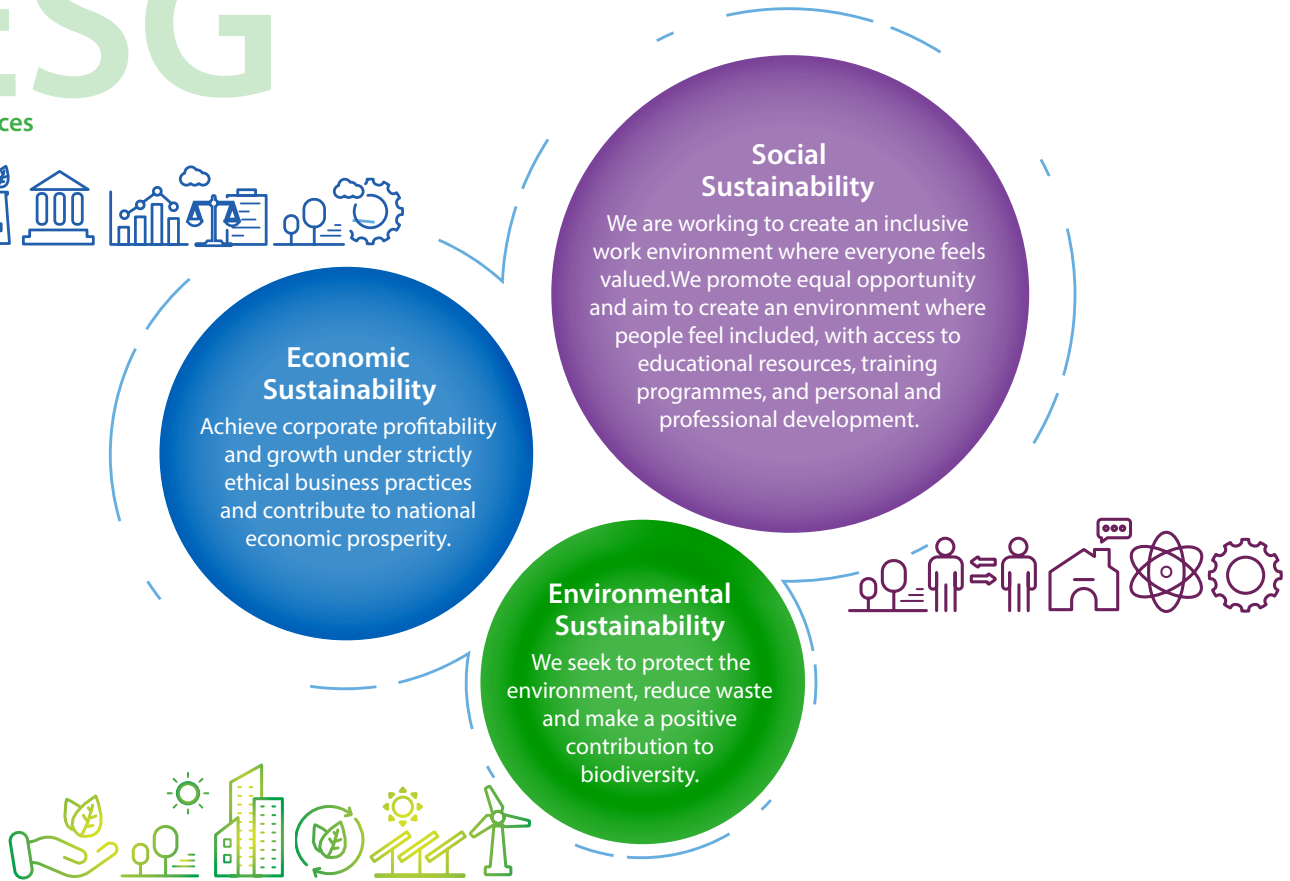
Customers, employees, communities, and regulators are increasingly interested in a company's ESG practices. A good report shows transparency and accountability.

### For our Public Image

A positive ESG report can enhance our Company's reputation and brand image.

# ESG

## Practices



### The classification of SDGs according to our ESG practices

When complying with sustainability goals, we have identified which of these SDGs will be covered under each segment of our operations.



### Our Sustainability Initiatives

During the past year, we have taken steps to improve our overall contribution toward achieving sustainability. Our main initiative has been to convert our fuel stations to solar energy. In 2022/23, there were 68 sheds which had been converted, and by the end of the 2023/24 financial year, this number had increased to 85. The solarized capacity saw a significant increase from 1.7 MW to 2 MW, and the units generated increased from 187,000 to 212,300.

We made a tremendous increase in the remuneration of our employees, and we have calculated that the average basic salaries of our direct employees increased by around 50%, which made a substantial difference to their wellbeing. This was also reflected in the bonuses issued for the year, as they were calculated based on the new salary. The salary payouts in 2022/23 were Rs. 883 Mn, and this year it was Rs. 1,200 Mn.

Our investment in CSR initiatives also saw a marked increase from Rs. 210 Mn to Rs. 270 Mn. Some of our impactful and life-changing initiatives included the addition of 10 dialysis machines in state owned hospitals. Many people suffering from kidney disease perish due to the lack of availability of these machines, and for many, it is impossible to afford the required number of sessions privately.

### Sustainability in our reporting practices

Our reporting practices are guided by the Integrated Reporting Framework of the International Integrated Reporting Council and the Global Reporting Initiative (GRI).



# STAKEHOLDER ANALYSIS

In our business, our continued success relies on the goodwill and positive engagement we have with our stakeholders. We consider our stakeholders to be those who potentially have the most significant impact on our ability to create value. We need to constantly satisfy and provide value to them to ensure the continuation of our relationship with them. We prioritize and create constant feedback and communication channels so that we can always be updated about the needs and requirements of our stakeholders. We use this feedback to measure the effectiveness and quality of our products and services in fulfilling their requirements. By adjusting our business strategies proactively, we successfully align our business models to meet the needs of our stakeholders in a timely manner. We are also able to make necessary changes wherever and whenever required to keep them satisfied.



High Priority Low

**Criteria for prioritization**

Providers of financial capital

Driving force behind the strategic ambitions of LIOC

Sustainability of our business lies on how effectively their expectations are met

They are the policymakers behind the provision of a conducive operating environment to conduct business

They facilitate the provision of reliable and high standards of service to customers

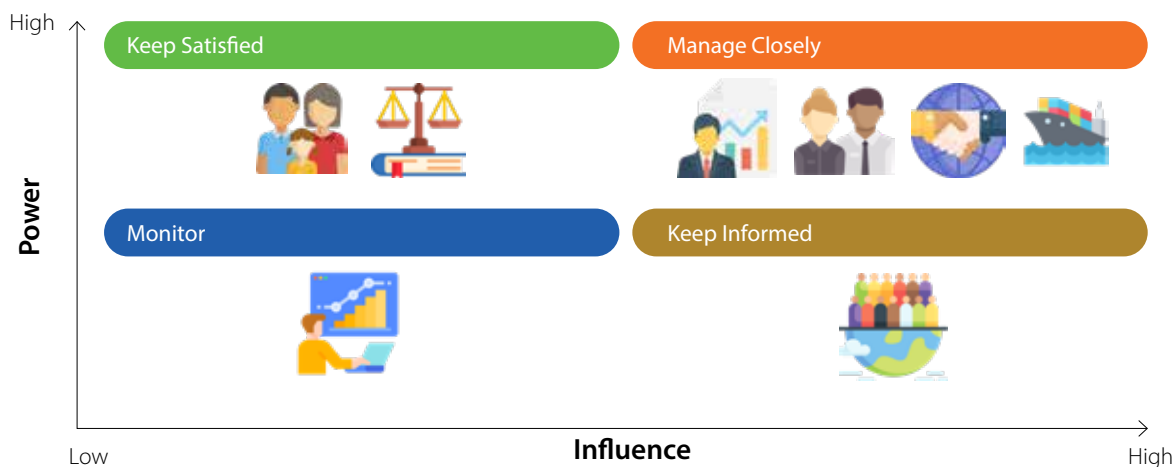
They ensure smooth functionality of our supply chain functions

Due to our obligation to act responsibly



### Stakeholder Mapping

We have Identified our key stakeholders and sorted them according to how we engage with them



### Stakeholder Engagement and Impact

#### Shareholders & Investors



#### How we engage

◆ Annual Report and quarterly financial reports	◆ Press releases and digital channels (website and social media channels)
◆ Annual General Meeting (AGM)	◆ Announcements to the Colombo Stock Exchange (Continuous Basis)
◆ Consultations with IOC, the major stakeholder on matters of policy and strategy at the Board level	◆ One-on-one engagements

#### Key concerns of Shareholders and Investors

◆ Profitability	◆ Dividend consistency
◆ Business growth	◆ Market price/capitalization
◆ Brand value and brand reputation	◆ Good corporate governance
◆ Sustainable product portfolio	◆ Ethical business practices


#### Our Response


- ◆ To deliver revenue growth and profitability with a sustainable portfolio of products
- ◆ To invest in nurturing brand value and growing the brand reputation
- ◆ To conduct our business to the highest level of professional standards, corporate governance best practice and our code of ethics embedded in the Conduct, Discipline and Appeal Rules of the Company


#### Capitals Impacted

- ◆ Financial Capital
- ◆ Social & Relationship Capital


# STAKEHOLDER ANALYSIS


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# STAKEHOLDER ANALYSIS

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◆ Fair credit terms	◆ Ease of transactions													
◆ Ethical business practices	◆ Rewards and recognition													
<p><b>Our Response</b></p> <ul style="list-style-type: none"> <li>◆ To consider all our channel partners as our partners in progress and to cultivate and nurture long-term relationships</li> <li>◆ Offer an unmatched value proposition with infrastructure, training and sales support</li> <li>◆ Growth opportunities</li> <li>◆ Value added services</li> <li>◆ Investing in sustainable business initiatives and automation</li> </ul>														
<p><b>Capitals Impacted</b></p> <ul style="list-style-type: none"> <li>◆ Social and Relationship Capital</li> </ul>														

<p><b>Suppliers and Service Providers</b></p> 	<p><b>How we engage</b></p> <table border="1"> <tr> <td>◆ Ongoing dialogue and routine business interactions</td> <td>◆ One-on-one meetings/site visits</td> </tr> <tr> <td>◆ Supplier appraisals</td> <td>◆ E-mail and correspondence</td> </tr> <tr> <td>◆ International events/visits</td> <td>◆ Corporate website</td> </tr> </table> <p><b>Key concerns of Suppliers and Service Providers</b></p> <table border="1"> <tr> <td>◆ Professionalism, ethical conduct and business best practices</td> <td>◆ Prompt payment on agreed credit terms</td> </tr> <tr> <td>◆ Continuing sustainable business relationships</td> <td>◆ Potential for growth and profitability</td> </tr> </table>	◆ Ongoing dialogue and routine business interactions	◆ One-on-one meetings/site visits	◆ Supplier appraisals	◆ E-mail and correspondence	◆ International events/visits	◆ Corporate website	◆ Professionalism, ethical conduct and business best practices	◆ Prompt payment on agreed credit terms	◆ Continuing sustainable business relationships	◆ Potential for growth and profitability
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<p><b>Our Response</b></p> <ul style="list-style-type: none"> <li>◆ Support mutual growth and profitability with reliable and strong financial commitments</li> <li>◆ Sustainable supply chains</li> </ul>											
<p><b>Capitals Impacted</b></p> <ul style="list-style-type: none"> <li>◆ Social and Relationship Capital</li> </ul>											



<p><b>Community</b></p> 	<p><b>How we engage</b></p> <table border="1"> <tr> <td>◆ Direct contact with communities</td> <td>◆ News media</td> </tr> <tr> <td>◆ CSR activities</td> <td>◆ Annual Reports</td> </tr> <tr> <td>◆ Local events and sponsorships</td> <td></td> </tr> </table> <p><b>Key concerns of the Community</b></p> <table border="1"> <tr> <td>◆ Indirect economic benefits through employment generation and infrastructure projects</td> <td>◆ Building and nurturing sustainable social relationships through community-based CSR activities</td> </tr> <tr> <td>◆ Preservation of the environment</td> <td>◆ Safety, health and welfare</td> </tr> <tr> <td>◆ Environment protection and social welfare</td> <td></td> </tr> </table>	◆ Direct contact with communities	◆ News media	◆ CSR activities	◆ Annual Reports	◆ Local events and sponsorships		◆ Indirect economic benefits through employment generation and infrastructure projects	◆ Building and nurturing sustainable social relationships through community-based CSR activities	◆ Preservation of the environment	◆ Safety, health and welfare	◆ Environment protection and social welfare	
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<p><b>Our Response</b></p> <ul style="list-style-type: none"> <li>◆ Ensuring energy security in Sri Lanka and serving the needs of our customers without disruptions</li> <li>◆ Committed to being a good partner and nurturing our social relationships in a sustainable manner</li> <li>◆ Operating with a strong environmental consciousness and setting an example through our retail network on sustainable and green business practices proven to deliver financial and environmental benefits</li> </ul>													
<p><b>Capitals Impacted</b></p> <ul style="list-style-type: none"> <li>◆ Social and Relationship Capital</li> <li>◆ Natural Capital</li> </ul>													

# MATERIAL MATTERS

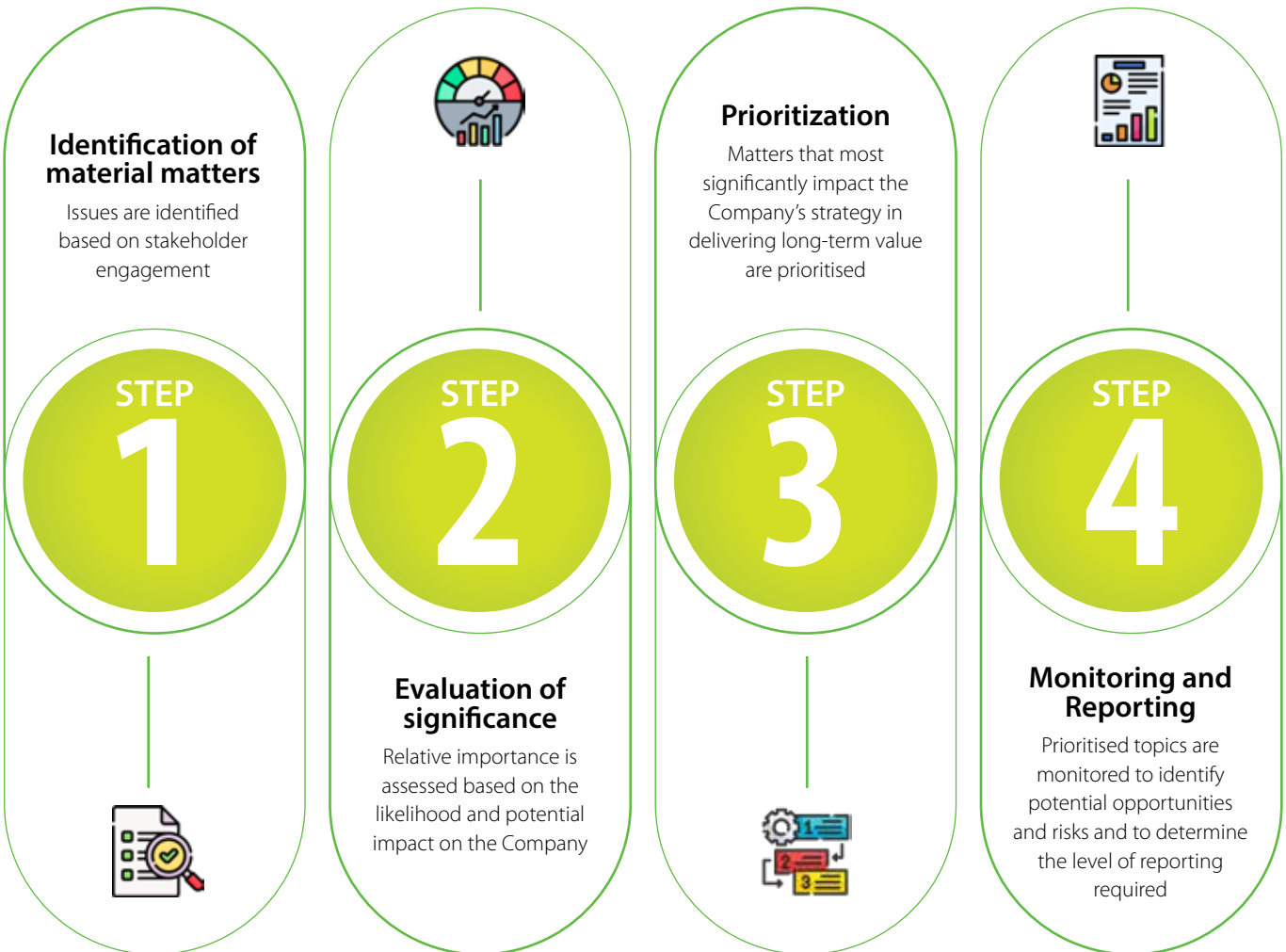
At LIOC, our material matters are identified based on their potential to affect our financial performance, our ability to generate value, and sustainability. We receive feedback through constant engagement with our stakeholders and stay updated about global trends and changes
















in our immediate operating landscape. All this information is used to analyze and identify which items will be considered material to our organization.

In the ever-changing operating environment, our material matters are also regularly reassessed. Our strategies and plans are modified and realigned to ensure

that we are operating at maximum efficiency levels. By being proactive in dealing with any economic, social, and environmental stresses, we reduce the disruptions that could impact the smooth running of our operations. In the analysis conducted during the current financial year, we have found no restatements or significant changes in the list of material topics and topic boundaries when compared to the previous year.

## Our Process for Determining Material Topics



Material Topic	Why we consider this Material	Priority		Impacted Stakeholders	Strategic Relevance	SDG's	Impacted Capital
		Impact on LIOC	Impact on stakeholders				
1	<b>Profitability</b>	Profitability is seen as the foundational enabling criteria to create value for our stakeholders	H	H	Shareholders Employees	Profitable Growth	   FINANCIAL CAPITAL
2	<b>Growth</b>	By achieving positive and sustainable business growth, we can conclusively identify LIOC's operational success, efficiency and productivity.	H	H	Employees Customers Shareholders	Profitable Growth	   FINANCIAL CAPITAL
3	<b>Dividend Consistency</b>	Consistency in paying dividends to our investors, proves the Company's ability to provide satisfactory returns to its shareholders plus attract new and potential investors.	M	H	Shareholders	Profitable Growth  Sustainability	 FINANCIAL CAPITAL
4	<b>Good Corporate Governance and Ethical Business Conduct</b>	All business activities at LIOC are conducted on the foundational values of good governance, legal and regulatory compliance, and ethical behaviour and conduct, which also helps shape the culture of the organization.	H	M	Employees Customers Regulators	Sustainability	    Governance
5	<b>Sustaining Brand Value and Reputation</b>	At LIOC, we take pride in consistently being able to deliver on, and honour the promises made to our stakeholders. It is one of the most valuable indicators of our success.	H	H	Shareholders Employees Customers	Operational Excellence  Sustainability	  INTELLECTUAL CAPITAL
6	<b>New and Sustainable Technologies</b>	Our focus is consistently directed towards adopting and embracing the latest innovations and developments in technology. Through this we stay ahead of the competition and provide better value to our stakeholders.	H	H	Employees Customers	Operational Excellence	   INTELLECTUAL CAPITAL




# MATERIAL MATTERS

Material Topic	Why we consider this Material	Priority		Impacted Stakeholders	Strategic Relevance	SDG's	Impacted Capital
		Impact on LIOC	Impact on stakeholders				
7 <b>Business Initiatives</b>	A key driver of success in today's competitive business landscape is the ability to recognize and proactively adopt new opportunities and strategies in business.	M	M	Employees Customers	Operational Excellence	 	 INTELLECTUAL CAPITAL
8 <b>Competitive remuneration</b>	According to our long term vision and corporate strategy, we take all measures to retain our best talent and reduce turnover.	M	H	Employees	People Development		 HUMAN CAPITAL
9 <b>No Salary Deductions</b>	During challenging times, we believe that our employees are our best chance of survival. We focused on maintaining their benefits to keep them engaged and motivated.	M	H	Employees	People Development	  	 HUMAN CAPITAL
10 <b>Job Security</b>	We provide 100% job security to the employees who place their trust in us. This was especially important during times of high unemployment rates such as the pandemic.	L	H	Employees	People Development		 HUMAN CAPITAL
11 <b>Pricing</b>	<p>The product pricing in each segment determines the competitiveness of LIOC</p> <p>The prices of suppliers also affects the potential for revenue growth, and as such is given high priority as well.</p>	H	H	Customers Suppliers	Operational Excellence		 SOCIAL & RELATIONSHIP CAPITAL
12 <b>Undisrupted Supply</b>	Our products determine the smooth running of many operations. We prioritise uninterrupted fuel supplies to the automotive, industrial, and bunkering segments; and other segments are carefully maintained as well.	H	H	Customers Channel Partners	Operational Excellence	 	 SOCIAL & RELATIONSHIP CAPITAL



Material Topic	Why we consider this Material	Priority		Impacted Stakeholders	Strategic Relevance	SDG's	Impacted Capital
		Impact on LIOC	Impact on stakeholders				
13	<b>Ease of access</b>	We continue to strive towards providing value while maintaining sustainable growth by expanding our reach across the island.	H	H	Customers	Operational Excellence	  SOCIAL & RELATIONSHIP CAPITAL
14	<b>Quality Performance</b>	Being available is not enough. We prioritize maintaining our quality, as our customers rely on the performance and quality of our fuels and lubricants to ensure smooth operations.	H	H	Customers	Operational Excellence	   SOCIAL & RELATIONSHIP CAPITAL
15	<b>Timeliness</b>	Along with the expansion of our availability geographically, we have also commenced 24h operations to improve access.	M	M	Customers	Operational Excellence	  SOCIAL & RELATIONSHIP CAPITAL
16	<b>Continuing Mutually Beneficial Relationships</b>	At LIOC, we place high importance on maintaining and nurturing mutually beneficial relationships. This contributes towards uninterrupted and sustainable business operations	H	H	Channel Partners Suppliers	Operational Excellence	  SOCIAL & RELATIONSHIP CAPITAL
17	<b>Fair Credit Terms</b>	During economic difficulties, LIOC retained loyalty of its channel partners due to fairness in credit terms and promptness in payments due.	M	H	Channel Partners	Operational Excellence	  SOCIAL & RELATIONSHIP CAPITAL
18	<b>Energy Stability</b>	We take measures to reduce our carbon footprint and energy costs to maintain resource efficiency and sustainability.	H	H	Community	Sustainability	    NATURAL CAPITAL

# MATERIAL MATTERS

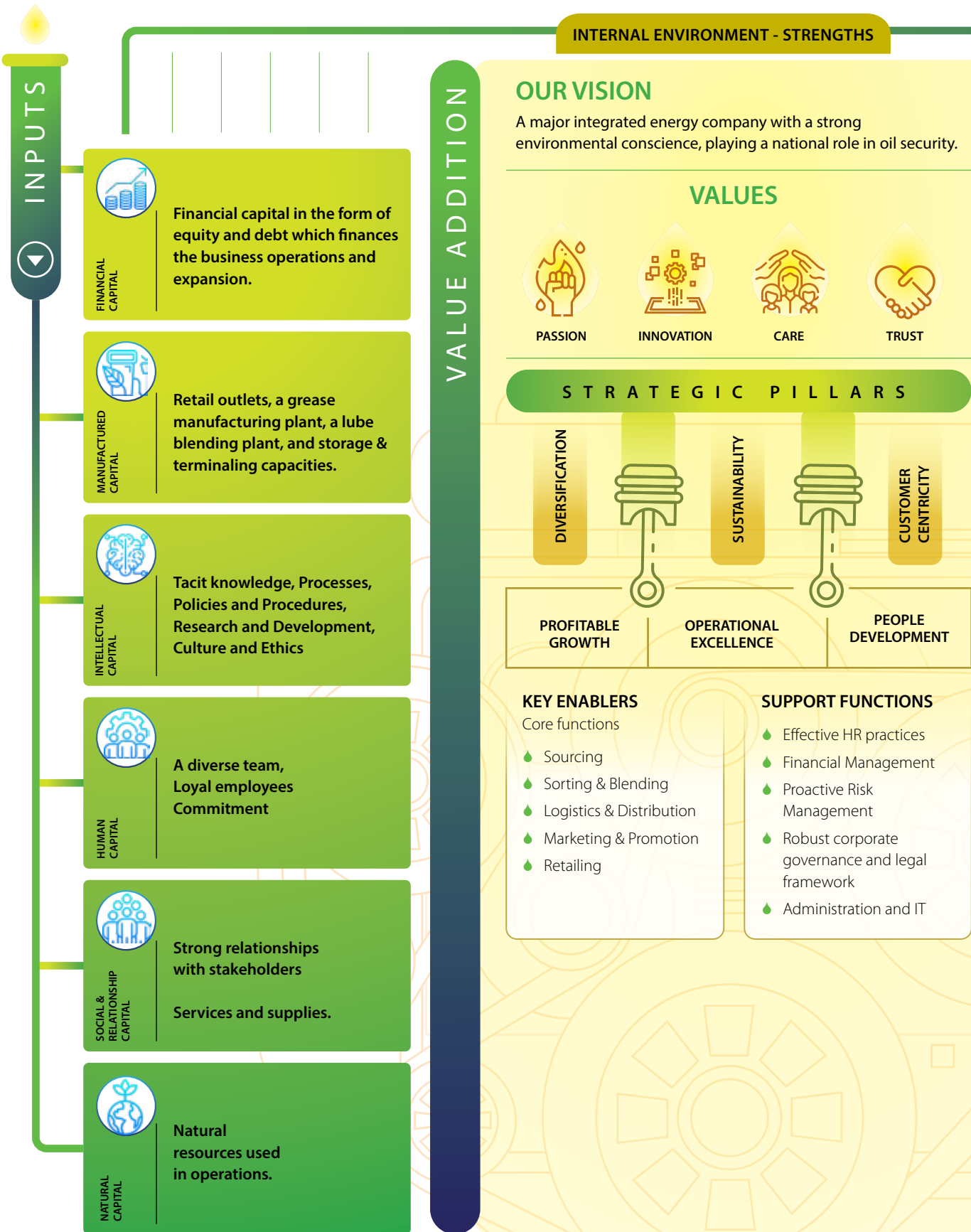
Material Topic	Why we consider this Material	Priority		Impacted Stakeholders	Strategic Relevance	SDG's	Impacted Capital
		Impact on LIOC	Impact on stakeholders				
19	<b>Compliance</b>	We comply with laws regulations and standards which are applicable to our business to safeguard our continuity and license to operate.	H	M	Regulators	Sustainability	 Governance
20	<b>Foreign Exchange Outflow</b>	We critically focus on efficiently managing our foreign exchange outflows to support the countries indicative indices. Initiatives such as our grease manufacturing plant have helped increase savings by reducing import costs.	H	H	Community Regulators	Operational Excellence	  MANUFACTURED CAPITAL
21	<b>Economic Benefits</b>	LIOC will continue with its expansion plans and sustain the jobs created by our business activities and operations.	L	H	Community	Sustainability	    SOCIAL & RELATIONSHIP CAPITAL
22	<b>Social and Environmental Consciousness</b>	We closely monitor our impact on society and the environment to positively contribute toward the protection of the environment and to uplift the lives of the community.	H	H	Community	Sustainability	       SOCIAL & RELATIONSHIP CAPITAL
23	<b>CSR</b>	LIOC has identified and taken steps to contribute towards improving the lives of the communities who are socially and economically disadvantaged in Sri Lanka.	M	M	Community	Sustainability	    SOCIAL & RELATIONSHIP CAPITAL



# UPHOLDING STRONG GOVERNANCE STANDARDS

A STRONG AND ROBUST  
GOVERNANCE STRUCTURE  
ENSURES THAT OUR  
BUSINESS IS SUSTAINABLE  
IN A DYNAMIC OPERATING  
ENVIRONMENT

# HOW WE CREATE VALUE



## INPUTS

- FINANCIAL CAPITAL**  
 Financial capital in the form of equity and debt which finances the business operations and expansion.
- MANUFACTURED CAPITAL**  
 Retail outlets, a grease manufacturing plant, a lube blending plant, and storage & terminaling capacities.
- INTELLECTUAL CAPITAL**  
 Tacit knowledge, Processes, Policies and Procedures, Research and Development, Culture and Ethics
- HUMAN CAPITAL**  
 A diverse team, Loyal employees Commitment
- SOCIAL & RELATIONSHIP CAPITAL**  
 Strong relationships with stakeholders  
 Services and supplies.
- NATURAL CAPITAL**  
 Natural resources used in operations.

## INTERNAL ENVIRONMENT - STRENGTHS

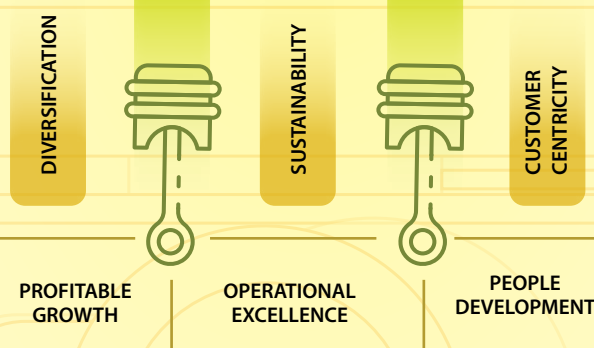
### OUR VISION

A major integrated energy company with a strong environmental conscience, playing a national role in oil security.

### VALUES

- PASSION**
- INNOVATION**
- CARE**
- TRUST**

### STRATEGIC PILLARS



### KEY ENABLERS

Core functions

- ◆ Sourcing
- ◆ Sorting & Blending
- ◆ Logistics & Distribution
- ◆ Marketing & Promotion
- ◆ Retailing

### SUPPORT FUNCTIONS

- ◆ Effective HR practices
- ◆ Financial Management
- ◆ Proactive Risk Management
- ◆ Robust corporate governance and legal framework
- ◆ Administration and IT



EXTERNAL ENVIRONMENT - OPPORTUNITIES AND CHALLENGES

International Oil Prices

Exchange Rate Fluctuations

Government Policies and Regulations

Geo-political Situations

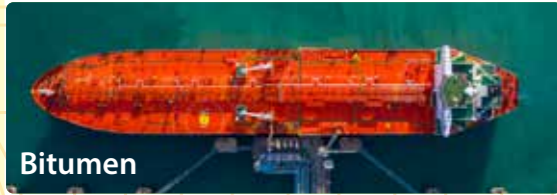
OUR PRODUCTS



Automotive Fuels



Lubricants



Bitumen



Petrochemicals



Petrochemicals



Grease

OUTPUT

**FINANCIAL CAPITAL**

- Revenue: **Rs. 263.57 Bn**
- PAT: **Rs. 13.95 Bn**
- Earning per Share : **Rs. 26.19**
- ROE: **19%**

**MANUFACTURED CAPITAL**

- Investment in revenue generated assets: **Rs. 1.4 Bn**
- New Tanks: **02**
- New Retail Outlets in operatins: **41**

**INTELLECTUAL CAPITAL**

- Brand Value: **Rs. 3.18 Bn**
- New Products Introduced : **03**
- 29th Position in LMD Brand Finance

**HUMAN CAPITAL**

- Employee benefits and remuneration: **Rs. 1.2 Bn**
- Training hours: **1167**
- No. of employees: **159**
- New recruitments: **01**
- No. of workplace injuries : **Nil**

**SOCIAL & RELATIONSHIP CAPITAL**

- Investment in CSR: **Rs. 270 Mn**
- Exchequer payment: **Rs. 62.23 Bn**
- No. of touchpoints: **>500 nos**
- Retail Outlets: **251 Nos**
- SERVO shops: **300 Nos**
- Lube distributors: **32**

**NATURAL CAPITAL**

- Solar installation: **330 KWp**
- Sludge disposal: **42 KL**
- Electric charging stations: **05 Nos**
- Investment in green initiatives: **Rs. 73 Mn**
- No. of Tank cleaned: **03 Nos**

OUTCOME

**Shareholders**

- Profitability
- Sustainable growth

**Customers**

- Superior customer service
- Uninterrupted product supply

**Employees**

- Good health and well-being
- Work-life balance
- Career progression and development
- Empowerment
- Equal opportunity

**Regulators**

- Compliance with all regulatory requirements

**Business partners and suppliers**

- Long-term relationships
- Transparency

**Community and environment**

- Improvements in quality of life
- Environmental conservation

## SEGMENT PERFORMANCE OVERVIEW

WE AIM TO FULFILL A GROWING NEED FOR MORE SUSTAINABLE ENERGY SOLUTIONS IN WAYS THAT ARE ECONOMICALLY, ENVIRONMENTALLY, AND SOCIALLY RESPONSIBLE. THROUGH OUR BUSINESS ACTIVITIES, WE CREATE VALUE FOR OUR SHAREHOLDERS, CUSTOMERS, AND SOCIETY.



### AUTOMOTIVE FUELS

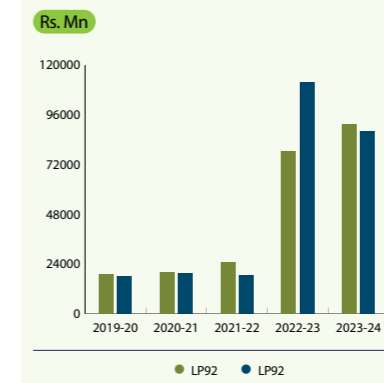
**Rs. 200 Bn**  
Total revenue generated

**12%**  
YoY increase in total revenue

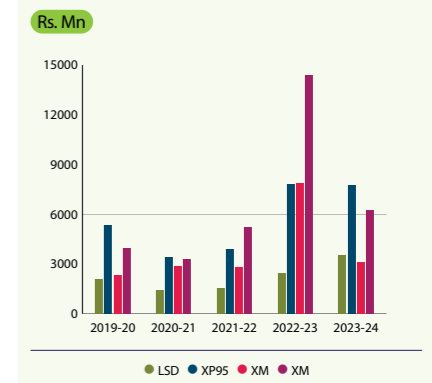
**20%**  
Market share

Automotive fuels is LIOC's largest business segment in terms of contribution to total revenue as well as quantum of products sold. Its predominant operations involve the importation and distribution of petrol and diesel across Sri Lanka via the LIOC network of retail outlets.

#### Sector Review - Basic Fuels



#### Sector Review - Premium Fuels



#### Contribution to Sri Lankan economy:

Catering to **20%** of the country's retail fuel demand

#### Product range:

##### Petrol variants

- LP92
- Xtra Premium Euro3
- Xtra Premium 95

##### Diesel variants

- Lanka Auto Diesel
- Lanka Super Diesel
- XtraMile





**Customer profile:**

Over 450 industry customers, the entire island as retail customers

**Retail outlet network enhancements:**

Connectivity to Manufactured Capital:



MANUFACTURED CAPITAL

◆ **Total retail outlets**  
251

◆ **Appearance enhancement of retail outlets** across the country

◆ **200 automated dispensing units installed**, replacing legacy dispensing unit with a vintage of about 15-20 years

◆ **Continued solarisation** of Company-owned retail outlets

◆ **Total investment in retail outlet enhancements - Rs. 1.3 Bn**

**Performance of retail outlets:**

Enhanced performance over the prior year, volume increase of 12%.

Revenue diversification: Improved revenue from non-fuel sale segments of service stations, super market outlets in selected retail outlets, hoarding rental income at retail outlets, income from tie-up with Laugfs Holdings in sale of LP gas cylinders

**Value created to our customers**

Connectivity to Social and Relationship Capital:

Tie-up with DFCC Bank for LIOC Affinity card, wherein all fuel purchases via the Affinity Credit Card is eligible for a 5% cash back on the purchase value.



SOCIAL & RELATIONSHIP CAPITAL

**Digitalisation of operations at retail outlets:**

Connectivity to Manufactured Capital:

POS machines available through all our retail outlets, Dialog Touch Card available for subscribed corporate clients, and electronic bill payment ability made available in 200 of our dispensing units at retail outlets



MANUFACTURED CAPITAL

**Safety at retail outlets**

Highest standards in safety are maintained.

All incidents including near-misses are reported for future learning and improvements.

**Service quality at retail outlets**

Connectivity to Human Capital:

- ◆ All pump attendants well-trained on customer service aspects, product knowledge, housekeeping and safety
- ◆ Quarterly inspections on service quality



HUMAN CAPITAL

# SEGMENT PERFORMANCE OVERVIEW



## BUNKERING

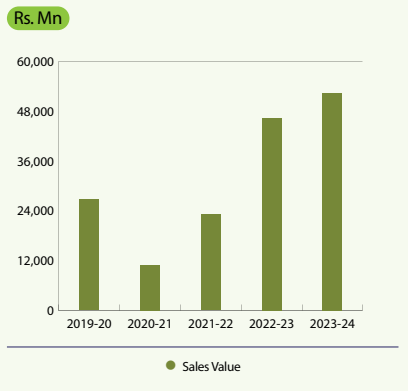
Increase in market share by 3% to **34%**

**Highest ever bunkering oil sale in LIOC history**

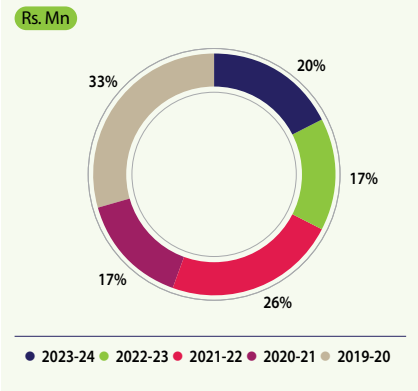
YoY increase in segment revenue by **13% to Rs. 52.43 Bn**

Lanka IOC PLC is the leading bunker fuel supplier at Sri Lankan ports with operations at Colombo, Trincomalee, Galle and Hambantota ports. Market leadership is based on both sales value and volume.

### Sector Review - Bunkering



### Bunkering - Contribution to Turnover



### Contribution to Sri Lankan economy:

Market leader in bunkering operations, providing high quality bunker fuel to ships arriving at Sri Lanka's bustling ports thereby contributing towards the attractiveness of Sri Lanka ports on the global maritime routes.

### Product range:

#### Products

- Low Sulfur Fuel Oil (0.5% S)
- IFO 380cst (3.5% S)
- LSMGO (s <0.1%)

#### Specialties

- ◆ ISO 8217:2005 specifications met
- ◆ Delivered through dedicated bunker barges under Lanka IOC's Time Charter
- ◆ Independent surveyors supervision of all bunker deliveries, ensuring the utmost quality and accountability





**Operationalization:**

Two barges on time charter and other barges hired on a needs basis

**Competitive advantage enjoyed in bunkering space:**

- ◆ LIOC imports bunkering fuel for itself and competitors as well. This enables us to procure fuel at large quantities thereby achieve economies of scale in pricing. During the year we procured three continuous shipments of bunkering fuel.

Connectivity to Social and Relationship Capital:

- ◆ Strong ties with suppliers enabled us to procure shipments on open papers, eliminating the cost of Letters of Credit confirmations
- ◆ Visits to our suppliers in Singapore and Dubai in securing healthy deals



Key challenge faced during the year and navigation of same:

Major pricing fluctuations in bunkering fuel procured during the period led to pricing challenges and losses. This was overcome by resorting to trigger pricing of bunkering fuel close to the demand arising for the product versus at the time of purchase.

**Value created to our customers**

Connectivity to Social and Relationship Capital:

High quality bunkering fuel provided to ships across all ports of Sri Lanka



**Way forward**

- ◆ Procuring large quantities of bunker fuel thereby achieving cost advantages which later translates to competitive pricing and enhanced profitability
- ◆ Increase competitiveness compared to leading ports in India

# SEGMENT PERFORMANCE OVERVIEW



## LUBRICANTS

3% growth in sales despite a dip in market-wide sales

Secured partnership with Ceypetco in selling SERVO products via Ceypetco retail outlets

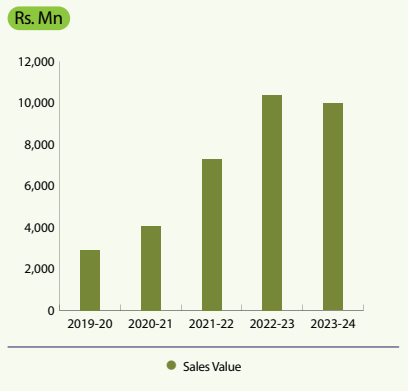
Market share well defended amidst severe 27% market share

The lubricants segment of LIOC offers SERVO brand lubricants designed for automotive, industrial and marine applications. The high-performance lubricants are blended at our advanced lube blending plant in Trincomalee, which is the first and only of its kind in Sri Lanka to receive ISO 9001:2015 certification.

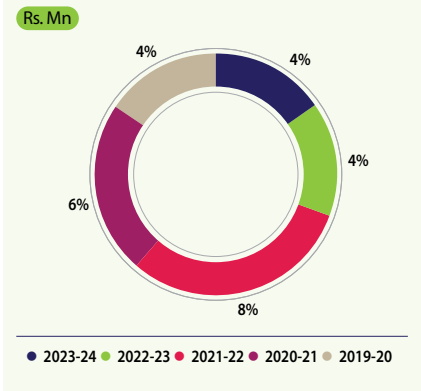
### Contribution to Sri Lankan economy:

Provision of high quality lubricants to a wide range of industries enabling smooth operations. The manufacturing taking place in Sri Lanka thereby adding to national economy and employment generation.

### Sector Review - Lubricant



### Lubricant - Contribution to Turnover



### Product range:

Passenger car application - SERVO Futura P+ 10W 30

DEO application - SERVO Pride XL Plus

MCO application - SERVO 4T Zoom 20W 50





### New products added during the year

- ◆ SERVO green mile for petrol vehicles
- ◆ Green Mile Lubricants for passenger cars, enhancing fuel effectiveness by 3%
- ◆ SERVO Pride Excel Plus, Futura P 10W30

### Market conditions for lubricants:

- ◆ Highly competitive space with over 20 suppliers
- ◆ Governed by the Government of Sri Lanka and the Public Utilities Commission of Sri Lanka issuing product specifications
- ◆ During the year, considerable decrease in consumption of lubricants in the market
- ◆ LIOC however grew its market share by 3% - Strategy deployed of reaching out to all industries where we did not have presence, and establishing relationships in such industries

### Key achievements during the year

- ◆ Entered into a partnership with Ceypetco towards the distribution of SERVO branded lubricants through Ceypetco retail outlets which gives us wide access to the market across the country

### Key brand driving initiatives – SERVO

- ◆ Branding in cinemas
- ◆ Large wall displays in selected malls
- ◆ Collaborations with cricket and hockey events as the corporate sponsor
- ◆ Development of high end-garages as a flagship initiative in the form of petrol sheds driving the LIOC brand and using SERVO products. Five completed during the financial year
- ◆ 50 billboards hoarding placed across the country
- ◆ Advertising via social media and electronic platforms, taking the LIOC brand to deeper and wider customer segments of the country

### Expansion of network

Connectivity to Social and Relationship Capital:

2 new SERVO distributors added bringing the total distributors to 32

60 SERVO outlets added during the year



### Value created to our customers

Connectivity to Social and Relationship Capital:

High quality lubricants provided with further technical advancements in products introduced during the year

### Performance of Grease plant

- ◆ Functionality stabilized during the year after addressing certain technical limitations
- ◆ Staff training and knowledge sharing from Indian Oil Company towards strengthening processes
- ◆ New markets penetrated during the year, viz. Indonesia and Maldives

### Way forward

- ◆ Driven by the 2030 Vision of becoming the Number 1 lubricants company in Sri Lanka
- ◆ Grease distributors to be appointed across the island
- ◆ Deeper penetration into the two foreign markets
- ◆ Full utilization of opportunity secured in the Ceypetco retail network outlet to sell SERVO
- ◆ Optimization of grease manufacturing plant capacity via above initiatives

# SEGMENT PERFORMANCE OVERVIEW



Market leader in bitumen

Penetration to regional countries

## BITUMEN AND PETROCHEMICALS

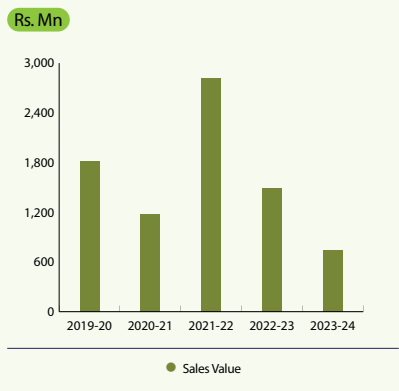
We maintain a robust presence in the bitumen market, providing four distinct variants for industrial and road construction applications. Beyond catering to the local market, we have extended our operations to export bitumen to neighbouring countries. Additionally, we have entered the petrochemical sector, acknowledging its significant potential for future growth. Through our petrochemical brand, Propel, we are committed to establishing a strong foothold in this dynamic industry.

### Contribution to Sri Lankan economy:

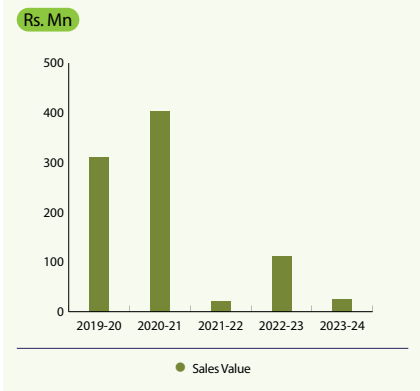
Provision of high quality bitumen in compliance with all applicable regulatory specifications used in road developments of the country, thereby making a direct contribution towards infrastructural development in Sri Lanka.

Provision of Propel petrochemical brand from India, bringing India's best to Sri Lanka.

### Sector Review - Bitumen



### Sector Review - Petrochemical



### Product range:

#### Bitumen

- Bitumen grades 60/70
- Bitumen grades 80/10
- Bitumen grades VG 30

#### Petrochemical product

- ◆ Low grade HDP
- ◆ Injection moulding grade -PPCP, PPHP





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#### Market conditions for Bitumen /Petrochemicals:

- ◆ Resumption of demand for Bitumen and Petrochemical product at the year end with booming economic activities
- ◆ Sourcing products at lower cost with liaison in global supplies

---

#### Key achievements during the year

- ◆ Export of bitumen achieved in the neighbouring countries

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#### Value created to our customers

Connectivity to Social and Relationship Capital:

High quality bitumen and Petrochemicals provided with high yield for customers

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#### Way forward

- ◆ Continued product and sales proposition in ensuring market leadership status
  - ◆ Greater demand anticipated with gradual uptake of road construction and development activities in Sri Lanka
  - ◆ Strengthening regional presence thereby increase sales volumes and profitability
-



# PERFORMANCE HIGHLIGHTS

58



Key figures and indicators	Unit	2023-24	2022-23
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## FINANCIAL INDICATORS

Earnings			
EBITDA	Rs Mn	13,237	44,631
Operating income	Rs Mn	12,809	44,177
Profit after tax	Rs Mn	13,945	37,696
Earnings per share	Rs	26.19	70.79
ROCE (%)	%	16%	67%



## CASH AND LIQUIDITY

Cash flows from operations	Rs Mn	21,725	26,167
Cash flow from Investment	Rs Mn	(19,218)	(133)
Cash flow from Financing	Rs Mn	(2,219)	(22,568)



## AVAILABLE CAPITAL AND DEBT

Capital employed (CE)	Rs Mn	73,470	61,233
Borrowings	Rs Mn	4,307	4,468
Gearing ratio	%	6%	7%
Taxes paid	Rs Mn	62,232	40,510



## SUSTAINABILITY INDICATORS

People			
No. of employees	Nos.	157	159
New employees	Nos.	4	1
Total turnover rate (%)	%	3>%	2>%
Investment in training	Rs Mn	1 Mn>	1 Mn>



## SAFETY

No of accident	Nos.	Nil	Nil
No of visit by Doctor	Nos.	>20	>20
No of Health Check up	Nos.	1	1



## ENVIRONMENT

Energy Consumption	KWh	384,111	365,430
Sludge Disposal	KL	42	87
Lanka Fuel Oil	KL	0	9
LAD Own Use	KL	59	64
Rain Water Harvest	KL	1,000	2,500
Solar Power Energy	Kwh	24,293	23,182
Municipal Water Usage	KL	44,563	44,987
Number of Tanks Cleaned	Nos.	3	4
New Tanks Commissioned	Nos.	2	2
No of Tanks Repaired	Nos.	2	3
No of firedrill at the Terminal	Nos.	12	12

## Stock market indicators

Earnings per share	Rs	26.19	70.79
Dividends per share	Rs	4.00	2.25
Net asset per share	Rs	137.98	115.00
MPS	Rs	116.75	171.5
Market Capitalisation	Rs Mn	62,165	91,318
P/E ratio	Times	4.46	2.42
Dividend pay out	%	6%	25%

# FINANCIAL CAPITAL

## Quick reference

### WHAT FINANCIAL CAPITAL MEANS TO US

Our robust repository of financial capital comprising equity and debt capital ensure adequate financial resources to fund our expansion plans and smooth running of our day-to-day operations, thereby enhancing revenue and profitability.

### KEY CAPITAL INPUTS

**Rs. 73.47 Bn**  
Equity capital

**Rs. 4.31 Bn**  
Debt capital

### VALUE DELIVERED

**Rs. 13.95 Bn**  
PAT

**19%**  
ROE

**Rs. 137.98**  
Net assets value  
per share

**Rs. 26.19**  
Earning  
per share

### CONNECTIVITY TO OTHER CAPITALS

#### Manufactured Capital

+ Capital investments and recurring expenditure on enhancing our infrastructure

#### Human Capital

+ Employee remuneration and benefits

+ Continued investment in training and enhancing quality of human capital

#### Intellectual Capital

+ Operational and process excellence contributing towards enhancing profitability through cost controls

#### Social and Relationship Capital

+ Support extended to needy segments of the society

#### Natural Capital

+ Increased business volumes leading to greater resources consumption and emissions, effluent and waste

- Investments made on environment preservation initiatives

### CONTRIBUTION TO SDGS



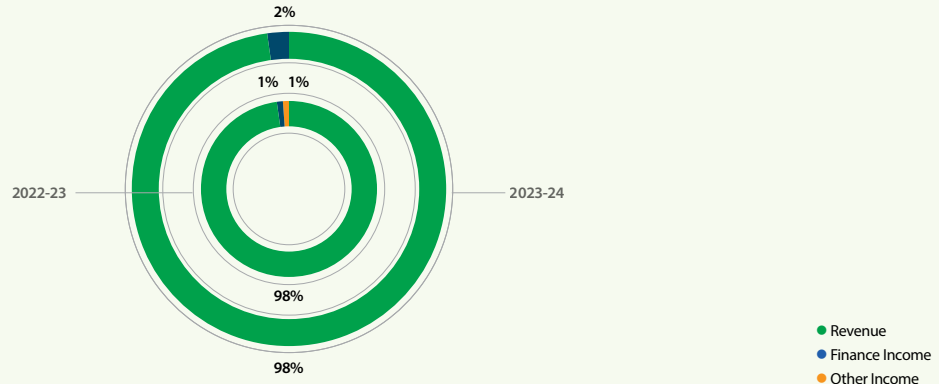
### LINK TO OUR STRATEGY



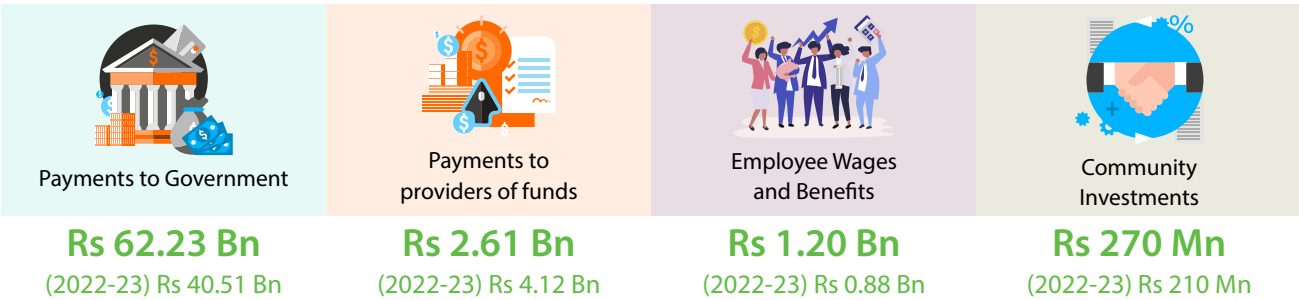
Notwithstanding the challenging conditions that prevailed during the year, we continued to enhance our financial capital through prudent financial management.

# FINANCIAL CAPITAL

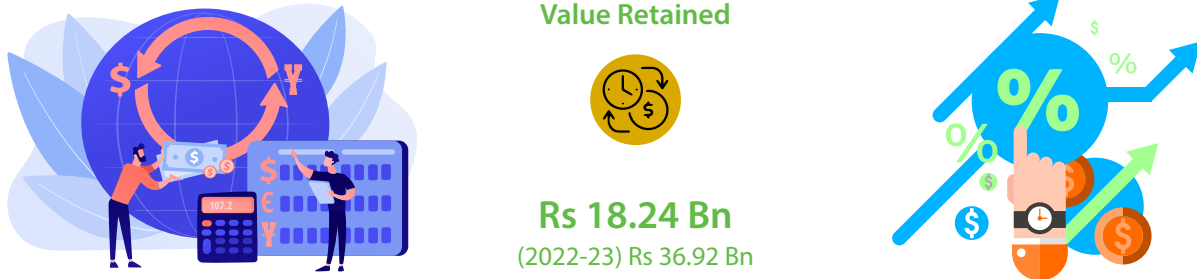
## Value Addition



## Value Distribution



## Value Retained



## Revenue, costs and profitability

In Rs. Mn	2024	2023
Revenue from Contracts with Customers	263,569	281,488
Cost of Sales	(239,550)	(227,306)
Gross Profit	24,018	54,182
Other Operating Income	236	116
Administrative Expenses	(3,549)	(3,314)
Selling and Distribution Expenses	(7,896)	(6,807)
Operating Profit	12,809	44,177
Finance Income – Net	4,274	525
Profit Before Tax	17,083	44,702
Income Tax Expenses	(3,138)	(7,006)
Profit for the Year	13,945	37,696

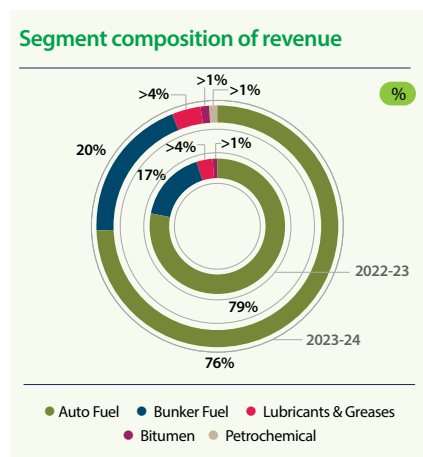
## Revenue

LIOC recorded revenue of Rs 263.57 Bn during the year under review against Rs 281.49 Bn in the year 2022-23 (YoY) despite the challenging operating context. The main contributor to the topline was the auto fuel segment which counted 76% of the revenue of Rs 200.12 Bn. The tremendously improved market sentiments and regular price adjustments undertaken by LIOC led to increase volume. However, in line with common pricing formula introduced by GoSL, the segment revenue dropped mainly due to downturn revisioning of auto fuel prices.

The Bunkering segment contributed 20% to the topline, which represented 31% growth over preceding year due to increase in vessel movements in neighbouring ports. During the year under review the Lubricant segment recorded revenue of Rs. 9.98 Bn, which is a minor contraction of 5% over preceding year due to price war among the main competitors in second half of the year. However,

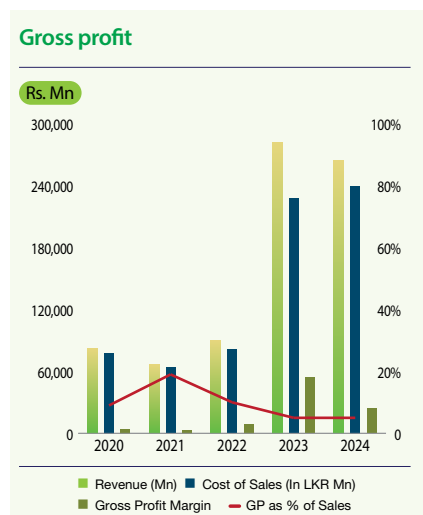
bitumen and petrochemical segments were the lower contributor to the top line because of lack of infrastructural development projects due to economic downfall and lower demand for petrochemicals in the market.

### Segment composition of total sales



### Gross Profit

Gross profit for the period under review reduced by 55% compared to corresponding period due to lower margin fixed at retail fuel price of Petrol and Diesel by Government of Sri Lanka for Ceylon Petroleum Corporation and LIOC, follows the same. Furthermore, intense competition in the bunker, lubes and petrochemical segment compelled the Company to sell at lower margins to maintain competitiveness and defend market share.



### Earnings Before Interest Expense, Tax, Depreciation and Amortisation

During the year under review, earnings before interest, taxes, depreciation, and amortisation (EBITDA) declined to Rs.13.24 Bn, by 70%. Factors that drove EBITDA are as follows;

- Positive gross margins from Auto fuel segment due to common pricing formula and availability of the product throughout the year

- Positive gross margins from Bunkering, Lubricant and Bitumen segments.
- Increase in the administrative and selling and distribution expenses to Rs 3.55 Bn, and Rs 7.9 Bn, respectively due to increase in salaries and transport cost respectively
- Optimum supply chain management
  - Close monitoring of international market prices
  - Maintenance of optimum stock based on the market movements
  - Close tie-ups with suppliers and efficient inventory management, competitive import parcel size, substitution of a large capacity barge with a lesser capacity barge

	2024	2023	YoY change
Operating Profit	12,809	44,177	(71%)
Depreciation and amortisation	428	454	(6%)
EBITDA	13,237	44,631	(70%)

### FINANCE INCOME/EXPENSES

#### Finance Income

The finance income of the Company rose significantly to Rs. 5.03 Bn in the year under review against Rs 3.45 billion, a YoY increase of 46%. Prudent treasury management in an improving liquidity condition within the Company helped optimize investments. As such, notwithstanding the considerable downward movement in market interest rates, in line with the relaxing monetary policy of the Central Bank of Sri Lanka, the Company manages to secure sizeable income from finance resources.

The composition of finance income is demonstrated below.

Finance Income (Rs.Mn)	2024	2023	YoY change
Interest Income on STI	4,754	3,287	45%
Interest on Others	279	167	67%
Total	5,033	3,454	46%

#### Finance Expenses

Finance expenses for the financial year under review amounted to Rs. 759 million, a YoY decrease of 74%. This decrease was prompted by consecutive rate cuts by the Central Bank of Sri Lanka, improvement in liquidity reducing the reliance on external borrowings and appreciation of Sri Lankan Rupee against USD.

Finance Expenses (Rs.Mn)	2024	2023	YoY change
Interest Expenses	485	2,028	(76%)
Exchange (Income)/Loss	274	901	(70%)
Total	759	2,929	(74%)

## FINANCIAL CAPITAL

### Movement in interest rates and exchange rate

	Mar-21	Mar-22	Mar-23	Mar-24
USD-LKR RATE - Rs.	199.38	293.87	326.57	300.44
AWPLR - %	5.72	9.47	21.4	11.11

The Company recorded an income tax expense of Rs 3.14 Bn which is a drop of Rs 3.86 Bn compared to Rs 7.01 Bn in preceding year. The decrease was due to lower profit before tax which counted Rs. 17.08 Bn against Rs 44.17 Bn in the preceding year. The income tax rates of the Company is 15% for its business profit.

### Net Profit

The Company's net profit after tax decreased to Rs.13.94 Bn from Rs.37.69 Bn of the prior year, a YoY reduction of 63%. The drop was mainly attributed to the lower gross profit margin of auto fuel segment which is the highest contributor to the gross profit of the Company. The Government of Sri Lanka imposing a fixed margin of 4% for auto fuel segment led to lower gross profit. LIOC's prudent measures in ensuring input materials were sourced by entering contracts to avoid exposure to volatile prices meant reduced import costs and less burden on profitability.

### Balance Sheet Management

In Rs. Mn	2024	2023	YoY change
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4,900	3,904	26%
Financial Assets at Fair Value Through Other Comprehensive Income	5,404	4,901	10%
Intangible Assets	674	674	0%
Right-of-use Assets	47	48	-2%
Financial Assets at Amortised Cost	163	148	10%
	11,187	9,675	16%
<b>Current Assets</b>			
Inventories	26,302	38,027	-31%
Trade Receivables	8,976	4,515	99%
Financial Assets at Amortised Cost	9,386	806	1065%
Other Current Assets	738	2,154	-66%
Short-Term Investments	38,929	21,046	85%
Cash and Bank Balances	6,277	5,990	5%
	90,608	72,538	25%
<b>Total Assets</b>	<b>101,795</b>	<b>82,213</b>	<b>24%</b>

The Company's Balance Sheet strengthened over the year, with total assets as at 31 March 2024 improving to Rs 101.79 Bn, a YoY increase of 24%. This quantum increase of Rs. 19.58 Bn is mainly attributable to inventories and investments made in deposits with banks. Inventories dropped to Rs. 26.30 Bn from Rs 38.03 Bn in preceding year. Given the stabilizing yet relatively high exchange rate in the country, as a proactive measure, LIOC has been building up its inventories to make products available across the island and throughout the financial year. The Company also invested Rs. 1.42 Bn in revenue generating assets in the network infrastructure, which is set to yield considerable income in the future.

### Working capital and liquidity

Finance Income (Rs.Mn)	2024	2023	YoY change
Interest Income on STI	4,754	3,287	45%
Interest on Others	279	167	67%
<b>Total</b>	<b>5,033</b>	<b>3,454</b>	<b>46%</b>

### Current Vs Quick Assets Ratio



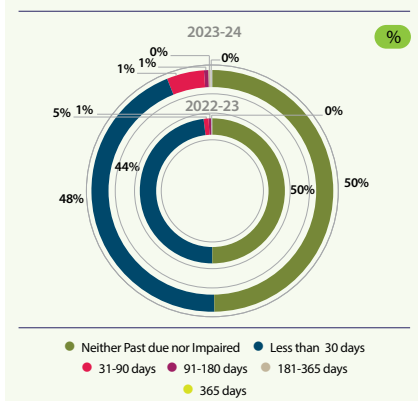
Investments in working capital increased to Rs 62.39 Bn from Rs. 52.16 Bn in the preceding year. During the year under review the Company's current ratio and quick ratio stood at 3.21 times and 2.28 times against 3.81 times and 1.81 times reported in the prior year. The healthy positioning in current and quick ratios was mainly due to the pursuit of an effective finance strategy in close congruence to the Company's overall business strategy directed towards ensuring product availability while maintaining adequate liquidity. However, the Company continues to monitor and assess these strategies on an ongoing basis to ensure optimum performances in coming years.



### Balance Sheet Funding

Capital Structure (Rs. Mn)	2024	2023	YoY change
Equity	73,470	61,233	20%
Debt	4,307	4,468	(4%)
Total	77,777	65,701	18%
<b>Short term Solvency</b>			
Cash and Cash Equivalents	6,277	5,990	5%
Borrowings	(4,307)	(4,468)	(4%)
<b>Net debt</b>	<b>1,970</b>	<b>1,522</b>	<b>29%</b>

### Trade Receivables Age Analysis



LIOC assets were funded via 94% equity and 6% short-term loans during the year under review, affirming the strength and resilience of the Balance Sheet. The Company's short term liquidity position improved from Rs. 1.52 Bn to Rs 1.97 Bn which shows that the Company sustained its net zero debt in the year under review.

### Shareholder Value Creation

In Rs.	2024	2023
Earnings per share	26.19	70.79
Net asset value per share	137.98	115.00
Market Price per share	116.75	171.5
P/E ratio (times)	4.46	2.42
Price to book value (times)	0.8	1.5
Dividend per share paid	4.00	2.25
<b>Price Movement Rs.</b>		
Market Value Per Share (Highest)	182.00	296.00
Market Value Per Share (Lowest)	94.00	158.00
Last Traded Price Record	116.75	171.5

During the year under review, the Company paid a dividend of Rs. 4.00 per share, which was the highest ever dividend in LIOC history. During the year under review LIOC share dropped to Rs.116.75 in line with Company's performances. However, the liquidity of the LIOC share sustained through the year under review with investor confidence on LIOC growth perspective and resilience remaining intact.

The P/E ratio increased from 2.42 times to 4.46 times in line with decreased earnings and market prices. Earning per share decreased to Rs 26.19 from Rs 70.79 in prior year due to lower net profit. Price to book value was 0.85 times versus 1.49 times in comparison, demonstrating potential in upward movement in the share value with positive performances.

### Cash Flow Generation

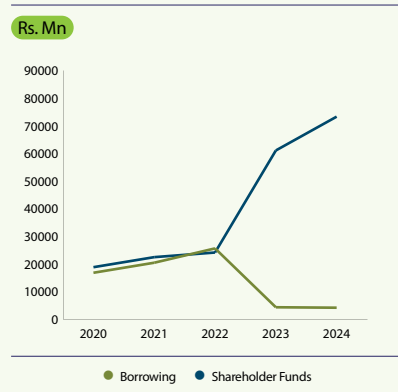
Cash and liquidity – Rs. Mn	2024	2023
Cash flows from operations	21,725	26,167
Cash flow from Investment	(19,218)	(133)
Cash flow from Financing	(2,219)	(22,568)

LIOC accounted operating cash inflow of Rs. 21.73 Bn against the Rs.26.17 Bn of the preceding year. Heightened focus on rigorous working capital management which endorsed efficient procedures of debt collection across all segments enabled healthy cash flow movements. The inflow was mainly contributed by operating profit.

The Company's cash flows from investments amounted to a net outflow of Rs. 19.22 Bn against the net outflow of Rs.133 Mn recorded in the prior year. The outflow was mainly due to investment made for the short term investment and revenue generating assets which accounted for Rs 19.31 Bn in the year under review.

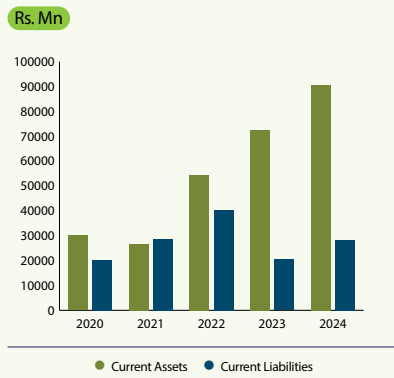
Net cash outflow from financing activities was Rs.2.22 Bn compared to Rs. 22.57 Bn recorded in the previous year. The outflow reflecting repayment of USD borrowings and dividend payments to reduce forex exposure in highly volatile market. Overall, the Company's cash and cash equivalents increased by Rs. 287 Mn during the year under review.

### Borrowing Vs Shareholders Fund



# FINANCIAL CAPITAL

## Current Assets Vs Current Liabilities



64

## Value added statements

LKR Mn	2024	2023	YoY change	
Revenue	<b>263,569</b>	281,488	(6%)	↓
Finance Income	<b>5,033</b>	3,454	46%	↑
Other Income	<b>236</b>	115	(103%)	↓
	<b>268,838</b>	<b>285,057</b>	(6%)	↓
Operating Costs	<b>184,277</b>	202,407	(9%)	↓
Employee Wages and Benefits	<b>1,201</b>	883	36%	↑
Payments to providers of funds	<b>2,615</b>	4,127	(37%)	↓
Payments to Government	<b>62,233</b>	40,510	54%	↑
Community Investments	<b>270</b>	210	29%	↓
	<b>250,596</b>	<b>248,137</b>	1%	↑
Depreciation and amortisation	<b>427</b>	422	1%	↑
Profit after dividend	<b>17,815</b>	36,498	(51%)	↓



## Fulfilling aspirations - Way forward

As we forge ahead in fulfilling aspirations, following plans will ensure that we remain on course in creating value to shareholder and connected stakeholders.

Action	Fulfilling aspirations - Connected stakeholders	Connectivity to Financial Capital
Plans to expand capacity with a stronger emphasis on enhancing LIOC brand and facilitating superior customer service and experience, thereby enhance revenue generation and profitability	Customers Shareholders	<ul style="list-style-type: none"> <li>Shareholder wealth maximization</li> <li>Strengthened equity base through enhancing retained earnings</li> </ul>
Continue to deliver superior shareholder returns in coming years as retained profits is expected to be utilized for assets and investment opportunities which will enable the payment of high dividend in the future	Shareholders	

# MANUFACTURED CAPITAL

## Quick reference

### WHAT MANUFACTURED CAPITAL MEANS TO US

The totality of our retail outlets, Trincomalee terminal, storage and distribution facilities and IT systems comprise our Manufactured Capital. The quality and adequacy of same have been a key determinant in the dynamic expansion of our business across Sri Lanka.

### KEY CAPITAL INPUTS

**Rs. 1.4 Bn**  
Capital Assets

**Lube Blending Plant**

**Grease Plant**

**Trinco Terminal**

### VALUE DELIVERED

**Rs. 263.57 Bn**  
Turnover

**24%**  
Increased in volume

**251**  
Retail outlets

**03**  
New Products

**100%**  
Products availability

### CONNECTIVITY TO OTHER CAPITALS

#### Financial Capital

- Increased capital expenditure

+ Revenue growth

#### Human Capital

+ Greater employment opportunities created through business expansion

#### Intellectual Capital

+ Enhanced R&D capabilities

#### Social and Relationship Capital

+ Benefits to the communities via our CSR initiatives

#### Natural Capital

- More energy saving records emissions and waste

### CONTRIBUTION TO SDG



### LINK TO OUR STRATEGY



# MANUFACTURED CAPITAL

## Management approach

At Lanka IOC PLC we identify the importance of our Manufactured Capital as follows.

### Strategic Importance of Physical Assets

#### 1. Infrastructure:

◆ **Storage Facilities:** LIOC’s extensive network of fuel storage facilities ensures a stable and secure supply of petroleum products across Sri Lanka. These facilities mitigate the risk of supply disruptions and enable the Company to manage inventory effectively.

◆ **Retail Network:** The Company’s widespread network of retail outlets provides broad accessibility to consumers, enhancing market penetration and customer reach. This network is crucial for maintaining steady sales and revenue growth.

#### 2. Processing Plants:

◆ **Efficiency and Capacity:** LIOC’s investment in modern Grease and Lubricant plants ensures high efficiency and the ability to meet diverse product demands. These facilities are essential for manufacturing various lubricant products efficiently, supporting consistent supply and quality.

◆ **Technological Advancements:** By incorporating advanced technologies, LIOC can enhance operational efficiency, reduce waste, and improve the quality of its products. This lowers operational costs and boosts competitiveness in the market.

#### 3. Logistics and Distribution:

◆ **Transportation Fleet:** A robust fleet of transportation vehicles ensures timely and safe delivery of petroleum products. Efficient logistics management is crucial for maintaining supply chain integrity and meeting consumer demands promptly.

## Contribution to Operational Efficiency and Performance

### 1. Operational Resilience:

◆ **Risk Management:** Physical assets such as storage facilities allow LIOC to manage supply chain risks effectively. This resilience is vital in a volatile operating environment, ensuring uninterrupted operations and consistent performance.

◆ **Adaptability:** With a diverse range of physical assets, LIOC can quickly adapt to changes in market conditions, regulatory requirements, and consumer preferences. This flexibility is crucial for sustaining growth in a dynamic environment.

### 2. Stakeholder Engagement:

◆ **Consumer Trust:** Reliable infrastructure and efficient operations build consumer trust and loyalty. A well-maintained network of retail outlets ensures that consumers have consistent access to high-quality fuel products, enhancing the Company’s reputation and market position.

◆ **Partnerships:** Strong physical infrastructure supports strategic partnerships and collaborations. By providing dependable service and maintaining high operational standards, LIOC can attract and retain key partners, further driving growth and value creation.

## Strategic Investments and Value Creation

### 1. Continuous Improvement:

◆ **Upgrading Assets:** LIOC continually invests in upgrading its physical assets to incorporate the latest technologies and best practices. This ongoing improvement enhances operational efficiency, reduces environmental impact, and ensures compliance with safety standards.

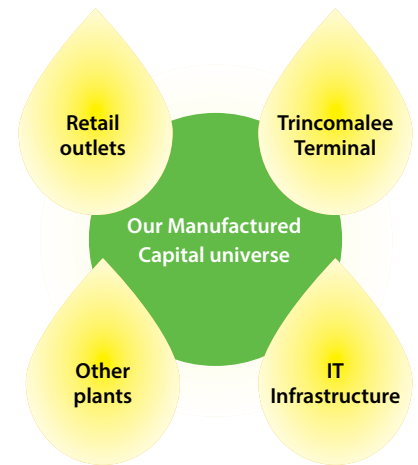
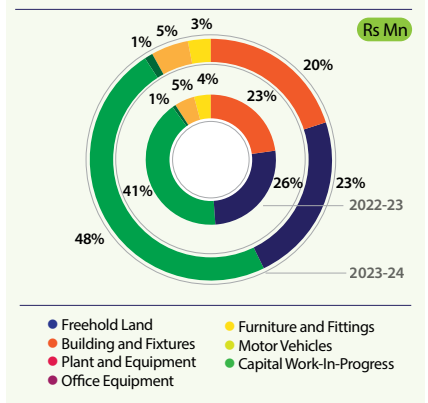
◆ **Capacity Expansion:** Strategic investments in expanding storage capacity and customer touchpoints enable LIOC to meet growing demand and explore new market opportunities, driving long-term growth.

### 2. Sustainable Practices:

◆ **Environmental Stewardship:** By investing in eco-friendly technologies and infrastructure, LIOC demonstrates its commitment to sustainability.

◆ **Resource Management:** Efficient management of physical assets ensures optimal use of resources, reducing operational costs and environmental footprint. This careful stewardship is critical for sustaining profitability and growth in the energy sector.

### PPE-COMPOSITION



## Retail outlets – Reaching out to our valued customers across the country

- ◆ Total retail outlets – 251
- ◆ New retail outlets added during the year - 41

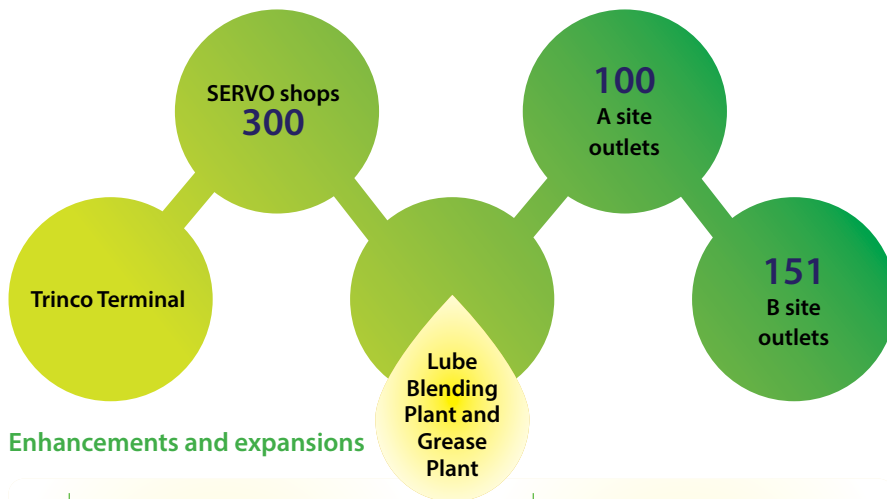
**LIOC retail outlets are cornerstone of the Company's strategy to solidify its market presence and enhance customer loyalty. Through continuous investment in infrastructure and customer service, LIOC meets the immediate needs of its clientele and sets the stage for sustained growth and competitive advantage in Sri Lanka's energy sector.**

LIOC has strategically developed a robust network of retail outlets across Sri Lanka, significantly enhancing its brand identity and customer perception. This network plays a crucial role in maintaining and growing its market share in the highly competitive fuel industry, which has intensified further with new entrants to the market during the year.

**Upgrades to the retail outlet network during the year**

- ◆ 200 automated dispensing units installed, replacing legacy dispensing unit with a vintage of about 15-20 years. Dispensing units enabled by the issuance of automated bills.
- ◆ To increase brand visibility and attract new customers, LIOC continued to install new monoliths at various locations, during the year. These monoliths prominently display the Company's products and services, serving as effective marketing tools.
- ◆ Dispensing units were repaired and repainted, ensuring that all equipment remains in optimal condition and maintains a consistent, professional appearance.
- ◆ In a bid to standardize the visual identity of its retail network, in the recent past LIOC embarked on a project to enhance the facades of its fuel stations with Aluminum Composite Materials (ACM) fascia. This initiative, executed through a global tender, involved placing work

orders for ACM fascia for 150 stations during the year. Notably, the project was carried out by a Sri Lankan vendor, resulting in cost savings and valuable foreign exchange retention.



**Enhancements and expansions**

<p><b>Enhancements</b></p> <ul style="list-style-type: none"> <li>17 new outlets powered by solar power</li> <li>2 MW cumulative solar capacity across all outlets</li> </ul>	<p><b>Expansions</b></p> <ul style="list-style-type: none"> <li>41 new retail outlets opened during the year.</li> <li>Key locations Colombo, Gampaha, Kandy, Galle</li> </ul>
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**Trincomalee Terminal**

Lanka IOC PLC has been actively involved in the development of the Upper Tank Farm (UTF) in Trincomalee through Trinco Petroleum Terminals Ltd. (TPTL). The Upper Tank Farm, located in the strategically significant port city of Trincomalee, comprises 84 large oil storage tanks, each with a capacity of 12,100 kiloliters. This facility has the potential to significantly enhance the fuel storage and distribution capabilities of LIOC.

In recent years, LIOC, in collaboration with the Sri Lankan government and Indian Oil Corporation (IOC), has taken decisive steps to rehabilitate and develop these tanks. The initiative aims to leverage the strategic location of Trincomalee to improve the energy security of Sri Lanka and create a regional petroleum hub.

Trinco Petroleum Terminals Ltd. (TPTL) was established as a joint venture company with the Ceylon Petroleum Corporation

(CPC), with the objective of developing and managing the Upper Tank Farm. This partnership is critical for ensuring that the development aligns with both national interests and commercial viability. Under the agreement, CPC will develop 24 tanks and TPTL will develop the remaining 61 tanks of the Upper Tank Farm. The purpose of the joint venture is for TPTL to develop 61 oil storage tanks in the Trincomalee UTF as a strategic storage and bunkering hub of South Asia.

The rehabilitation of the tanks is being carried out in phases, focusing initially on repairing and restoring a select number of tanks to operational status. This phased approach allows for the gradual scaling up of operations and ensures that each phase is completed with high standards of safety and efficiency. The development of the UTF is expected to bring significant economic benefits, including job creation, increased fuel storage capacity, and enhanced operational efficiencies for



# MANUFACTURED CAPITAL

LIOC. By improving storage infrastructure, LIOC can optimize its supply chain, reduce dependency on immediate imports, and better manage market fluctuations.

## Other infrastructure

### Grease Manufacturing Plant

Lanka IOC's Grease Manufacturing Plant, the first of its kind in Sri Lanka, represents a significant milestone for the Company and the country's industrial sector. This plant, with an annual capacity of 3,000 metric tons, is equipped with cutting-edge technology, including a state-of-the-art grease testing laboratory. This facility enables LIOC to conduct in-house testing of a wide variety of lithium-based greases, ensuring high quality and consistency in their products.

The installation and commissioning of the plant's equipment was successfully completed in 2023, overseen by representatives from Original Equipment Manufacturer (OEM) approved vendors.

One of the most significant impacts of this plant is its ability to meet the entire local market demand for grease. Before the establishment of this facility, Sri Lanka relied on grease imports to fulfill its needs. The operational commencement of the LIOC plant has effectively eliminated this dependency, enabling the country to achieve self-sufficiency in grease production.

**Highlight of the year:** During the year 50 batches of 3 different types of grease were blended



### Storage infrastructure

Lanka IOC's strategic enhancements to its storage infrastructure demonstrate the Company's commitment to optimizing operational efficiency and ensuring a steady supply chain. A prime example of this is the conversion of a redundant 9KL horizontal tank into an additive storage tank, specifically for fast-moving additives like ST1694, which are essential for manufacturing products such as Pride ALT CH4. This conversion has significantly boosted the plant's production capacity by increasing the average available stock of critical additives, thereby minimizing the risk of running out of essential components.

The strategic repurposing of the 9KL tank has had a considerable impact on the production capabilities of Lanka IOC. By increasing the storage capacity for fast-moving lube blends, the Company has been

able to maintain a consistent supply of additives, ensuring seamless production of major grades.

**Highlight of the year:** Given the increase in demand for auto fuel the Company sought ways to improve its capacity in storage. In response, storage optimization was carried out through the year.

### Lube Blending Plant

Lanka IOC's lube blending plant in Trincomalee has been operating at unprecedented levels, reflecting the Company's ambition and determination to continually scale up production. The plant's high capacity operations have been further complemented by the establishment of a grease manufacturing facility, which occupies around 100 square meters of the existing lube warehouse. This expansion, while beneficial, has led to a full utilization of

**Expert Team** The laboratory is staffed by a team of highly-trained professionals who bring a wealth of experience and expertise to their roles. These experts oversee the testing processes, ensure adherence to protocols, and interpret test results to provide actionable insights. Their skills are critical in maintaining the high standards that Lanka IOC's customers have come to expect.

**Public Recognition and Strategic Importance** The laboratory's role in maintaining product quality is crucial for the Company's reputation and market position. For example, the installation of advanced grease testing equipment has been particularly noted for its role in enabling in-house testing of lithium-based greases. This capability reduces the Company's reliance on external facilities and streamlines the production process, contributing to greater operational efficiency.

**Ensuring Product Excellence** The rigorous quality control processes at Lanka IOC's laboratory ensures that all products are subjected to thorough testing before they reach the market. This meticulous approach guarantees that the lubricants and greases meet international standards, providing customers with reliable and high-performance products. By continuously investing in its quality control infrastructure, Lanka IOC reinforces its commitment to delivering excellence.

the available space for storing additives and packing materials.

To ensure the plant's uninterrupted operation, especially during global economic uncertainties, Lanka IOC has recognized the necessity of maintaining a stockpile of raw materials and packing supplies sufficient for at least three months. This proactive measure is critical for sustaining production without disruptions caused by potential supply chain interruptions.

In response to the space constraints posed by the grease manufacturing plant's addition, Lanka IOC has conceptualized the construction of a mezzanine floor within the existing lube plant warehouse which facilitates smoother operations and ensures that the plant can continue to function efficiently and effectively.

**Quality control laboratory**

Lanka IOC's commitment to maintaining high standards of product quality and operational excellence is exemplified by its state-of-the-art quality control laboratory. This facility is integral to the Company's ability to ensure that its products consistently meet rigorous quality standards and customer expectations.

**IT infrastructure**

Lanka IOC recognizes the significance of digital infrastructure in driving its core processes and enhancing customer service, all the while optimizing costs and resource management in today's dynamic business landscape.

**Automation of Retail Outlets**

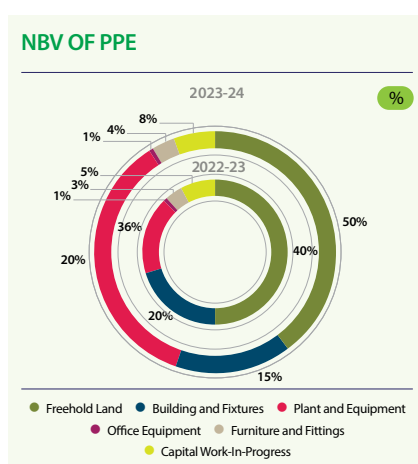
During the financial year 2023-24 Lanka IOC placed for cutting-edge dispensing units, renowned for their superior performance and reliability, despite being in high demand globally, which will automate the monitoring of retail outlets with the newest technology.

**Retail dashboard**

Lanka IOC introduced a retail dashboard developed in-house by its Retail Team to streamline operations further. This dashboard serves as a comprehensive tool for monitoring various aspects of retail outlets, including sales, stocks, and other

essential details. It facilitates effective stock management and sales tracking, and also empowers field officers to optimize their time and efforts more efficiently.

This strategic investment in IT capabilities underscores Lanka IOC's commitment to leveraging technology for operational excellence and customer satisfaction. By continuously enhancing its digital infrastructure and embracing innovative solutions, the Company remains poised to navigate the evolving demands of the market while delivering superior service to its customers.



**Fulfilling aspirations - Way forward**




We are committed to strengthening our infrastructure for superior product quality and delightful customer experience.

Actions	Fulfilling aspirations – Connected stakeholders	Connectivity to Manufactured Capital
<p><b>Retail outlets</b></p> <ul style="list-style-type: none"> <li>Upgrades to the retail outlets, including aesthetics and IT capabilities</li> </ul>	<p>Customers</p> <p>Employees</p> <p>Shareholders</p>	<p>More sophisticated physical infrastructure leading to superior product quality, greater stock capacities reducing external dependency and shocks of fluctuation in supply quantities and price</p>
<p><b>Trincomalee operations</b></p> <ul style="list-style-type: none"> <li>Further efforts in ongoing infrastructural developments such as the development of tanks on the Upper Tank Farm by Trinco Petroleum Terminals Ltd</li> <li>Automation of auto fuel processes thereby increasing capacity of that segment</li> <li>Modification to be carried out to storage tanks with option to switch between products which allows flexibility in matching quantities to market demand</li> <li>Introduction of digisets with enhanced capacity which will ensure uninterrupted operations</li> </ul>		<p>Positively sustainable business growth leading to yield high returns</p>
<p><b>Lubricants</b></p> <ul style="list-style-type: none"> <li>Increasing the filling pace of lubricant machine thereby achieving extra 10-15% capacity</li> </ul>		<p>Modern machinery and facilities enable high quality products and help to achieve competitive advantage over competitors</p>
<p><b>Other</b></p> <ul style="list-style-type: none"> <li>Bay modifications to be carried out</li> <li>Potential increase in pipeline under discussion</li> <li>New products</li> </ul>		



# INTELLECTUAL CAPITAL

## Quick reference

<b>WHAT INTELLECTUAL CAPITAL MEANS TO US</b>	Our Intellectual Capital encompasses the strength of our brand, the wealth of our organizational tacit knowledge, our systems and processes, and our inherent ability to innovate new solutions. These elements collectively serve as key differentiators for our Company, allowing us to stand out from our competitors.			
<b>KEY CAPITAL INPUTS</b>	🟢 Lanka IOC brand	🟢 Organizational tacit knowledge	🟢 Organizational structure, with the backing of the Indian Oil Company as the ultimate parent	🟢 Systems and processes
<b>VALUE DELIVERED</b>	High customer acceptance	ISO certified processes	Brand Value Rs 3.18 Bn	Awards and Accolades
<b>CONNECTIVITY TO OTHER CAPITALS</b>	<b>Financial Capital</b> + Brand strength driving business growth and revenue  - Investments in brand visibility initiatives, retail outlet upliftments	<b>Human Capital</b> + A rewarding organizational culture fostering human capital development.	<b>Social and Relationship Capital</b> + Customer experiences and wide range of products leading to greater customer satisfaction levels.	<b>Natural Capital</b> + Leaner processes aligned to international best practices leading to resource efficiencies and environmental friendly actions
<b>CONTRIBUTION TO SDGS</b>			<b>LINK TO OUR STRATEGY</b>	 CUSTOMER CENTRICITY  OPERATIONAL EXCELLENCE

### Brand strength

Lanka IOC enjoys loyalty, patronage and respect of a wide array of customers spread across the country, both business and retail. The brands is distinguished among longstanding local brand as well as new foreign entrant brands for the exceptional quality of products offered.

### Brand building initiatives

A number of initiatives were conducted during the year in taking the Lanka IOC SERVO brand to our clientele.

- ◆ Branding in cinemas
- ◆ Large wall displays in selected malls
- ◆ Collaborations with cricket and hockey events as the corporate sponsor
- ◆ Development of high end-garages as a flagship initiative in the form a petrol sheds driving the LIOC brand and using SERVO products. Five completed during the financial year.
- ◆ 50 billboards/ hoarding placed across the country
- ◆ Advertising via social media and electronic platforms, taking the LIOC brand to deeper and wider customer segments of the country



### Organisational tacit knowledge

LIOC is driven by a strong foundation of organizational tacit knowledge, which is derived from various facets of our

operations, including our core values, team expertise, IT capabilities, and established systems and processes. This extensive knowledge base enables us to adapt to changing operational environments, maintain resilience in the face of unexpected challenges, stay focused on our strategic objectives, and engage effectively with our stakeholders to create shared value.

### Purpose, Vision and Culture

**Purpose:** Delivering energy security to the nation with sustainable value creation

**Vision:** A major, integrated energy company, with a strong environment consciousness, playing a national role in oil security. We comply with all the necessary regulations to provide the best possible service to our customers and all other stakeholders.

Our culture is centred on a strong customer-centric attitude and mindset. In being accountable, we are committed to sustainability that is at the heart of all our operations and we have integrated sustainability measures to all our operations including the introduction of environmentally friendly products and use of renewable energy. LIOC adopts zero tolerance of corruption and unethical behaviour which is communicated to our employees through our Code of Ethics. No incidents of non-compliance with respective laws and regulations governing the Company were reported during the year under review.

### Service tenure of our employees

The diverse, skilled, and resilient team at LIOC is one of our core strengths. Their combined knowledge and experience have allowed us to consistently deliver sound results. Despite higher turnover in recent years, our team has an average length of service of 15 years, which has been beneficial to the Company.

### Skills development and capacity building

One key factor that sustainably enhances our organizational tacit knowledge is continuous skills development of our employees. Annual training initiatives are conducted covering staff of the Company in catering to relevant skill upgrades. As

elaborated under Human Capital in page 74 a total of 98% employees were trained across 1,167 training hours during the year.

### Strength in leadership

The Company is guided by a versatile Board of Directors with a wealth of expertise from various disciplines essential to running the business effectively. The Board is supported by a corporate management team. The collective leadership was also a key factor in steering the Company through unprecedented challenges of the economic crisis. The long-standing governance structure and code of ethics offer a clear framework for conducting business ethically and efficiently, providing the leadership with a solid foundation for decision-making.

### Strength in innovation

New product development has been a central focus of our corporate agenda, with our Parent Company making significant investments in research and development. These efforts are aimed at creating innovative, environmentally friendly, and customer-centric products and process technologies that address critical energy-related issues of national importance, ultimately striving for self-reliance in the energy and allied sectors. Our dedicated Research and Development team is continually engaged in developing solutions to meet dynamic business needs, as well as anticipating the emerging requirements of our global customer base. Over the past 20 years, the Company has successfully introduced numerous new products, enhancing our brand's reputation as an industry leader in innovation.

### Sharing of industry insights

Given our expertise in the evolving energy sector of Sri Lanka, our leadership team takes the lead in sharing valuable industry insights in collaboration with various associations and professional bodies. Given below are such instances from the financial year.

- ◆ Mr. Dipak Das, Managing Director of LIOC shared LIOC's perspective on 'Challenges & Opportunities in the Petroleum Industry' through a webinar conducted by BRS Research & Bartleet Religare Securities (Pvt) Ltd., in 2023. There was

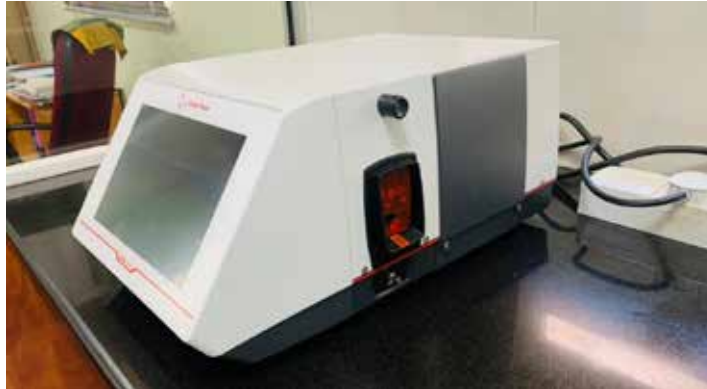


# INTELLECTUAL CAPITAL

healthy participation at the webinar on LIOC’s future prospects to better serve Sri Lankan’s energy needs.

## Leveraging Information Technology

Technological advancements with the Company in tracking performance has largely enhanced the Intellectual Capital of the Company. Key aspects where It capabilities are deployed is as follows.



**Retail Dashboard**

Enables effective management of stocks, sales and indents and also help field officers to manage their time and energy in a more efficient manner.

**Automated Dispensing Units**

200 retail outlets enabled with new state-of-the-art automated fuel dispensing units

**LIOC Touch POS**

Collaboration with Dialog Axiata PLC and DFCC Bank  
Facility extended to foreign travellers  
140 corporate cards in use

## Certifications

Our operations are certified by the following ISO certifications and other certifications which strengthens the preciseness, responsibility and reliability of the processes.

Certification	Issuing authority	Periodic review/ audit involved
ISO 9001:2015 / SLS ISO 9001:2015 for Lanka IOC PLC - Laboratory	Sri Lanka Standard Institution	Annually
ISO 9001:2015 / SLS IOC 9001:2015 for Lube Blending Plant - Lanka IOC PLC	Sri Lanka Standard Institution	Annually
Environment management System 14001:2015 -Lanka IOC PLC - Terminal	Sri Lanka Standard Institution	Annually
ISO 9001:2015 / SLS ISO 9001:2015 for Lanka IOC PLC - Terminal	Sri Lanka Standard Institution	Annually

## Social media presence

Our social media presence, the vibrancy and relevance of the content we share and high follower base drive our brand and add on to our Intellectual Capital pool.

**f** Follower base **72.3K+**

**in** Follower base **610+**

**X** Follower base **9.9K**

## Industry collaborations

We actively collaborate with industry stakeholders to contribute to the sector’s growth and development. Additionally, we encourage our employees to participate in various forums, utilizing these opportunities to share knowledge with industry peers. The Company is a member of numerous industry associations, leveraging these partnerships for the mutual benefit of the industry.

- ◆ Ceylon Chamber of Commerce
- ◆ National Chamber of Commerce
- ◆ Indo-Lanka Chamber of Commerce and Industry
- ◆ Sri Lanka Institute of Directors



### Awards and accolades

Lanka IOC was the proud recipient of the following awards during the year, given away by independent third parties following a thorough analysis of performance in respective areas.



### Fulfilling aspirations - Way forward

Given the notable benefits Intellectual Capital aspects yield in our value creation, we will continue to enhance our Intellectual Capital base via various initiatives.

Actions	Fulfilling aspirations – Connected stakeholders	Connectivity to Intellectual Capital
<ul style="list-style-type: none"> <li>◆ Enhancing the brand value of LIOC through various brand building initiatives</li> <li>◆ Strengthening R&amp;D capabilities</li> <li>◆ Continued investments in IT infrastructure</li> <li>◆ Training and development of staff</li> </ul>	<p>Customers Shareholders</p>	<ul style="list-style-type: none"> <li>◆ Greater Intellectual Capital driving better customer solutions</li> <li>◆ Increased revenue and profitability due to enhanced Intellectual Capital driving shareholder wealth</li> </ul>



**HUMAN CAPITAL**

**Quick reference**

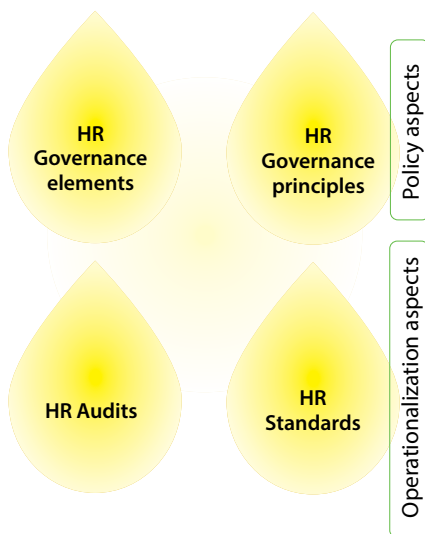
<b>WHAT HUMAN CAPITAL MEANS TO US</b>	The Company employs a team of highly-skilled, experienced, knowledge-based professionals who have contributed to the exceptional service and esteemed reputation of LIOC.			
<b>KEY CAPITAL INPUTS</b>	<b>157</b> employees	<b>15</b> years average tenure of service	<b>99&gt;%</b> Retention ratio	<b>Impact</b> <ul style="list-style-type: none"> <li>Rewarding employment opportunities for employees</li> </ul>
<b>VALUE DELIVERED</b>	<b>Rs. 1,712 Mn</b> Value addition per Employee	<b>15</b> promotions	<b>Training hours</b> <b>1,167</b>	
<b>CONNECTIVITY TO OTHER CAPITALS</b>	<b>Financial Capital</b> <ul style="list-style-type: none"> <li>+ Drives business growth and incremental revenue</li> <li>- Expenses to employees</li> <li>- Expenses to employees</li> </ul>	<b>Intellectual Capital</b> <ul style="list-style-type: none"> <li>+ Enhances organisational tacit knowledge</li> </ul>	<b>Social and relationship Capital</b> <ul style="list-style-type: none"> <li>+ Drives superior customer service</li> <li>+ Drives meaningful stakeholder relationships</li> <li>+ Employee volunteerism in corporate sustainability initiatives</li> </ul>	<b>Natural Capital</b> <ul style="list-style-type: none"> <li>+ Contributes to the Company's environmental initiatives</li> <li>- Resource depletion through usage</li> </ul>
<b>CONTRIBUTION TO SDGS</b>				<b>LINK TO OUR STRATEGY</b> <ul style="list-style-type: none"> <li> PEOPLE DEVELOPMENT</li> <li> OPERATIONAL EXCELLENCE</li> </ul>

### Management approach

The management of human capital at the Company is guided by a comprehensive set of HR policies and procedures aligned with industry best practices. These guidelines foster inclusive employment within an environment that values dignity, mutual respect, and employee well-being. All employees are required to adhere to these HR policies, which delineate the professional and ethical standards expected of them.

### Human capital governance

A robust HR governance structure is central to our human resource management, offering additional support for the implementation and oversight of our HR policies and practices. This strong governance framework ensures effective workforce management and underscores our commitment to the fair and ethical treatment of employees.



#### Salient features

- Continually reviewed and updated to match evolving employee needs, industry best practices and operating environment dynamics
- Aligned to the policy of the parent company Indian Oil Company

### HR policy framework

- Performance management policy
- Leave policy
- Compensation and benefits policy
- Code of conduct
- Policy against sexual harassment
- Diversity, Equity and Inclusion related policies
- Anti-fraud policy
- Grievance handling policy
- Disciplinary procedure
- Whistle blowing policy

### Team profile

#### Employees by contract and gender

	Male	Female
Expat	9	-
Permanent	120	28
Total	129	28

#### Employees by Staff Category & Gender

	Male	%	Female	%
Senior Management & above	9	6%	-	-
Executive & above	39	25%	12	8%
Non-executive	81	52%	16	10%
Total	129		28	

#### Employees by Age & Gender

	Male	Female
18-30 years	14	5
31-55 years	88	22
55 years above	18	1
Total	120	28

#### Employees by Staff Category & Age

	18-30 years		31-55 years		Above 55 years	
	Male	Female	Male	Female	Male	Female
Senior Management			9			
Executive & above	1	2	43	12		
Non-executive	13	3	45	10	18	1

# HUMAN CAPITAL

## Employees by Region - 2024

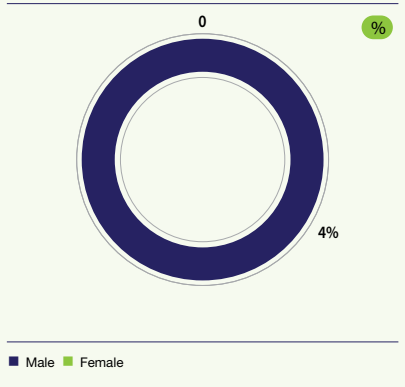
	Permanent	Total
Western	46	46
Southern	3	3
North Western	2	2
Central	11	11
Sabaragamuwa	2	2
Northern	1	1
Eastern	77	77
North Central	4	4
Uva	2	2
Expats	9	9

100% of our staff cadre is engaged on a permanent basis. Additionally, 70% of our staff and senior management are recruited from outside the Western Province. This approach aims to promote regional economic development and create employment opportunities across the island.

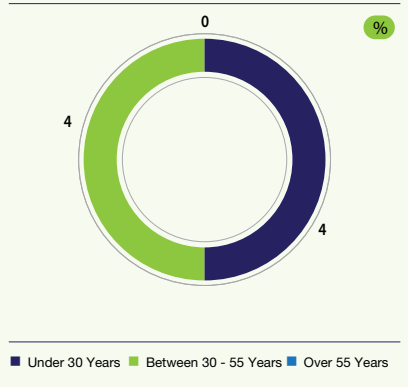
## Staff movements



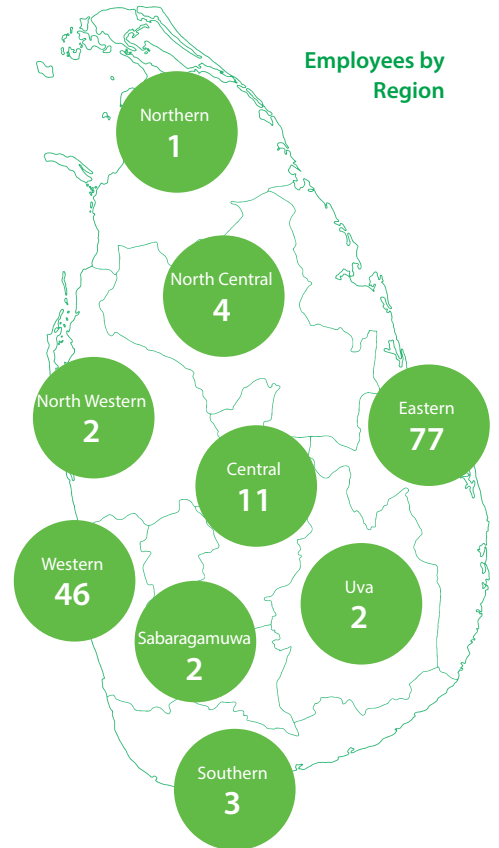
## RECRUITMENT BY GENDER



## RECRUITMENT BY AGE



## Employees by Region



Turnover by Gender		
	Number	Percentage
Male	2	100%
Female	-	
Total	2	100%

Turnover by Age		
	Number	Percentage
Under 30 Years	1	50%
Between 30 - 55 Years	1	50%
Over 55 Years	-	
Total	2	

### Benefits provided to full-time employees

#### Guaranteed Pay and Allowances

- ◆ Fuel allowance
- ◆ Payment for unutilised (Annual/Medical) leave
- ◆ PAYE borne by the Company

#### Variable Pay

Performance bonus

#### Reimbursable Expenses

Cost of mobile handsets

#### Loan schemes

- ◆ Housing loan
- ◆ Car loan
- ◆ Distress loan
- ◆ Laptop Loan

#### Retirement benefits

- ◆ Statutory EPF/ETF and gratuity
- ◆ Additional gratuity under the Thrift Society

#### Leave

- ◆ Medical leave - 14-21 days
- ◆ Maternity leave - 84 working days

#### Medical benefits

- ◆ In-house medical doctor at Trincomalee and provision of free medicine
- ◆ Unlimited medical reimbursement
- ◆ Reimbursement of spectacle expenses
- ◆ Insurance cover for partial and permanent disability and life insurance



### Remuneration, recognition and rewards

At Lanka IOC PLC, we attract skilled individuals through transparent, unbiased, and consistent remuneration and reward schemes that align with industry best practices. Our permanent employees receive a competitive base salary complemented by a variable pay component linked to their performance, alongside a guaranteed fixed pay.

In addition to the base compensation, we offer a comprehensive range of statutory and additional benefits designed to retain and motivate our workforce. These benefits include health insurance, retirement plans, paid leave, and professional development opportunities, ensuring our employees feel valued and supported. By providing these incentives, we not only enhance employee satisfaction and loyalty but also reinforce our commitment to fostering a productive and motivated workforce.

#### Welfare benefits

- ◆ House repair loans
- ◆ Office transport facility
- ◆ Furniture loans
- ◆ Three-month loan
- ◆ 10-month loan

#### Other facilities

- ◆ Provision of uniforms
- ◆ Support to family members such as operating buses for school children
- ◆ Residences for Trincomalee employees and their families
- ◆ Long service awards
- ◆ Scholarships to children
- ◆ Death benefits amounting to Rs. 500,000/-
- ◆ Accidental death benefit of Rs 1 Mn
- ◆ Cash rewards for completion of higher studies based on qualification earned
- ◆ Sports club
- ◆ Hotel stay for employee and their family
- ◆ Laundry allowances
- ◆ Meal allowances
- ◆ Annual leave incentive payments



# HUMAN CAPITAL

## Performance management

LIOC fosters a performance-based culture by conducting annual performance appraisals for all eligible employees. These appraisals are based on predetermined key performance indicators (KPIs) to objectively assess employee achievements. Employees who meet or exceed their targets are recognized and rewarded without bias, boosting morale and motivation. This approach encourages high performance and promotes fairness and equality in the workplace.

Performance appraisals are crucial for employee development, providing a structured framework for constructive feedback and career discussions. They facilitate dialogue between employees and management, allowing for a comprehensive review of individual contributions and potential growth areas. Through these evaluations, employees and supervisors can collaboratively identify training needs and opportunities for skill development, helping employees reach their full potential and advance their careers within the Company.

Additionally, performance appraisals give employees the opportunity to express their career aspirations and goals. By aligning individual objectives with organizational needs, the Company creates clear paths for advancement and fosters a culture of continuous improvement.

### Percentage of Staff Receiving Regular Performance Appraisals

Performance Appraisals by Gender		
	Male	Female
Senior Management	100%	-
Management	100%	100%
Executive	100%	100%
Non-executive	100%	100%

## Percentage of Staff Receiving Regular Performance Appraisals

### Training and development

Given the ever-evolving nature of the energy sector it is essential that our employees are upskilled and reskilled to stay relevant. In ensuring that they are equipped with the right knowledge, skills and aptitudes, we continue to provide opportunities for training and development. This remains integral to our talent management strategy, aligning individual goals and performance with LIOC's overall vision and objectives.

### Investments in training and development

Investment in employee development fosters a culture of lifelong learning, engagement, and job satisfaction.

Investment in training	Rs. >1 Mn
Total training hours	1,167
Percentage of employees trained	70%
Average training hours per employee	11

## Training topics

### Employee health and well-being

We ensure holistic well-being of our employees by supporting their physical, mental, emotional, and social wellness which are key priorities in our HR agenda. Initiatives in place are as follows.

- ◆ **Financial well-being** - Ensured through a wide range of benefits besides the designation-based basic salary and performance-based bonuses. We have continued to maintain zero gender based pay discrepancy
- ◆ **Medical care** - Convenient, accessible, and affordable medical care together with health insurance benefits for all permanent employees and annual medical checks
- ◆ **Mental wellness** - Continued focus on mental wellness of employees. Sessions conducted with external resource persons, client to update
- ◆ Fortnightly sessions conducted by a doctor advising employees on general well-being and self-health care

### Occupational health and safety

Creating a physically and psychologically safe working environment remained a top priority for Lanka IOC during the pandemic. The Company implemented rigorous safety protocols and continued development activities to foster a better and more conducive work environment. A dedicated committee met weekly, providing a transparent platform for interactions that ensured the proper implementation of improved work practices.

Robust safety management systems are in place across all our premises to prevent hazards and work-related accidents. Regular fire and rescue training sessions are conducted to keep our staff well-prepared and informed. These measures underscore our commitment to maintaining a safe and supportive workplace for all employees, even amid the challenges posed by the pandemic.

All incidents compromising health and safety including near misses at the workplace are duly recorded for remedial action and future learning.

Employee safety record 2023/24	
Workplace related accidents and incidents	Nil
Workplace related fatalities	Nil
No. of lost workdays due to workplace related injuries	Nil

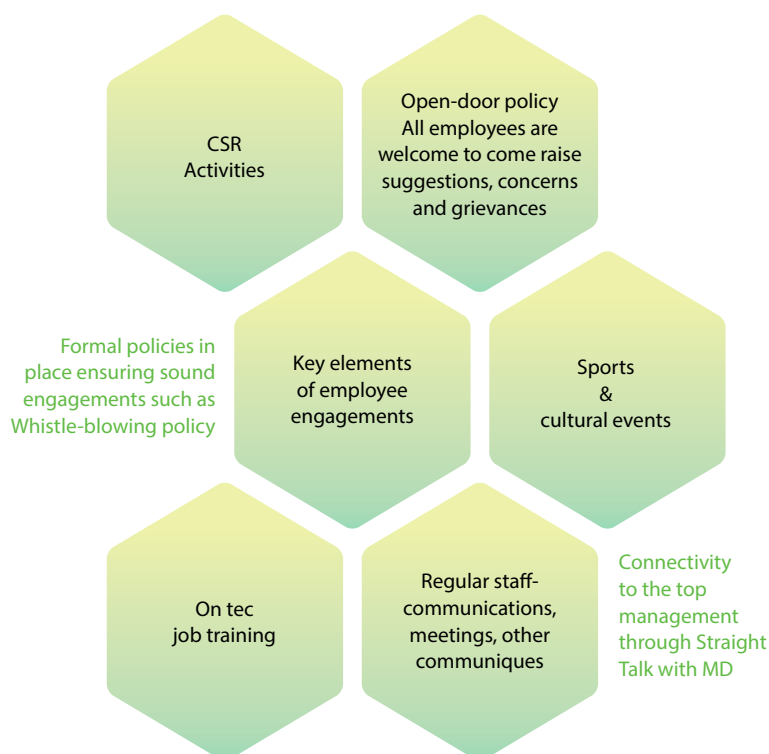
### An empathetic employer

Year-round engagement initiatives were implemented to promote work-life balance, including the following activities.

- ◆ Straight talk with MD
- ◆ Annual Company outing
- ◆ Cake for employees and their spouse on their birthdays and wedding anniversaries
- ◆ Gift box for employees during the festival season

### Employee engagement

Multiple formal and informal engagement mechanisms are in place to address employee concerns and maintain engagement. We increased in-person engagement activities throughout the year as conditions warranted same. This approach helped to motivate employees and boost morale in the face of an uncertain operating environment.



- ◆ Company day celebrations
- ◆ Pirith ceremony organised by the Trinco terminal
- ◆ Annual Christmas party organised by the sports club
- ◆ January 1st – First day of work celebrations
- ◆ Avurudu celebrations organised by the sports club
- ◆ Sport day organised by sports club

### Anti-corruption

LIOC’s anti-corruption policies and procedures are part of the Conduct, Discipline and Appeal Rules which cover aspects such as theft, fraud and dishonesty as well as taking or giving bribes or any illegal gratification or demanding or offering bribes or any illegal gratification.

### Child labour and forced labour

LIOC does not employ anyone under the age of 18 and does not use forced or compulsory labour in its operations.

### Commitment to diversity and inclusion

Inclusivity and compassion are core values we aim to instill in all employees by nurturing a culture that appreciates and celebrates diversity. We actively combat workplace discrimination based on ethnicity, gender identity, sexual orientation, age, or ability. Additionally, we work to challenge ingrained biases and discrimination against women, fostering a level playing field and empowering women.

We continuously implement practices that support and encourage more women to join and stay in the workforce, and we also strive to create more opportunities for people with disabilities to succeed in the workplace. We are pleased to report that there were no incidents of discrimination reported during the year.

### Employees’ right to unionise

Around 60% of our employees are unionized as we recognize the right to freedom of association. We continue to conduct an ongoing dialogue with trade unions. We ensure a minimum notice period of one month before any significant operational change.

# HUMAN CAPITAL

## Gender parity

LIOC is committed to being an equal opportunity employer and prioritizes creating an inclusive workplace that harnesses the potential of a diverse workforce. We believe that diversity and inclusion foster fair and equal opportunities for all employees, emphasizing these values throughout the employee lifecycle, from recruitment to retention.

We promote a work environment free from harassment and discrimination, ensuring all employees respect the rights and differences of their colleagues, regardless of religion, race, opinion, or belief. Our gender-inclusive recruitment policy encourages women to pursue their career aspirations while maintaining a healthy work-life balance. Additionally, we ensure gender equity in reward structures, training opportunities, and promotions, reinforcing our commitment to fair treatment for all.

### Gender parity enablers

- ◆ Equal Pay
- ◆ Prioritising work-life balance
- ◆ Strict and effective policies against harassment and workplace offence
- ◆ Creating an open-minded atmosphere
- ◆ No special privileges based on gender
- ◆ Special measures to improve the status of women
- ◆ CDA Rules 6 Open-door-policy

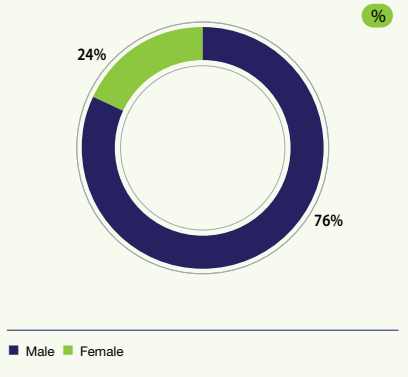
The ratio of basic salary between women and men was **1 : 1**

### Driving gender parity – Fresh initiatives rolled out during the year

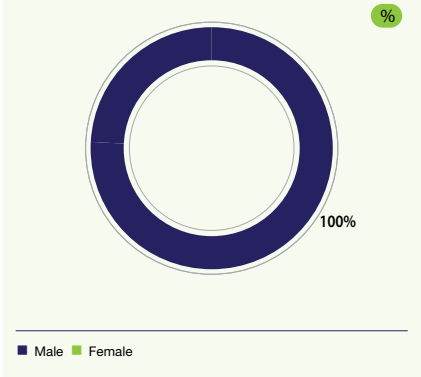
- ◆ Recognition of the contribution of female employees at the International Women’s Day
- ◆ Client to add additional initiatives

## Our gender statistics

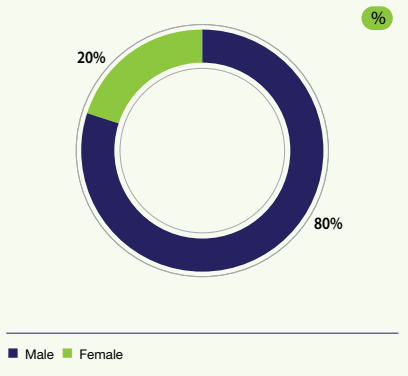
**GENDER COMPOSITION OF THE WORK FORCE**



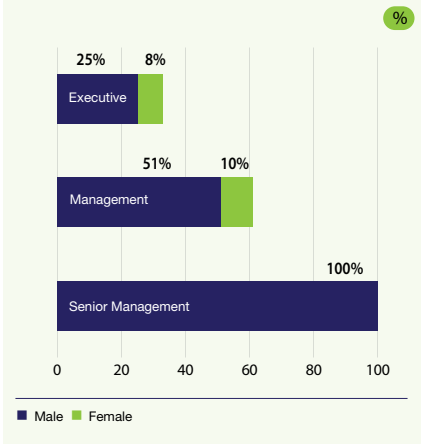
**GENDER COMPOSITION OF NEW RECRUITS DURING THE YEAR**



**GENDER COMPOSITION OF PROMOTIONS DURING THE YEAR**



**GENDER REPRESENTATION BY GRADE**



Parental Leave	Male	Female
Employees entitled to parental leave	NA	✓
Employees that took parental leave	NA	✓
Number of employees that returned to work in the reporting period after parental leave ended		2
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work		2

Average Training Hours per Gender	
Male	9
Female	2



Women's day celebration - 2024

### Fulfilling aspirations - Way forward

We are committed to fulfilling the aspirations of our most valuable asset, our human resources. This would enhance their worth, satisfaction levels and enable us to forge long-lasting and mutually beneficial relationships with them.

Actions	Fulfilling aspirations – Connected stakeholders	Connectivity to Intellectual Capital
<ul style="list-style-type: none"> <li>Continued efforts in ensuring employee all-round wellbeing and safety</li> <li>Continued investments in training and development</li> </ul>	<p>Employees Customers Shareholders</p>	<p>We will maintain our comprehensive value proposition to employees, aligning with the overall strategy. Our focus will be on developing a skilled, motivated, and future-ready team capable of navigating operational challenges and driving our long-term strategy.</p> <p>A motivated staff will mean superior customer service, stronger revenue and profit generation and hence increased shareholder value.</p>

I am thrilled to share my experience at Lanka IOC. Joining this company has been one of the most rewarding decisions of my career. From day one, I felt welcomed and valued. The supportive and inclusive culture, along with leadership that prioritizes employee well-being and growth, ensures everyone has the resources to succeed. The open-door policy fosters open communication and continuous improvement. I am proud to be part of this forward-thinking, people-centric organization and look forward to contributing to its continued success.



**Anjali Perera**  
Assistant Manager – Human Resource

Reflecting on my 17-year journey with Lanka IOC, I am filled with immense pride and gratitude. I have witnessed and contributed to the organization's growth and transformation. From the beginning, I was welcomed into a nurturing environment that valued my contributions and encouraged my growth. Continuous support and mentorship from colleagues and leaders have been pivotal in my journey to becoming a Senior Manager in Finance. Lanka IOC is more than just a workplace—it is a community where people grow, innovate, and make a difference together. I am incredibly proud to be part of this remarkable organization and look forward to building a brighter future together.



**Damayanthi Nawaratne**  
Senior Manager - Finance





**SOCIAL AND RELATIONSHIP CAPITAL**

**Quick reference**

**WHAT SOCIAL AND RELATIONSHIP CAPITAL MEANS TO US** Our strong relationships with customers, value chain partners, suppliers, and the community validate our social license to operate and drive the pursuit of our strategic priorities.

<b>KEY CAPITAL INPUTS</b>	<b>Customers - Retail and Corporate</b>	<b>Value chain partners comprising global suppliers and industry stakeholders</b>	<b>The communities we have a presence in</b>
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<b>VALUE DELIVERED</b>	Higher Customer Satisfaction	<b>Rs. &gt;200 Bn</b> payments made to suppliers	<b>Rs. 270 Mn</b> investment in Corporate Social Responsibility (CSR) initiatives	<b>Rs. 62.23Bn</b> to Government as taxes
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<b>CONNECTIVITY TO OTHER CAPITALS</b>	<p><b>Financial Capital</b></p> <ul style="list-style-type: none"> <li>+ Customer satisfaction driving revenue</li> <li>- Investments in CSR initiatives in the short run due to cash outflow</li> <li>+ Investments in CSR initiatives in the long run due to greater social acceptance</li> </ul>	<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>+ Employees afforded the opportunity to participate in CSR initiatives thereby having enriching exposure</li> </ul>	<p><b>Natural Capital</b></p> <ul style="list-style-type: none"> <li>+ Climate and nature related CSR initiatives</li> </ul>
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<b>CONTRIBUTION TO SDGS</b>		<b>LINK TO OUR STRATEGY</b>	
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### Management approach

We are dedicated to nurturing relationships with our customers, value chain partners, and the community. By actively engaging with these stakeholders, we aim to retain their trust and confidence. Our comprehensive value proposition creates mutual benefits, helping us sustain our social license to operate. This commitment to building strong, collaborative relationships ensures dual benefits viz. meet our strategic goals and contribute positively to the broader community.












### Customers

Driven by the strategic commitment of “customer centricity” we ensure we offer the best products and services to our valued customers. These two components have been critical in driving the value we generate to our customers, and over the years numerous initiatives have been rolled out to sharpen our proposition.



- Strength of our product portfolio**
- Expanding product portfolio
  - Close congruence to evolving customer needs
  - Backed by research and development

- Strength of our product portfolio**
- Enhancing experience at our retail outlets
  - Strong retail outlet network dispersed across the island
  - Other specialised product centres
  - Well-trained staff offering excellent customer service, particularly pump attendees who are well attired, presentable and possessing the full knowledge of product range available for sale

Product segment	Products	Customer segment	Scan to view the online
	<p><b>DIESEL</b></p> <ul style="list-style-type: none"> <li>Lanka Auto Diesel</li> <li>Lanka Super Diesel (LSD)</li> <li>XtraMile Diesel</li> </ul> <p><b>PETROL</b></p> <ul style="list-style-type: none"> <li>Lanka Petrol 92 Xtra</li> <li>Premium 95 Xtra</li> <li>Premium Euro 3</li> </ul>	<ul style="list-style-type: none"> <li>Individual vehicle owners</li> <li>Vehicle fleet owners</li> <li>Export Industries</li> </ul>	
	<ul style="list-style-type: none"> <li>Fuel Oil (0.5% S)</li> <li>Marine Gas Oil IFO 380 cst</li> </ul>	<ul style="list-style-type: none"> <li>Shipping line operators</li> <li>Bunker brokers and agents</li> </ul>	
	<ul style="list-style-type: none"> <li>Passanger car application - SERVO Futura</li> <li>DEO Application - SERVO Pride XL</li> <li>MCO Application - SERVO UI 200m</li> </ul>	<ul style="list-style-type: none"> <li>Individual vehicle owners</li> <li>Industrial customers</li> <li>Vehicle fleet owners</li> </ul>	
	<ul style="list-style-type: none"> <li>Bitumen 60/70</li> <li>Bitumen 80/100</li> <li>Bitumen VG 10</li> <li>Bitumen VG 30</li> </ul>	<ul style="list-style-type: none"> <li>Private and public sector customers</li> <li>Local and international construction agencies</li> <li>Industrial customers</li> </ul>	
	<ul style="list-style-type: none"> <li>HDPE BLOW PP Injection</li> </ul>	<ul style="list-style-type: none"> <li>Private and public sector customers</li> <li>Local and international construction agencies</li> <li>Industrial customers</li> </ul>	
			

# SOCIAL AND RELATIONSHIP CAPITAL

## Customer convenience

LIOC has enhanced the customer experience through various digital channels, offering a wide array of contactless payment options to ensure convenience.

### Dialog Touch Card

**Value proposition:** Fast and secure transactions, tap and go payments, monitoring of fuel costs, immediate SMS alert after each transaction

**Offered to:** Corporate customers

**Partnership:** Dialog Axiata PLC

**Availability:** Across 140 of our retail outlets

**Competitive advantage derived for LIOC:** **High**

### Partnership with Spectrum Trading

**Value proposition:** Supply of co-branded SERVO eco PLUS a long life ecofriendly product to lube customers

**Offered to:** All customer segments

**Partnership:** Stafford Motors Group

**Availability:** Across 251 of our retail outlets

**Competitive advantaged derived for LIOC:** **High**

### Fuel Me Lanka IOC application

**Value proposition:** Supports customers find the closest retail outlets, closest stations offering the Nitrogen tyre inflation facility, keeps customers informed of the latest developments and offers of LIOC

**Offered to:** All customer segments

**Competitive advantage derived for LIOC:** **High**

### Physical expansions

- ◆ New retail outlets added – 41
- ◆ Total outlets – 251
- ◆ New lube distributors added - 01
- ◆ Total lube distributors - 32
- ◆ Tie-ups with reputed service station chains and commissioned service stations at LIOC fuel stations

- ◆ Tie-ups with FMCG marketing companies who have set up mini convenience stores at our retail outlets for the ease of customers



### Ground breaking initiative in collaboration with DFCC Bank

During the year DFCC Bank and Lanka IOC issued an Affinity Master credit card, offering our customers a smarter choice to save while they fuel up at any LIOC fuel station island wide. The card affords clients a wide range of benefits, the most notable being a 5% cashback with a maximum cashback limit of Rs. 2,000 per statement cycle for fuel, lubricants and any other product offered by LIOC retail outlets, valid up to 30 September 2024. Thereafter the cashback percentage will be revised down to 3% and cashback limit to Rs. 1,500/-.

### Touch points

251	Auto fuel retail outlets
300	SERVO selling points
32	Lube distributors
54	SERVO service stations
Corporate website & social media platforms	
Promotional campaigns	

## Pricing mechanism at LIOC

For petroleum products we are a price taker from Ceylon Petroleum Corporation. We ensure close congruence in our pricing to theirs so as to be in line with the Government's pricing formula and offer our products to our customers at fair pricing.

## Product safety and responsibility

Rigorous quality assurance throughout our sourcing, production and distribution processes ensures that we maintain the highest standards of product safety and responsibility. All formulations for blending each product variant of the Lubricants we market come from our parent company. All these products are tested for product quality, safety and usage by LIOC in the laboratory at Trincomalee, the first lube plant and laboratory to obtain the ISO 9001: 2015 certification in Sri Lanka and the CPSTL LAB. This certification ensures that defined processes are in place to assess the quality and safety of our products.

Additionally, due to the flammability and safety risks inherent in Auto Fuel sales, LIOC has installed all necessary safety earthing systems to protect the facilities against fire hazards and carried out regular maintenance and safety checks of the pumping machines. We tied up with the respective District Safety and Security Departments during the year and carried out several training programmes for pump attendants and managers across all our outlets on how to operate fire equipment and other safety protocols. Furthermore, on a regular basis we conduct the electrical audit of the retail outlets to ensure the outlets are safe and secure.

There were no incidents of non-compliance to any product responsibility/customer health and safety related laws or regulations during the year under review.

## Product Marketing and Labelling

We also ensure that our product offerings conform to the applicable laws and regulations and meet the required ethical standards. Furthermore, we guarantee that our marketing communications are made in line with the required regulations and all business dealings are conducted in an ethical manner as per our Code of

Ethics. Our Lubricant products are sold to consumers disclosing the following information to enable them to make more informed choices:

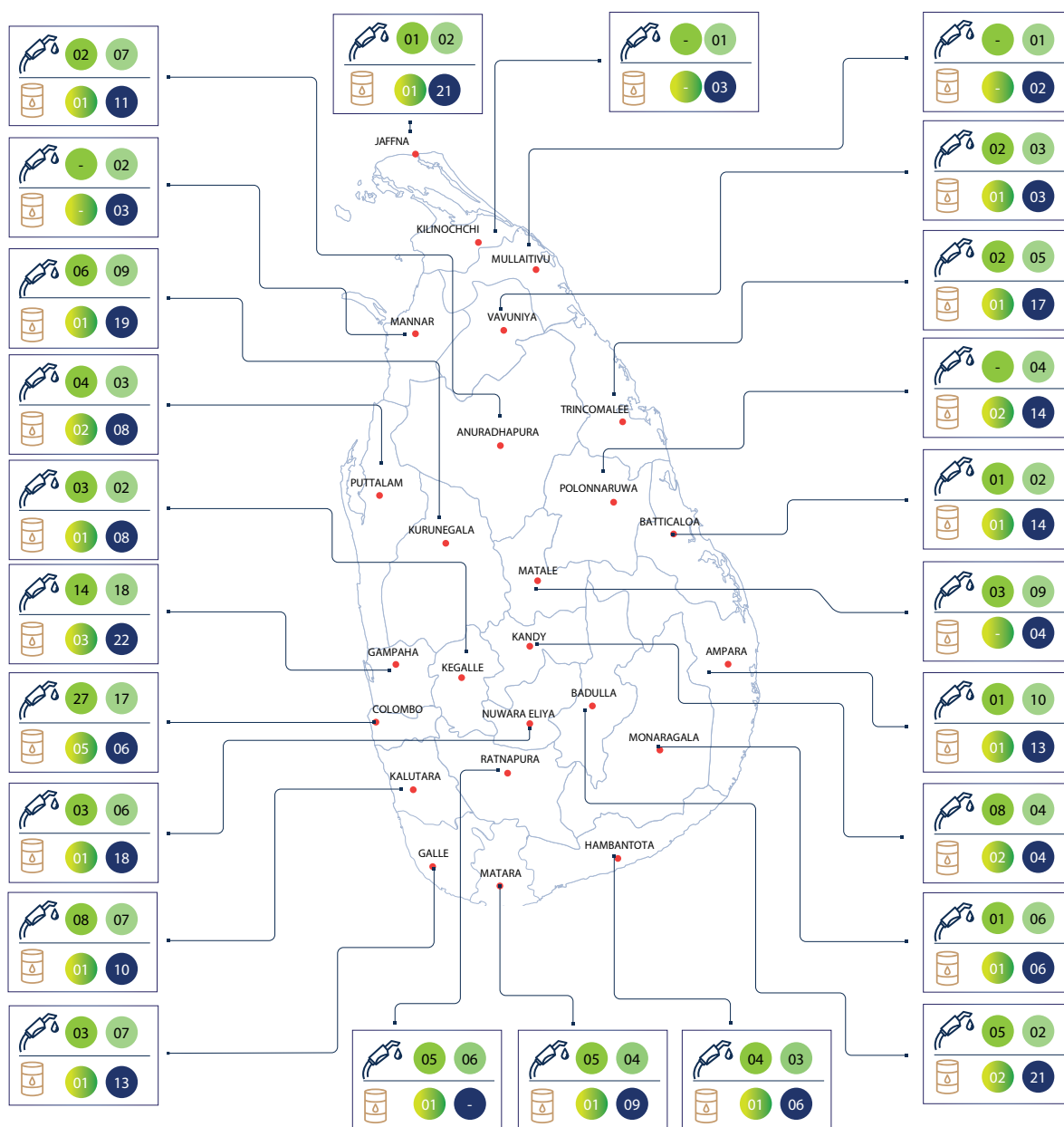
- ◆ Usage information
- ◆ Safety warnings
- ◆ Form of materials used
- ◆ Material safety data
- ◆ OEMs health and safety information

Our channel partners provide material data sheets to customers with necessary explanations and clarifications for appropriate use. There were no incidents of non-compliance concerning the health and safety impacts of products and services, product labeling requirements or other socio-economic factors in our local or export markets recorded during the year.

### Managing complaints

Managing customer relationships is an integral element of value creation in our business. We engage with customers, evaluate their feedback and resolve complaints to build relationships that are sustainable in the long-term and elevate our brand value.

### Channel partners



KEY — Auto Fuel Partner Base Lubricant Partner Base SERVO Shop Company Owned Dealer Owned Distributor

## SOCIAL AND RELATIONSHIP CAPITAL

### Maintaining healthy relationships with our dealers

Dealers are an integral part of our channel partner network, and critical in the success of islandwide distribution of our products. During the year dealer relationships were strengthened through following initiatives.

- ◆ Strengthening of communication channels for dealers to reach out to the Company at any time, and channeling of critical information to the dealers swiftly, such as tariff changes, new product developments, etc.
- ◆ Meet-ups between the Company MD and dealers on an area-wise categorisation
- ◆ Advisory and other support in working capital managements
- ◆ Continuation of connectivity via informal channels as well



Donation of Dialysis Machine to District General Hospital of Matara

86

## Highlight from the year

Lanka IOC secured the sale of its lubricants product brand SERVO through the retail outlet network of Ceypetco, thereby gaining access to 204 Ceypetco outlets. This will enable significant market access to SERVO, and enable it to optimize the production capacity of its lubricant plant, the only lubricant plant in the country. State-owned Ceypetco partnering LIOC in this regard is a true honour to LIOC, noting the multiple other lubricant providers being available in the market.

### Strategic partnerships

LIOC maintains strategic partnerships with multiple third parties in the sale of its products. Particularly under the Lubricants product category, the following were carried out.



Inauguration of New Retail outlet

Partnering party	Progress made during the year
DIMO PLC	Renewal of partnership for further five years
David Pieris Motor Company	
TATA Motors	Increased volumes in line with continuing agreement
Bajaj Motors	Increased volumes in line with continuing agreement
Ashok Leyland	Increased volumes in line with continuing agreement
TVS Motors	Increased volumes in line with continuing agreement

### Suppliers

#### Our key suppliers

Counterparty	Governed by
<b>Petroleum products</b>	
Parent company Indian Oil Corporation Limited (IOC), India	A global tendering process according to Board approved procurement policies that clearly outline the process of supplier registration and tendering
Other global oil suppliers	
Other market intermediaries	Transactions with parent company are conducted purely on commercial terms at arm's length. Conditions in relevant contracts are similar to conditions in contracts with other suppliers and IOC is treated just as any other supplier of similar goods without any preferences
<b>Lube products</b>	
Parent company Indian Oil Corporation Limited (IOC), India	Governed by the same process as above
Other overseas suppliers	
Packing materials including labels, cartons, containers and stickers	Established local suppliers who have the technical and manufacturing capacity to provide items as per our specifications.
Established local suppliers who have the technical and manufacturing capacity to provide items as per our specifications.	



**Key highlights of procurement**

- ◆ Our commitment to ensuring a sustainable supply chain that is socially and environmentally responsible
- ◆ Negative impacts - There were no identified negative social or environmental impacts arising out of our supply chain during the year

**Key highlights from the year**

- ◆ LIOC secured the renewal of its Petroleum Products License with the Government of Sri Lanka for next 20 years
- ◆ LIOC successfully imported bunkering fuel on open credit papers as opposed to Letters of Credit and confirmations, speeding up the importation process and reducing process cost. This is a clear affirmation of the strong reputation of integrity and relationships LIOC enjoys with leading suppliers

- ◆ Adopting of an ambulance under the ambulance service Suwa Seriya
- ◆ Donation of medical equipment and essential medicines to hospitals

**Fulfilling aspirations - Way forward**

Our growth agenda in the recovering economy is inter-twined with our commitment to delivering sustained value to key stakeholders such as customers, suppliers, channel partners and the community at large. Our core strategic pillar customer-centricity will place special emphasis on delivering superior customer value.

Actions	Fulfilling aspirations – Connected stakeholders	Connectivity to Intellectual Capital
<ul style="list-style-type: none"> <li>◆ Deepening customer relations with innovative products and excellence in customer service</li> <li>◆ Stronger supplier relations for undisturbed supply of material of highest quality</li> <li>◆ Curated community empowerment initiatives and investments</li> </ul>	<ul style="list-style-type: none"> <li>◆ Customers</li> <li>◆ Suppliers</li> <li>◆ Communities</li> </ul>	An affirmed social license to operate with strong relationships with customers, suppliers and other channel partners

**Community**

Our corporate social responsibility initiatives are in line with our triple bottom line aspirations. The deployment of resources allocated to such initiatives are decided upon, after carefully considering the impact the Company can create in delivering economic, environmental and social benefits to the wider community.

Key initiatives rolled out during the year are as follows;

- ◆ Providing much needed relief items to disadvantaged members of the community
- ◆ Significant contribution of Rs. 200 Mn to the President’s Fund aimed towards upliftment of the society
- ◆ Donation of dialysis machines to government hospitals
- ◆ Beach cleaning activities for ensuring marine health and environment protection







**NATURAL CAPITAL**

**Quick reference**

**WHAT NATURAL CAPITAL MEANS TO US**

We rely on a wide range of natural resources such as energy, water, and land in its value creation process.

**KEY CAPITAL INPUTS**

**85**  
Rooftop solarised retail outlets

**44,563 KL**  
Water consumed

**2 MW**  
Energy generated from Solar Power

**VALUE DELIVERED**

Zero Oilspills

Electricity Generated through Solar

No polluted waters

Reduced Carbon emission

**CONNECTIVITY TO OTHER CAPITALS**

**Financial Capital**

+ Identification and management of Climate Related Risks and Opportunities (CRROs)

+ Resource efficiencies leading to cost savings.

- Investments in bio-diversity preservation projects

**Human Capital**

+ Employee volunteerism in driving bio-diversity preservation projects

**Social and Relationship Capital**

+ Propagate sustainable practices in experiences created to our guests

**CONTRIBUTION TO SDGS**



**LINK TO OUR STRATEGY**



PROFITABLE GROWTH

### Management approach

As the largest private oil company in Sri Lanka, LIOC takes its role as a responsible corporate citizen seriously, striving to utilize resources sustainably and promote eco-friendly practices among our customers. Our innovative range of environmentally conscious products encourages our customers to minimize their environmental and societal impacts.

We are acutely aware of the inherent environmental challenges associated

with our industry. Consequently, we place immense importance on reducing our environmental footprint. Our commitment to sustainability is reflected through various initiatives such as sustainable production methods, comprehensive waste management systems, and judicious resource allocation.

We actively pursue energy-saving measures and implement cutting-edge technologies designed to enhance efficiency and reduce emissions. Our approach encompasses:



By integrating these sustainable practices into our core operations, we aim to lead by example and inspire our customers to adopt more sustainable habits. Our dedication to environmental stewardship not only supports the global fight against climate change but also ensures that we remain a trusted and responsible partner in the communities we serve.

### LIOC Environmental Management Framework

<b>Aspects</b>	Material Energy Water Waste Emission
<b>Process</b>	Environmental and goal policy Planning Implementation and operation
<b>Review</b>	Continuous monitoring Evaluation of environmental KPIs Internal audit and review

#### Analysis of aspects

##### Our main input material

Imported petroleum based non-renewable resources

Governance encompassing material usage

##### Strict quality standards followed

ISO 8217:2005 specifications in bunker fuel processing

ISO 9001:2015 certification in lube blending plant in Trincomalee -

ISO 14001:2015 certification in for lube blending plant.

- Thorough supplier screening to ensure that the products are sourced through sustainable means and cause no negative impacts to the environment.
- Procurement policy mandates that all material procurement be undertaken following a global tender process with suppliers being selected after a thorough evaluation and stringent screening processes.

- Installation of Photovoltaic (Pv) Solar Power System in Terminal and Retail outlets.
- Continues regular dielectric audit to monitor energy consumption patterns.

## NATURAL CAPITAL

### The lube blending plant at Trincomalee

- ◆ Developed to be one of the leanest manufacturing concerns in the country
- ◆ Capable of producing 18,000 KL of output per annum, is semi automated
- ◆ Functions with a minimum number of plant employees and lab technicians.



BIO Gas plant at Trincomalee

### The lube blending plant at Trincomalee

- ◆ Capacity of producing 3,000 MT of output per annum
- ◆ Mainly operated by specialised outsourced personnel with due backup from the Trincomalee Terminal



Roof Top Solarised Ro

### Energy and Emissions

At Lanka IOC PLC, our primary sources of energy are diesel, furnace oil, and electricity. Among our operations, the Trincomalee terminal has the highest energy consumption, followed by our Company-owned retail outlets. In contrast, our head office premises record the lowest energy usage.

In line with our commitment to reducing our carbon footprint, we have been diligently focusing on transitioning to renewable energy sources. A significant step in this direction has been the installation of photovoltaic (PV) solar power systems at our retail outlets and the Trincomalee terminal. These installations generate an impressive average of 25,570 kWh of renewable energy per month, substantially contributing to our sustainability goals.

Our efforts have yielded positive results, with the Company's total energy consumption for the year showing a decrease compared to the previous year. This reduction underscores our unwavering commitment to enhancing energy efficiency across the organization. To ensure continuous improvement, we conduct regular electrical audits at all our premises. These audits are crucial for identifying and monitoring energy consumption patterns and pinpointing areas where further improvements can be made.

By integrating renewable energy sources and rigorously pursuing energy efficiency, Lanka IOC PLC not only mitigates its environmental impact but also sets a benchmark for sustainable practices within the industry. Our strategic initiatives reflect a broader vision of environmental stewardship, demonstrating our dedication to a greener and more sustainable future.

Through these ongoing efforts, we aim to lead by example, showing that with deliberate and sustained action, it is possible to achieve significant reductions in energy consumption and carbon emissions while maintaining operational excellence. Lanka IOC PLC remains steadfast in its resolve to drive forward with innovative solutions that promote environmental sustainability and energy efficiency.

### Energy Management and Emissions Management

#### Energy consumption by source

Energy Type	FY 2023/24	FY 2022/23	YoY change (%)
Diesel (L)	58,570	64,493	-9%
Furnace oil (L)	-	8,744	-100%
Electricity (kWh)	384,111	365,430	5%

#### Energy management initiatives

- ◆ Installation of new PV solar panels at 17 retail outlets – Total outlets powered by solar - 85
- ◆ The 20kW solar energy facility at the Trincomalee terminal
- ◆ Installation of energy efficient lighting and cooling solutions
- ◆ Installation of higher capacity equipment capable of reducing energy consumption



company's processes and standards in ensuring that vapour have a minimal impact on the environment and all vapor discharge is in accordance with pre-set guidelines. As a supplier of fuel-based products and as a dominant player in the market, we are cognisant of the impact we have on the environment in the form of the emissions arising from our products. We are ably supported by the research and development capabilities of our parent who provides us with the necessary guidance in developing and retailing ecologically sustainable products in Sri Lanka, thereby contributing towards reducing the country's overall carbon footprint.

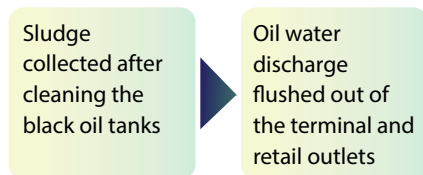
**Water Management and Effluent Management**

**Rain water harvesting**

The Trincomalee operations is inclusive of a rain water harvesting facility, the capacity of which is set to be increased during 2024/25.

**Governance encompassing waste**

Key waste types



- ◆ All planned water discharges from tanks carried out in strict compliance with the environmental laws in accordance with the Sea Dumping License issued by the Marine Environment Pollution Authority (MEPA)
- ◆ Unplanned water discharges due to storm water discharged during heavy rainfall. All planned and unplanned discharges are sent through a network of drains to the Oil Water Separators (OWS) to be cleaned and treated before release, ensuring there is no pollution of water resources.
- ◆ Water from the outer chamber of the OWS are tested once in three months at the Central Environmental Authority (CEA) licensed laboratory to ensure conformity to environmental standards
- ◆ Sludge - considered hazardous in nature and thus disposed according to CEA guidelines and stored in isolation in concealed containers

**Policy guidelines aligned to Government regulations and compliance**

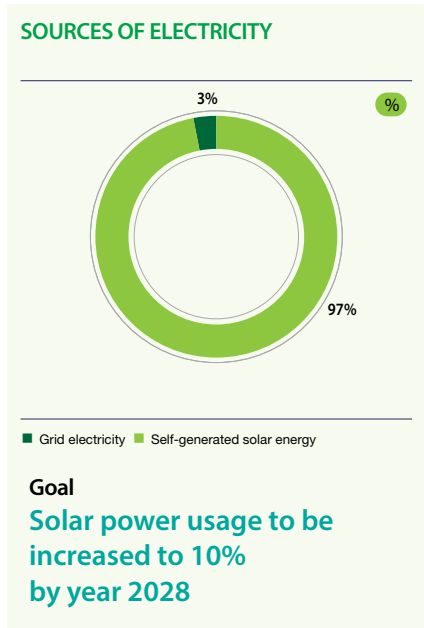
◆ **Alignment to Marine Environment Protection Authority (MEPA) guidelines**

We implement rigorous monitoring activities to ensure the highest safety standards during our operations and transportation processes, thereby preventing any incidents that could potentially pollute water resources. Our proactive approach is underpinned by a comprehensive Oil Spill Contingency Plan, which has been meticulously developed and approved by the Marine Environment Protection Authority (MEPA).

This contingency plan is equipped with state-of-the-art resources and protocols to effectively manage and mitigate the impacts of any accidental oil spills. Our dedicated response teams are trained to act swiftly and efficiently, minimizing environmental damage and ensuring prompt remediation.

◆ **Alignment to Central Environmental Authority (CEA) guidelines**

**Clean energy**



**Emissions Management**

We recognise our obligation to work towards mitigation of climate change related risks. As an energy company which is always moving ahead with time and new developments, We are committed to addressing the challenges of transitioning to a lower carbon regime. The carbon footprint of the Company is assessed according to the guidelines specified by the GHG Protocol of the World Resources Institute. The main form of emissions in our operations arises through non-toxic vapours which evaporate from retail outlets and the Company's energy consumption. We are guided by the best practices adopted from our parent



# NATURAL CAPITAL

The Trincomalee Oil Terminal functions under the License of Scheduled Waste Management from the Central Environmental Authority (CEA) based on the level of compliance and initiatives taken on a sustainable basis. The Scheduled Waste License was issued based on detailed compliances including the identified place of storage, segregated & closed container for storage, presence of proper handling equipment/safety equipment etc. The terminal also takes proactive action to maintain and upgrade the requirement as per CEA guidelines.

During the year no incidents of oil spills were reported that pertain to us. We are happy to report that during the year under review there were no incidents of non-compliance with environmental laws and regulations.

### Other waste material

- ◆ Food and solid waste is segregated in a methodical manner and disposal is handled through local municipal authorities
- ◆ Scrap waste which mainly comprises old pipes, valves and mild steel scrap is generally disposed via tender through authorised parties

Tree planting is a key environmental preservation initiative carried out by LIOC. The Company has identified the following instances for planting trees on a regular basis.

- ◆ World Environment Day
- ◆ To mark the visit of any eminent or distinguished guests to the Trincomalee premises
- ◆ Company identified locations which needs greening within the premises



*Beach cleaning*

### Fulfilling aspirations - Way forward

We are committed to greening the planet via a number of initiatives.

Actions	Fulfilling aspirations – Connected stakeholders	Connectivity to Intellectual Capital
<ul style="list-style-type: none"> <li>◆ Shift to solar energy</li> <li>◆ Tree planting initiatives</li> <li>◆ Enhancement of EV charging station</li> </ul>	Communities Customers seeking greener energy solutions	Reduced emissions





# MAXIMISING PERFORMANCE

PRUDENT FINANCIAL  
STRATEGIES, TIMELY AND  
PROACTIVE DECISION MAKING  
HAS ENABLED US TO DELIVER  
PROGRESSIVE PERFORMANCE

# CORPORATE GOVERNANCE



## Chairman’s Message on Corporate Governance

Dear Stakeholders,

Lanka IOC PLC is committed to keep pace with the developments in the corporate governance arena, ensuring that it addresses the concerns of our stakeholders. We strive to comply with governance by ensuring compliance with all regulatory frameworks. We consider our governance framework as a solid foundation for our business to thrive and deliver continued value particularly in navigating through a complex operating environment.

The Board of Directors is responsible to deliver sustainable stakeholder value abiding with the governance policies and procedures. Their collective skills, experience and knowledge are key to effectiveness in providing leadership and direction to the Company. The Company conducts internal and external reviews at regular time periods to ensure compliance and maintain alignment with the Company’s strategy, regulatory requirements, whilst keeping pace with the technological advances.

### Culture and values

The Company places significant emphasis on shaping the right culture that supports the purpose and achievement of business strategies. LIOC’s internal Code of Corporate Governance sets out the expectations on personal conduct when interacting with internal and external stakeholders. A zero-tolerance policy for bribery and corruption is enforced. Regular trainings and engagement sessions are held to ensure that employees uphold and maintain a strong ethics and integrity in their professional dealings.

### Compliance

The Company is committed to integrating ESG principles into our strategy and processes considering the impact of our operations. As a responsible corporate we continuously focus on the environmental, social and governance implications. The Board reviewed the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange and have in place an action plan to ensure compliance. The Board has also reviewed revised Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in December 2023 and is pleased to note the Company’s proactive approach in ensuring compliance with the same. The Company continues to have a zero-tolerance policy for non-compliances, bribery and corruption.

**Mr. Sujoy Choudhury**  
Chairman

18.04.2024

## Statement of Compliance on Corporate Governance Reporting

The subsequent discussion provides an overview of how the Board strived to create value to the organisation during the year, including its key area of focus, operations and deliverables during the year. Detailed information regarding the Company’s extent of compliance with the requirements of the Corporate Governance Direction of the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance (2023) are available from page 101 to 125 of this Report.

## Our Governance Framework

Strong and robust corporate governance is a prerequisite to stability and resilience especially in times of uncertainty. The Board of Directors is placed with the onus of responsibility to direct and lead the business strategy by providing adaptive leadership to anticipate issues that are material to the Group’s business model and guide strategy.

### Regulatory Standards

- ◆ Companies Act No. 7 of 2007
- ◆ Continuing listing requirements of the Colombo Stock Exchange
- ◆ Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- ◆ Shop and Office Employees Act of 1954
- ◆ Inland Revenue Act No. 24 of 2017

### Voluntary Standards

- ◆ Code of Best Practice on Corporate Governance issued by the SEC and ICASL (2017)
- ◆ Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)
- ◆ GRI Standards for Sustainability reporting issued by the Global Reporting Initiative

## Internal Policies

- ◆ Articles of Association
- ◆ Terms of References of Board sub-committees
- ◆ Comprehensive Framework of Board approved policies
- ◆ Enterprise Risk Management Policy
- ◆ Regulations imposed by the parent company Indian Oil Corporation (IOCL)
- ◆ Code of Conduct and Ethics
- ◆ DOA - Delegation of Authority

## Key changes to the Governance Framework

- ◆ Issue of Section 9 of the CSE Listing Rules on Corporate Governance - Road map prepared for compliance in full by 3rd quarter 2024. See pages 101 - 102 for the Statement of Compliance with Section 9 of the Listing Rules.
- ◆ Issue of a new Code of Best Practice on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka in December 2017 – The Company is

proactively ensuring full compliance with the Code along with the revised Listing Rules See pages 103 - 125 for the Statement of Compliance with the Code of Best Practices on Corporate Governance (2023).

- ◆ Issue of IFRS Sustainability Standards S1 and S2 This standard is yet to be issued locally and will be considered for adoption in 2024

The Board of LIOC, is the highest decision-making authority and has overall responsibility for determining the strategic direction of the Company, adopting a sound governance framework and setting in place robust risk management and internal control systems.

Being a subsidiary of one of the largest energy organisations Indian Oil Corporation Limited (IOCL), LIOC adopts and embraces the sound governance procedures and policies which are passed down from its parent company. The key elements of our governance framework comprise the governance structure and a compliance framework as set out above.

This report is structured on the principles of corporate governance set out in the Code of Best Practice on Corporate Governance issued by CA Sri Lanka 2017 and the listing rules of the Colombo Stock Exchange.

Institute of Chartered Accountants of Sri Lanka issued an updated code of Best Practice on Corporate Governance (2023) in December 2023. The updated code has been reviewed and will be adopted to the extent of business exigency and as required by the Company

## A.1 The Board

### Functions

The Board of Directors are the representatives of the shareholders of the Company holding the ultimate responsibility of determining the strategic direction and risk appetite of the Company while ensuring a sound governance framework is in place. The Corporate Management team led by the Managing Director holds the responsibility of executing the strategic plan of the Company whereas the Board assumes a supervisory

role in overseeing the management and its performance. In order to ensure a greater degree of focus on specific areas, the Board allocates sufficient time to attend the Board and Board Committee meetings to discuss and arrive at independent judgement on matters relating to strategy, performance, risk management, governance and business conduct.

The Board acknowledges its responsibility towards ensuring the Annual Report Provides a balanced view of the corporate governance practice which are expected to have an impact on all shareholders.

### Board Focus Areas in 2023/24

The Board strengthened engagement given the rapidly changing operating landscape and the direct impact on the Company's operations. Clearly defined guidelines and processes ensure the effectiveness of Board meetings

- ◆ Enhancing employee benefits and remuneration
- ◆ Strengthening competitive positioning in the auto fuel segment in response to market dynamics
- ◆ Compliance in new Rules of Colombo Stock Exchange
- ◆ Enhance the Company's CSR activities
- ◆ Expansion of Retail Outlets

### Directors

A1.	The Board
A2.	Chairman & Managing Director
A3.	Chairman's Role
A4.	Financial Acumen
A5.	Board Balance
A6.	Supply of Information
A7.	Appointments
A8.	Re-election
A9.	Board Appraisal
A10.	Annual Report Disclosures
A11.	Appraisal of the MD

## Roles and responsibilities

### Roles

- ◆ Represent and serve the interests of the shareholders by overseeing and appraising the strategies, policies and performance
- ◆ Optimise performance and build sustainable value for shareholders in accordance with the regulatory framework and internal policies.
- ◆ Establishing an appropriate governance framework encompassing compliance with the company values
- ◆ Ensure regulators are apprised of the company performance

### Responsibilities

- ◆ Setting the strategic direction and monitoring its effective implementation
- ◆ Establishing systems of risk management, internal control and compliance
- ◆ Ensuring integrity of financial reporting processes
- ◆ Developing a suitable corporate governance framework, policies and procedures

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The Board has appointed 05 board sub-committees to assist in the discharge of its duties as summarised below.

Audit Committee	2 Independent Non- Executive Directors and 1 Non-executive Director	<ul style="list-style-type: none"> <li>◆ Financial Reporting</li> <li>◆ Internal Controls</li> <li>◆ Internal Audit</li> <li>◆ External Audit</li> </ul>	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Senior Vice President (Finance)</li> <li>- Vice President (Finance)</li> </ul>
Remuneration Committee	2 Independent Non-executive Directors and 1 Non-executive Director	<ul style="list-style-type: none"> <li>◆ Remuneration of Managing Director and Key Management Personnel</li> <li>◆ HR Policies including Remuneration Policy</li> <li>◆ Organisation structure</li> <li>◆ HR Systems including Performance Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Senior Vice President (RS &amp; HR)</li> </ul>
Related Party Transaction Review Committee	2 Independent Non-executive Directors, 1 Non-executive Director and the Managing Director	<ul style="list-style-type: none"> <li>◆ Related Party Transaction Policy and processes</li> <li>◆ Market disclosures on related party transactions</li> <li>◆ Quarterly and annual disclosures of related party transactions</li> </ul>	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Senior Vice President (Finance)</li> <li>- Vice President (Finance)</li> </ul>
Nominations and Governance Committee	2 Independent Non-executive Directors, 1 Non-executive Director	<ul style="list-style-type: none"> <li>◆ Evaluate the appointment of Directors to the Board of Directors and Board Committees</li> <li>◆ Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account</li> <li>◆ Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.</li> </ul>	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Senior Vice President (Finance)</li> <li>- Vice President (Finance)</li> </ul>
Risk Committee	Managing Director and all Head of Divisions	<ul style="list-style-type: none"> <li>◆ Categorize and monitor risks</li> <li>◆ Analyze risk mitigating strategies</li> </ul>	<ul style="list-style-type: none"> <li>- SVP (Finance) as the Chief Risk Officer</li> </ul>

## Board Meetings

Board meetings are held quarterly and during the year the Board convened 04 times in Colombo. Sub-committees meet quarterly to discuss matters pertaining to each Committee as per their delegated responsibility and Terms of Reference.

### Prior to the meeting

- ◆ Directors are entitled to include matters and proposals in the agenda for discussion
- ◆ Managing Director draws up the agenda in coordination with the Division Heads and with the assistance of the Company Secretary
- ◆ Formal notice of meetings, the agenda and Board papers related to each Board meeting are circulated at least 7 days in advance of the Board meeting

- ◆ Documents are uploaded through a secure connection to the tablets of all directors in order to ensure that Board members have access to complete information prior to Board meetings
- ◆ Board members prepare in advance to ensure effective and robust discussions on key matters.

### During the meeting

- ◆ The Chairman encourages and facilitates constructive dialogue during Board meetings
- ◆ If a Director has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed and the Board Director excuses himself from the meeting during such discussions meetings, where Non-Executive Independent Directors who have no material interest in the transaction, are present.

- ◆ The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors on a need basis.
- ◆ Directors are also given the opportunity to participate via online platforms

### After the meeting

- ◆ Board minutes are prepared by the Company Secretary and circulated among Directors
- ◆ The Board minutes contain adequate details appropriate to the matters dealt with during Board meeting including relevant discussions and views.
- ◆ All proceedings of the Meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board Minutes.

### Attendance details of the Board and Sub-committees Meetings

Name of Director	Directorship Status	Board	Audit Committee	Related Party Transactions Review Committee	Nominations and Governance Committee
No of meetings held in year 2023-24		4	4	4	1
Mr. Sujoy Choudhury	Chairman/Non-executive Director	4	-	-	-
Mr. Dipak Das	Executive Director	4	-	4	-
Prof. Lakshman R Watawala	Independent Director	4	6	4	1
Mr. Amitha Gooneratne	Independent Director	4	6	4	1
Mr. Ruchir Agrawal	Non-executive Director	4	6	4	1
Mr. Saumitra P Srivastava	Non-executive Director	4	-	-	-

### Independent judgement

Directors' exercise independent judgment on aspects relating to strategy, resource allocation, performance, key appointments as well as standards of business conduct. The Board composition and representation ensures that there is a sufficient balance of power within the Board, with limited tendency for one or few members to dominate decision making.

The Board collectively and the Directors individually act in accordance with the laws of the country of operation which are applicable to the business enterprise. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations and present a compliance checklist to the Audit Committee.

In enhancing the effectiveness of the Board's decision making and preserve overall independence, the Company seeks independent professional advice when deemed necessary at the expense of the Company, coordinated through the Company Secretary.

### Responsibilities of the Company Secretary

The Company Secretary plays a critical role in ensuring the Board functions effectively. The key responsibilities are as follows:

- ◆ Handling matters pertaining to the conduct of Board Meetings and General Meetings
- ◆ Conduct of proceedings in accordance with the Articles of Association and relevant legislation
- ◆ Coordinating the publication and distribution of the Company's Annual Report
- ◆ Maintaining registers of shareholders, directors and secretary, directors' interests in shares and the seal register
- ◆ Filing statutory returns/information with the Registrar of Companies
- ◆ Adoption of best practice on corporate governance including facilitating and assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice

- ◆ Acting as a channel of communication and information for non-Executive Directors and shareholders
- ◆ Disclosures on related parties and related party transactions required by laws and regulations
- ◆ Monitoring and ensuring compliance with the listing rules and managing relations with the Stock Exchange
- ◆ Obtaining legal advice in consultation with the Board on company law, SEC,CSE and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations

### Board Induction and Development

On appointment, Directors are given an induction programme to familiarize them with the Company's business operation and internal control system. Additionally, in recognition of the need for continuous professional development all Directors are encouraged to engage in appropriate trainings considered beneficial towards carrying out their duties as Directors.

All member of the Board possess professional qualification from either India or Sri Lanka and conform to continuous professional development requirements of their respective professional bodies. In addition, Directors appointed ex-officio by the Parent Company, Indian Oil Corporation Limited (IOCL), India, attend training programs organised by the IOCL. The Managing Director and Independent Non-Executive Directors residing locally participate in forums/discussions conducted by the Sri Lanka Institute of Directors and other Corporate/Professional Bodies to enhance their knowledge and skills, wherever economic, social and environmental topics of importance and relevance are discussed in order to stay up to date on key business developments.

### A.2 Chairman and Managing Director

Functions of the Chairman and Managing Director are vested in two separate individuals to ensure balance of power and authority. The Chairman is a Non-Executive Director while the Managing Director is an Executive



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Director. Both are appointed ex-officio by the parent Company Indian Oil Corporation.

### A.3 Chairman's Role

The Chairman provides leadership to the Board, ensuring that all Directors contribute effectively to discussions while the Managing Director oversees the day-to-day operational activities. The responsibilities of the Chairman and Managing Director are given below.

#### Chairman

- ◆ Ensure that Board proceedings are conducted in a proper manner, including the circulation of information to Directors and maintenance of proper records
- ◆ Facilitating and encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions
- ◆ Ensuring compliance to all applicable laws and regulations
- ◆ Ensuring shareholder concerns are addressed

#### Managing Director

- ◆ Implement the decisions of the Board
- ◆ Be in charge of the overall operation and management of the Company
- ◆ Operate facilities of the Company including quality control
- ◆ To formulate rules and regulations of operation and management of the Company and the division of responsibilities and functions of various departments
- ◆ Propose the organizational structure suitable for the needs of the Company's business
- ◆ Representing the Company externally and act as key point of contact for shareholders on all matters related to Corporate Governance
- ◆ Submit the marketing, finance, and investment plans and quarterly and annual financial statements to the Board
- ◆ Annual capital and revenue budget
- ◆ Manage assets and day to day business operations of the company

- ◆ To execute and accept all contract, orders for the purchase and sale of materials, goods and services within limits stipulated in the Articles and Association and Delegation of Authority by the board of directors
- ◆ To enter into property leases on behalf of the company within limits stipulated in the Articles and Association.

### Senior Independent Director

The requirement of appointing a Senior Independent Director (SID) is set out in Section 9.6.3(e) of the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange (CSE) if the Chairman is a related party. The Chairman of LIOC is an appointed ex-officio by the parent Company IOCL and the SID is appointed in compliance with CSE Listing Rules.

### A.4 Financial Acumen

The Board members display a wide range of skills, experience, expertise and knowledge in the fields of banking, accounting and finance, business acumen, industry knowledge, legal and regulatory requirements and risk management. The Board believes that the current composition provides sufficient diversity and that the Directors possess the necessary knowledge and competencies to govern and support efficient decision making.

### A.5 Board Balance

A well-balanced Board is essential for the Company and each year the size and composition of the Board, and skills and competencies are reviewed to ensure the right balance is maintained. The Board of LIOC comprises of 6 members with 3 Non-Executive Directors and 2 Independent - Non-Executive Directors and Executive Director. The Parent entity IOCL nominates 4 directors to the Board, including the Chairman and the Managing Director.

Each Non-Executive Director signs a declaration of independence annually on the following criteria.

### Independence

Criteria	Compliance
Employment at LIOC immediately preceding appointment as Director	None of the two Independent Directors have been employed in LIOC prior to their appointment.
Material business relationship	None of the two Independent Directors have a Material Business Relationship with LIOC currently or immediately preceding their appointment.
Close family member who is a Director, CEO or a Key Management personnel (KMP)	No family members of Independent Directors are a Director, CEO or a KMP.
Shareholding of more than ten percent	None of the Independent Directors have more than ten percent shareholding of the Company
A Shareholder, Director or employed in another company or business, in which a majority of the other directors of LIOC are employed; or in which a majority of the other directors of LIOC have Significant Shareholding or Material Business Relationship; or that has a Significant Shareholding in LIOC or with which Lanka IOC PLC has a Business Connection	None of the Independent Directors fall in to this category

## A.6 Supply of Information

The directors have access to timely and accurate information including budgets and forecasts and periodic performance reports necessary to carry out duties and responsibilities effectively and efficiently. Quantitative and qualitative information which includes performance against objectives, stakeholder relationships, progress on achieving strategic objectives and risk indicators are furnished to all Directors prior to Board/Sub-Committee meetings. The Directors also have free and open access to Management at all levels to obtain further information or clarify any concerns.

## A.7 Appointments

IOCL holds responsibility for the appointment of new Directors, other than Independent Directors. In the event of a vacancy of an Independent Non-Executive Director, the Board reviews resumes presented by the Managing Director. Appointments of new Directors are communicated immediately to shareholders through the Colombo Stock Exchange. The communications typically include a brief resume of the newly appointed Director, relevant expertise, key appointments, shareholding and status of independence.

## A.8 Re-election

The re-election of Directors is governed by the Articles of Association and performed at the Annual General Meeting (AGM) of the Company. One third of all non-executive Directors retire from office each year at the AGM. The directors who shall seek re-election at this year's AGM will be indicated in the Notice of the Meeting.

Written communication is obtained from any Director resigning prior to completion of his appointed term.

## A.9 Board Appraisal

The Board periodically appraises its own performance to ensure responsibilities are satisfactorily discharged. Majority (04 out of 06) of Directors are ex-officio employees of the Parent company Indian Oil. The performance of these Directors is taken into account at the time of their annual performance appraisal at the parent company. In addition, Indian Oil conducts periodical internal audits of the affairs of the Company.

## A.10 Annual Report Disclosures

Information specified in the Code with regard to Directors are disclosed within this Annual Report.

## A.11 Appraisal of the MD

The Managing Director is appraised by the Board based on the short and medium-term targets and his contribution towards achieving the Company's strategic agenda. The Board considers performance vis-a vis the targets, the operating environment and considers explanations provided for areas where performance has been below expectations.

## B.1 Remuneration Procedures Directors Remuneration

- B1. Remuneration Procedures
- B2. Level & Makeup of Remuneration
- B3. Disclosure of Remuneration

The Non-Executive Directors including Chairman do not draw remuneration or sitting fees from LIOC. Independent Director's fees are determined by the Board supported by the Remuneration Committee who also seeks professional advice from HR professionals. When determining the remuneration policy, the Board strives to ensure that the interests of shareholders and employees are aligned, and Company can attract and retain high-performing and skilled employees. No individual director is involved in determining his own remuneration.

## B.2 Level and Makeup of Remuneration

The Remuneration Committee holds the responsibility of ensuring that the remuneration of Independent Non-Executive Directors are sufficient to attract distinguished professionals to the Board and retain them to drive the performance of the Company.

The remuneration package of the Managing Director is structured through parent company of LIOC.

The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as

and when necessary, to ensure that the remuneration is on par with market standards.

## B.3 Disclosure of Remuneration

The Remuneration Sub-Committee Report conforms to Schedule D-Specimen Remuneration Committee Report. The names of the Remuneration Sub-Committee members are set out on page 128 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 180 Note 23.2 to the Financial Statements.

## C.1 Constructive use of the AGM Relations with Shareholders

- C1. Constructive use of the AGM
- C2. Communication with shareholders
- C3. Material transactions

The Annual General Meeting (AGM) is used as the main platform for engaging with shareholders and is also the main forum of contact between minority shareholders and the Board.

The notice of the AGM, form of proxy and all relevant papers are sent to the shareholders at least 15 working days prior to the date of the AGM as required by the Statute. Separate resolutions are proposed for each significant item on the Agenda. Due to the Covid-19 pandemic the AGM of the last Financial Years were held online on a virtual platform and the shareholders were requested to register for the online AGM. The registered shareholders were sent a link to log in and participate and vote AGM. Also, the shareholders were requested to send in their queries online. Directors of the Board, including Chairman of Audit, Remuneration and Related Party Transaction Review Committees were available to clarify any points raised by the shareholders.

## C.2 Communication with shareholders

Shareholders may, at any time, request for publicly available information through the Company Secretary. The Company Secretary maintains a record of all correspondence received and delivers as soon as practicable such correspondence to the Board or individual Director/s as applicable, for a response. The Company will focus on open

## CORPORATE GOVERNANCE

communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company openly welcomes any suggestions from the shareholders and the Board of Directors is prepared to provide comprehensive explanations for queries of shareholders.

### C.3 Material transactions

The Directors ensure that any transaction which may affect the net asset base of the Company is communicated to the shareholders and required approvals are obtained in accordance with the Statutes.

### D.1 The Annual Report Accountability and Audit

- D1. The Annual Report
- D2. Risk Management & Internal Control
- D3. Audit Committee
- D4. Related Party Transactions Review Committee
- D5. Code of Business Conduct & Ethics
- D6. Corporate Governance Disclosures

The Board recognizes its responsibility to present a balanced and understandable assessment of the Company's performance, financial position and outlook. The financial statements included in this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards and is an integrated report compliant with the GRI guidelines. Interim performance reports are circulated within 45 days of each quarter end whilst other price sensitive information is disclosed in accordance with the reporting requirements prescribed by the Colombo Stock Exchange. The Board of Directors reviews and approves the Annual Report, prior to publication while the Interim Financials are reviewed and recommended by the Board Audit Committee and approved by the Board of Directors, prior to publication.

### D.2 Risk Management and Internal Control

The Board is responsible for the Group's internal control covering financial, operational, compliance and risk management aspects and ensuring the effectiveness of such controls. Emphasis is placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making.

### D.3 Audit Committee

The Board has established an Audit Committee holding supervisory responsibility on how the Company should select and apply accounting policies, financial reporting and internal control principles while maintaining an appropriate relationship with the external auditors. Further detail is provided in the Audit Committee Report set out on page 126.

### D.4 Related Party Transactions Review Committee

The Related Party Transactions Review Committee has oversight responsibility for related party transactions. Further detail on the committee's functions is provided in the Related Party Transactions Review Committee report set out on page 129.

### D.5 Code of Business Conduct and Ethics

The Company's Code of Conduct and Business ethics are applicable to all employees, the Senior Management and the Board of Directors. The Code sets out the expected conduct of employees when interacting with stakeholders and includes considerations on labour and human rights as well as social and environmental sustainability. The Directors are expected to promote a culture of ethical behavior and compliance and any issues related to the breach of this Code by any Director will be investigated by the Board.

The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or any corporate management member of the Company.

### D.6 Corporate Governance Disclosures

The Corporate Governance Report set out on pages 101 to 125 describes the extent to which LIOC adheres to established principles and practices of good corporate governance.

### E. Institutional and Other Investors

- E1. Shareholder voting
- E2. Evaluation of governance disclosures
- E3. Investing/divesting decision

Institutional and other investors are encouraged to participate in the annual general meetings and exercise their voting rights.

#### E1. Shareholder voting

Institutional and other investors are encouraged to participate in the Annual General Meetings and exercise their voting rights.

#### E.2 Evaluation of Governance Disclosures

Institutional investors are encouraged to give due consideration to all relevant factors related to Board structure and composition.

#### E.3 Investing/divesting decision

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

### G. Internet of things and cyber security

The board is greatly aware of the need for management of internet and cyber risk and management of this risk has been assigned to VP (Finance) who is responsible for implementation of IT policy. Internet and cyber security are also an agenda of monthly Senior management committee meeting and same is apprised to the risk management committee of the Board wherever necessary based on the significance.

The IT policy and security are also part of annual statutory audit of financial statements. A summary of IT & security policy is given below.

IT Policy	e- Security Policy
Procurement of hardware & software and maintenance	General Security Policies
internet Connectivity and Email accounts	Virus Protection policy
Training	Access Controls & Workstation security
Business Continuity Plan & Retention of Data	User Responsibility & Confidentiality
internet Usage policy	Monitoring Internet Usage Usage Restricted activities

## H. Environment Society and Governance (ESG) Reporting

ESG principles are embedded in our operations and considered in formulating our business strategy and reported in a holistic manner within this report. Integrated reporting and Global Reporting Initiative Guidelines are followed in reporting and disclosure of ESG factors.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

A.	Directors	Status of Compliance	
A.1	The Board	Board Composition Governance and Structure	Complied
	Board Meetings	Board Meetings	Complied
A.1.2	Role & Responsibilities of the Board	Roles & Responsibilities	Complied
A.1.3	Independent Professional Advice	Independent Judgement	Complied
A.1.4	Access to advice and services of Company Secretary	Company Secretary	Complied
A.1.5	Independent Judgement	Independent Judgement	Complied
A.1.6	Dedicate Adequate Time and Effort Board Pack	Board Meetings	Complied
A.1.7	Calls for Resolutions	Board Meetings	Complied
A.1.8	Board Induction and Training	Board Induction and Development	Complied
A.2	Chairman & Managing Director Officer	Roles and Responsibilities-The Chairman	Complied
A.3	Chairman's Role in Preserving Good Corporate Governance	Roles and Responsibilities-The Chairman	Complied
A.4	Availability of Financial Acumen	Financial acumen	Complied
A.5	Board Balance	Board Composition Independent Judgement Board Meetings Board of Directors	Complied
A.6	Provision of Appropriate and Timely Information	Board Meetings Supply of information	Complied
A.7	Appointments to the Board	Appointments	Complied
A.8	Re-election of Directors	Re-election	Complied
A.9	Appraisal of Board Performance	Board Appraisal	Complied
A.10	Disclosure of information in respect of Directors	Profiles Board Sub-Committees Attendance at Meetings	Complied
A.11	Appraisal of the Managing Director	Appraisal of the MD	Complied
B.	Directors' Remuneration		
B.1	Remuneration Procedure	Remuneration Procedure	Complied
B.2	Level & Make up of Remuneration	Level and Make up of Remuneration	Complied
B.3	Disclosures related to Remuneration in Annual Report	Disclosure of Remuneration Report of the Remuneration Committee	Complied

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C. Relations with Shareholders			Status of Compliance
C.1	Constructive use of the AGM	Constructive use of the AGM	Complied
C.2	Communication with shareholders	Communication with shareholders	Complied
C.3	Disclosure of Major and Material Transactions	Material transactions	Complied
D. Accountability and Audit			Status of Compliance
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and outlook	The Annual Report	Complied
		Managing Director and Chief Financial Officer's Responsibility Statement	Complied
		Statement of Directors' Responsibilities in Relation to the Annual Financial Statements	Complied
		Annual Report of the Board of Directors on the Affairs of the Company	Complied
		Independent Auditors' Report	Complied
		Related Party Transactions	Complied
		1. Note 23 in the Financial Statements 2. Report of the RPTRC	Complied
D.2	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Risk Management	Complied
		Risk Committee Report	Complied
D.3	Audit Committee	Board Audit Committee Report	Complied
D.4	Related Party Transactions Review Committee	Board Related Party Transactions Review Committee report	Complied
D.5	Code of Conduct and Ethics	Chairman's Perspective	Complied
		Code of Conduct and Ethics	Complied
D.6	Corporate Governance Disclosures	Corporate Governance Report	Complied
E. Institutional and Other Investors			Status of Compliance
E.1	Encourage voting at AGM – institutional and other investors	Shareholder voting	Complied
E.2	Evaluation of governance disclosures	Evaluation of governance disclosures	Complied
E.3	Investing/divesting decisions	Investing/divesting decisions	Complied
G. Internet of Things & Cyber security			Status of Compliance
G.1	Identify connectivity and related cyber risks	Internet of Things and Cyber security	Complied
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	Internet of Things and Cyber security	Complied
G.3	Include cyber security on Board agenda	Internet of Things and Cyber security	Complied
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Internet of Things and Cyber security	Complied
G.5	Disclosures in Annual Report	Internet of Things and Cyber security	Complied
H. Environment, Society & Governance			Status of Compliance
H.1	ESG Reporting	Strategy and Value Creation (pages 34 to 37)	Complied
		Operational Review (page 38 to 46)	
		Capital Reports (pages 48 to 70)	
		Corporate Governance (pages 76 to 86)	



## SECTION 7.10 – CORPORATE GOVERNANCE AND SECTION 9 – RELATED PARTY TRANSACTIONS

Rule 7.10 of the Listing Rules [previous Corporate Governance Requirements which were in force prior to 1st October 2023] shall continue to be effective until 1st October 2024 and the Listed Entities shall at a minimum comply with the below mentioned Rules during the said transitional period. Companies should at least disclose the following in Annual Reports for the Y/E 31st December 2023 and 31st March 2024.

Rule Ref	Disclosure Requirement	Status of Compliance
7.10	Compliance Statement confirming compliance with the Corporate Governance Rules and if unable to confirm compliance, reasons for the same	Complied
7.10.1	Non – Executive Directors Number of Non-Executive Directors in compliance with the Rule.	Complied
7.10.3	Disclosures Relating to Directors Disclose compliance with the following; <ul style="list-style-type: none"> <li>◆ Annual determination of independence of directors based on declaration by directors</li> <li>◆ If a director does not qualify any independence criteria but considered nevertheless independent by the board, criteria not met and basis for such determination</li> <li>◆ Brief resume of each director including the nature of his/her expertise in relevant functional areas</li> </ul>	Complied
7.10.5	Remuneration Committee <ul style="list-style-type: none"> <li>◆ Names of directors comprising the committee,</li> <li>◆ Remuneration policy</li> <li>◆ Aggregate remuneration paid to executive and non-executive directors.</li> </ul>	Complied
7.10.6	Audit Committee <ul style="list-style-type: none"> <li>◆ Names of the directors comprising the committee</li> <li>◆ Determination of the independence of the auditors and basis for such determination</li> <li>◆ Report by the audit committee, setting out the manner of compliance by the Entity in relation to 7.10.6.</li> </ul>	Complied
9.3.2 (a)	Related Party Disclosures non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) <ul style="list-style-type: none"> <li>Name of the RP</li> <li>Relationship Value of RPT</li> <li>Value as % of equity and total assets Terms and Conditions</li> <li>Rationale</li> </ul>	Complied
9.3.2 (b)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format) <ul style="list-style-type: none"> <li>Name of the RP</li> <li>Relationship Nature of RPT</li> <li>Value of aggregate RPT Value as % of gross income Terms and Conditions</li> </ul>	Complied
9.3.2 (c)	RPT Review Committee Report <ul style="list-style-type: none"> <li>◆ Names of the Directors comprising the Committee.</li> <li>◆ Statement that committee has reviewed RPTs and communicated comments/observations to the Board</li> <li>◆ Policies and procedures adopted by the Committee Number of committee meetings</li> </ul>	Complied
9.3.2 (d)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.	Complied

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## Disclosures required by the Companies Act No. 7 of 2007

Section Reference	Disclosure Requirement	Page Ref.	Status of Compliance
168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors on the Affairs of the Company	Complied
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Financial statements and Notes to the financial statements	Complied
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Independent Auditors' Report	Complied
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements	Complied
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors	Complied
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the financial statements	Complied
168 (1) (g)	Corporate Donations made by the Company during the accounting period	Annual Report of the Board of Directors on the Affairs of the Company	Complied
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Board of Directors	Complied
168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Notes to the financial statements	Complied
168 (1) (j)	Auditors' relationship or any interest with the Company	Annual Report of the Board of Directors	Complied
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Annual Report of the Board of Directors	Complied

### Section B

This section covers the Company's extent of adherence to the Corporate Governance Rules set out in Section 9 of the Listing Rules of the Colombo Stock Exchange. The following table presents the details of the Company's compliance with Section 9 of the CSE Listing Rules on Corporate Governance as at 31st March 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.2 Policies (Effective from 01/10/2024)	9.2.1	<p>Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p> <ul style="list-style-type: none"> <li>(a) Policy on the matters relating to the Board of Directors</li> <li>(b) Policy on Board Committees</li> <li>(c) Policy on Corporate Governance, Nominations and Re-election</li> <li>(d) Policy on Remuneration</li> <li>(e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</li> <li>(f) Policy on Risk management and Internal controls</li> <li>(g) Policy on Relations with Shareholders and Investors</li> <li>(i) Policy on Environmental, Social and Governance Sustainability</li> <li>(j) Policy on Control and Management of Company Assets and Shareholder</li> <li>(k) Investments</li> <li>(l) Policy on Corporate Disclosures</li> <li>(m) Policy on Whistleblowing</li> <li>(n) Policy on Anti-Bribery and Corruption</li> </ul>	

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	Not Applicable
	9.2.3	Listed Entities shall disclose in its Annual Report: <ul style="list-style-type: none"> <li>(i) the list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website.</li> <li>(ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.</li> </ul>	Complied
	9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Complied
9.3 Board Committees	9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; <ul style="list-style-type: none"> <li>(a) Nominations and Governance Committee</li> <li>(b) Remuneration Committee</li> <li>(c) Audit Committee</li> <li>(d) Related Party Transactions Review Committee.</li> </ul>	Complied
	9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above-Board committees as set out in these Rules.	Complied
	9.3.3 (Effective from 01/10/2024)	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	
9.4 Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. <ul style="list-style-type: none"> <li>(a) The number of shares in respect of which proxy appointments have been validly made;</li> <li>(b) The number of votes in favour of the resolution;</li> <li>(c) The number of votes against the resolution; and</li> <li>(d) The number of shares in respect of which the vote was directed to be abstained.</li> </ul>	Complied
	9.4.2	Communication and relations with shareholders and investors <ul style="list-style-type: none"> <li>(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</li> <li>(b) Listed Entities shall disclose the contact person for such communication.</li> <li>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</li> <li>(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</li> </ul>	Complied

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Section	Rule No	Corporate Governance Rule	Status of Compliance
9.5 Policy on matters relating to the Board of Directors	9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <ul style="list-style-type: none"> <li>(a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</li> <li>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,                             <ul style="list-style-type: none"> <li>(i) set out the rationale for combining such positions; and,</li> <li>(ii) require the Board Charter of the Listed Entity to contain terms of reference/ functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</li> <li>(iii) set out the measures implemented to safeguard the interests of the SID.</li> </ul> </li> <li>(c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</li> <li>(d) stipulate the maximum number of Directors with the rationale for the same</li> <li>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</li> <li>(f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</li> <li>(g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</li> <li>(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</li> <li>(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</li> <li>(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</li> </ul>	Complied
	9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	Complied
9.6 Chairperson and CEO	9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	Complied
	9.6.2	<p>A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).</p> <p>Such Market Announcement shall include the following:</p> <ul style="list-style-type: none"> <li>(a) The reasons for non-compliance</li> <li>(b) The rationale for combining the positions of the Chairperson and CEO</li> </ul>	Not Applicable

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.6.3	<p>The Requirement for a SID</p> <p>(a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:</p> <p>i. The Chairperson and CEO are the same person</p> <p>ii. The Chairperson and CEO are Close Family Members or Related Parties</p> <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.</p> <p>(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board.</p> <p>The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3.(b) and (c) above.</p> <p>(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	<p><span style="border: 1px solid green; border-radius: 10px; padding: 2px;">Complied</span></p> <p>SID was appointed since the chairman is a related party</p>
	9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	<b>Not Applicable</b>
9.7 Fitness of Directors and CEOs	9.7.1	<p>The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:</p> <p>In evaluating fitness and propriety of the persons referred in these Rules, Listed Entities shall utilize the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 below.</p>	<span style="border: 1px solid green; border-radius: 10px; padding: 2px;">Complied</span>
	9.7.2	Listed Entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.	<span style="border: 1px solid green; border-radius: 10px; padding: 2px;">Complied</span>
	9.7.3	<p>Fit and Proper Assessment Criteria:</p> <p>a) Honesty, Integrity and Reputation</p> <p>A Director or the CEO of a Listed Entity shall not be considered 'fit and proper' if she or he;</p> <p>(i) has been convicted by a competent court of law in respect of a market offence for which he/she has been charged under the SEC Act or Securities Laws outside of Sri Lanka.</p>	<span style="border: 1px solid green; border-radius: 10px; padding: 2px;">Complied</span>



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Section	Rule No	Corporate Governance Rule	Status of Compliance
		<ul style="list-style-type: none"> <li>(ii) in his/her individual capacity or as a part of any business that he/she has been involved in, who/which has had a license or registration that has been cancelled by the SEC or any other regulatory authority.</li> <li>(iii) has been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that he/she acted fraudulently or dishonestly.</li> <li>(iv) has been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies.</li> <li>(v) has been disqualified from acting as a Director or CEO of a company or has been dismissed or requested to resign from any position or office by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.</li> <li>(vi) has been disqualified from acting as a CEO/Key Management Person/Director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRCSL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRCSL respectively.</li> <li>(vii) has been a Director or the CEO of any Listed Entity which has been delisted by the Exchange in the circumstances specified in Rule 11.3 of these Rules.</li> </ul>	
		<p>b) Competence and Capability</p> <p>A Director or the CEO of an Entity shall not be considered as 'fit and proper' if she or he;</p> <ul style="list-style-type: none"> <li>(i) does not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Listed Entity in terms of Rule 9.11.5 of these Rules which are required to efficiently contribute to the business operations of the Entity in his/her capacity as a Director/CEO (as applicable).</li> <li>(ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.</li> </ul>	
		<p>c) Financial Soundness</p> <p>A Director or the CEO of an Entity shall not be considered as a 'fit and proper person' by the Exchange, if she or he;</p> <ul style="list-style-type: none"> <li>(i) does not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Listed Entity in terms of Rule 9.11.5 of these Rules which are required to efficiently contribute to the business operations of the Entity in his/her capacity as a Director/CEO (as applicable).</li> <li>(ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.</li> </ul>	
		<p>c) Financial Soundness</p> <p>A Director or the CEO of an Entity shall not be considered as a 'fit and proper person' by the Exchange, if she or he;</p>	

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<ul style="list-style-type: none"> <li>(i) is an undischarged bankrupt or a person on whose behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.</li> <li>(ii) has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.</li> <li>(iii) has been in a position capable of exercising significant influence in a company that has:               <ul style="list-style-type: none"> <li>(a) been declared bankrupt within or outside of Sri Lanka; or</li> <li>(b) its assets sequestrated for the non-satisfaction of a judgement debt.</li> </ul> </li> </ul>	
	9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	
	9.7.5	<p>Disclosures in the Annual Report of Listed Entities</p> <p>Listed Entities shall include the following disclosures/reports in the Annual Report;</p> <ul style="list-style-type: none"> <li>a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.</li> <li>b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.</li> </ul>	Complied
9.8 Board Composition	9.8.1 (Effective from 01/10/2024)	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Complied
	9.8.2 (Effective from 01/10/2024)	<p>Minimum Number of Independent Directors:</p> <ul style="list-style-type: none"> <li>(a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.</li> <li>(b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.</li> </ul>	Complied

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Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.8.3	<p>Criteria for determining independence:</p> <p>A Director shall not be considered independent if he/she:</p> <ul style="list-style-type: none"> <li>(i) has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director.</li> <li>(ii) currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with the Listed Entity, whether directly or indirectly.</li> <li>(iii) currently has/had during the preceding financial year a Close Family Member who is a Director and/or CEO in the Listed Entity.</li> <li>(iv) has a Significant Shareholding in the Listed Entity.</li> <li>(v) has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment.</li> <li>(vi) is employed in another company or business; <ul style="list-style-type: none"> <li>a. in which a majority of the other directors of the Listed Entity are employed or are directors; or</li> <li>b. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or</li> <li>c. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.</li> </ul> </li> <li>(vii) is a director of another company; <ul style="list-style-type: none"> <li>a. in which a majority of the other directors of the Listed Entity are employed or are directors; or</li> <li>b. that has a Business Connection in the Listed Entity or a Significant Shareholding.</li> </ul> </li> <li>(viii) has a Material Business Relationship or a Significant Shareholding in another company or business; <ul style="list-style-type: none"> <li>a. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or</li> <li>b. which has a Business Connection with the Listed Entity or Significant Shareholding in the same; and/or</li> <li>c. where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.</li> </ul> </li> <li>(ix) is above the age of seventy (70) years.</li> </ul>	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.8.5	<p>The Board of Directors of Listed Entities shall require:</p> <ul style="list-style-type: none"> <li>(a) Each Independent Director to submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</li> <li>(b) Make an annual determination as to the “independence” or “non-independence” of each Independent Director based on the Directors’ declaration and other information available to it and shall set out the names of Directors determined to be ‘independent’ in the Annual Report.</li> <li>(c) If the Board of Directors determines that the Independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</li> </ul>	Complied
9.9 Alternate Directors		<p>If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity:</p> <ul style="list-style-type: none"> <li>(a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.</li> <li>(b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity.</li> <li>(c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made.</li> <li>(d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following: <ul style="list-style-type: none"> <li>i. The exceptional circumstances leading to such appointment;</li> <li>ii. The information on the capacity in which such Alternate Director is appointed, i.e., whether as an Executive, Non-Executive or Independent Director;</li> <li>iii. The time period for which he/she is appointed, which shall not exceed one (1) year from the date of appointment; and,</li> <li>iv. A Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.</li> </ul> </li> <li>(e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.</li> </ul>	Not Applicable
9.10 Disclosures relating to Directors	9.10.1	<p>Listed Entities shall disclose its policy on the maximum number of directorships it’s Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.</p>	Complied

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Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.10.2	<p>Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;</p> <ul style="list-style-type: none"> <li>i. a brief resume of such Director;</li> <li>ii. his/her capacity of directorship; and,</li> <li>iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.</li> </ul>	Complied
	9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Complied
	9.10.4	<p>Listed Entities shall also disclose the following in relation to the Directors in the Annual Report:</p> <ul style="list-style-type: none"> <li>(a) name, qualifications and brief profile;</li> <li>(b) the nature of his/her expertise in relevant functional areas;</li> <li>(c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity;</li> <li>(d) whether Executive, Non-Executive and/or independent Director;</li> <li>(e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;</li> <li>(f) number of Board meetings of the Listed Entity attended during the year;</li> <li>(g) names of Board Committees in which the Director serves as Chairperson or a member;</li> <li>(h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,</li> <li>(i) The terms of reference and powers of the SID</li> </ul>	Complied
9.11 Nominations and Governance Committee (Effective From 01/10/2024)	9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules.	Complied
	9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	Complied
	9.11.3	The Nominations and Governance Committee shall have a written term of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied



Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.11.4	<p>Composition</p> <p>(1) The members of the Nominations and Governance Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.</p> <p>(3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.</p>	Complied
	9.11.5	<p>Functions</p> <p>The functions of the Nominations and Governance Committee shall include the following:</p> <p>(i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.</p> <p>(ii) Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;</p> <ul style="list-style-type: none"> <li>• the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and,</li> <li>• the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.</li> </ul> <p>(iii) Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.</p> <p>(iv) Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.</p> <p>v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.</p> <p>(vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.</p> <p>(vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.</p> <p>(viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.</p> <p>(ix) Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.</p> <p>(x) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.</p>	Complied

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Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.11.6	<p>Disclosures in Annual Report</p> <p>The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson.</p> <p>The said report shall include the following;</p> <p>(a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members);</p> <p>(b) the date of appointment to the Committee;</p> <p>(c) whether a documented policy and processes are in place when nominating Directors;</p> <p>(d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years;</p> <p>(e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance;</p> <p>(f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors.</p> <p>(g) The following information regarding directors who are re-elected or being proposed for re-election during the year:</p> <ul style="list-style-type: none"> <li>• Board Committees served on (as a member or Chairperson),</li> <li>• Date of first appointment as a Director,</li> <li>• Date of last re-appointment as a Director,</li> <li>• Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities; and,</li> <li>• Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity.</li> </ul> <p>(h) Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Entity as specified in Rule 9.11.5 above</p> <p>(i) Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity;</p> <p>(j) Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement;</p> <p>(k) Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement.</p> <p>(l) A statement that the Directors of the Listed Entity meet the criteria for determining independence.</p> <p>(m) A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Listed Entity's fail to comply with any provisions of such Rules, a statement explaining the reason for such noncompliance and the proposed remedial action taken for the rectification of such noncompliance.</p>	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.12 Remuneration Committee	9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Complied
	9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	Complied
	9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	Complied
	9.12.5	Remuneration Committee shall have a written term of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied
	9.12.6	<p>Composition</p> <p>(1) The members of the Remuneration Committee shall; (Effective from 01/10/2024)</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p>	Complied
	9.12.7	<p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p>	Complied
	9.12	<p>Disclosure in Annual Report</p> <p>The Annual Report should set out the following:</p> <p>(a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company);</p> <p>(b) A statement regarding the remuneration policy; and,</p> <p>(c) The aggregate remuneration of the Executive and Non-Executive Directors.</p>	Complied
9.13 Audit Committee	9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	Complied
	9.13.2	The Audit Committee shall have a written term of reference clearly defining its scope, authority and duties.	Complied

## CORPORATE GOVERNANCE

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.13.3 (effective from 01/10/2024)	<p>Composition</p> <p>(1) The members of the Audit Committee shall;</p> <p>(a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.</p> <p>(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.</p> <p>(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.</p> <p>(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.</p> <p>(6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.</p> <p>Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.</p> <p>(7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.</p>	Complied
	9.13.4 (Effective from 01/10/2024)	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p>	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<ul style="list-style-type: none"> <li>(a) changes in or implementation of major accounting policy changes;</li> <li>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</li> <li>(c) compliance with accounting standards and other legal requirements;</li> <li>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</li> <li>(e) any letter of resignation from the external auditors of the Listed Entity; and,</li> <li>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</li> <li>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</li> <li>(iv) Obtain and review assurance received from: <ul style="list-style-type: none"> <li>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</li> <li>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</li> </ul> </li> <li>(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.</li> <li>(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.</li> <li>(viii) Review the risk policies adopted by the Entity on an annual basis.</li> <li>(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.</li> <li>(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.</li> </ul>	



# CORPORATE GOVERNANCE

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Section	Rule No	Corporate Governance Rule	Status of Compliance
		<p>(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.</p> <p>(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.</p> <p>(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.</p> <p>(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.</p>	
	9.13.5  (Effective from 01/10/2024)	<p>Disclosures in Annual Report</p> <p>(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.</p> <p>(2) The Audit Committee Report shall contain the following disclosures:</p> <p>(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of group company);</p> <p>(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).</p> <p>(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.</p> <p>(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(e) whether the Listed Entity has a formal Audit Charter;</p> <p>(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;</p> <p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p>	<span style="border: 1px solid green; border-radius: 10px; padding: 2px 5px; color: green; font-weight: bold;">Complied</span>

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<p>(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</p> <p>(i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non-audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.</p>	
9.14 Related Party Transactions Review Committee	9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	Complied
	9.14.2	<p>Composition</p> <p>(1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.</p> <p>(2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.</p>	Complied
	9.14.3	<p>Functions</p> <p>(1) Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.</p> <p>(2) The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, C EOs or Substantial Shareholders taking advantage of their positions.</p> <p>(3) When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.</p> <p>(4) The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.</p>	Complied

## CORPORATE GOVERNANCE

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.14.4	<p>General Requirements</p> <p>(1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.</p> <p>(2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.</p> <p>(3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.</p> <p>(4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:</p> <p>(a) be present while the matter is being considered at the meeting; and,</p> <p>(b) vote on the matter.</p>	Complied
	9.14.5	<p>Review of Related Party Transactions by the Related Party Transactions Review Committee</p> <p>(1) Subject to the exemptions given in terms of Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.</p> <p>(2) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.</p> <p>(3) The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management to facilitate the review of a Related Party Transaction. Such information shall include where applicable:</p> <p>(i) the Related Party's relationship to the Listed Entity and interest in the transaction;</p> <p>(ii) the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;</p> <p>(iii) the benefits of the proposed Related Party Transaction to the Listed Entity;</p> <p>(iv) the availability of other sources of comparable products or services; and</p> <p>(v) an assessment of whether the proposed Related Party Transaction is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally.</p>	Not Applicable

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<p>(4) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall take into account the following, among other factors it deems appropriate:</p> <ul style="list-style-type: none"> <li>(i) the facts and circumstances made available to it as set out above,</li> <li>(ii) the views of the Chairperson of the Board of Directors and the Chairperson of the Nominations and Governance and/or Audit Committee of the impact of the proposed Related Party Transaction on a director's independence (if the related party is a director, a close family member of a director or an entity in which a director is a partner, shareholder or executive officer); and</li> <li>(iii) whether the Related Party Transaction requires immediate market disclosure, as set out in these Rules.</li> </ul> <p>(5) No Director shall participate in any discussion of a proposed Related Party Transaction in which he or she is a Related Party, except that the Director, at the request of the Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the Committee, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.</p> <p>(6) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.</p>	
	9.14.6	<p>Shareholder Approval</p> <p>(1) Listed Entities shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions:</p> <ul style="list-style-type: none"> <li>(A) If a non-recurrent transaction; <ul style="list-style-type: none"> <li>(i) Any Related Party Transaction of a value equal to, or more than: <ul style="list-style-type: none"> <li>(a) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; or</li> <li>(b) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other nonrecurrent transactions entered into with the same Related Party during the same financial year.</li> </ul> </li> <li>(ii) If the Listed Entity acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity or its associates.</li> </ul> </li> <li>(B) If a recurrent transaction; <ul style="list-style-type: none"> <li>Any recurrent Related Party Transaction of a value equal to, or more than:</li> </ul> </li> </ul>	Not Applicable

# CORPORATE GOVERNANCE

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<ul style="list-style-type: none"> <li>(i) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity; or</li> <li>(ii) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year; And;</li> <li>(iii) the transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favourable to the Related Party than those generally available to the public.</li> </ul> <p>(2) In relation to Rules 9.14.6 (1) (A) (i) (b) and 9.14.6 (1)(B) (ii) above, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.</p> <p>(3) If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.</p>	
	9.14.7	<p>Disclosures</p> <p>(1) Immediate Disclosures</p> <p>A Listed Entity shall make an immediate Market Announcement to the Exchange;</p> <ul style="list-style-type: none"> <li>(a) of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements; or</li> <li>(b) of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements.</li> </ul>	<b>Not Applicable</b>
	9.14.8	<p>Listed Entities shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.</p> <p>The Market Announcement to the Exchange shall include:</p> <ul style="list-style-type: none"> <li>(i) the date of the transaction or the period where applicable</li> <li>(ii) the name of the relevant Related Party</li> <li>(iii) the relationship between the Listed Entity and the Related Party</li> <li>(iv) details of the transaction including the amount, relevant terms of the transaction and the basis on which the terms were arrived at</li> </ul>	<b>Not Applicable</b>



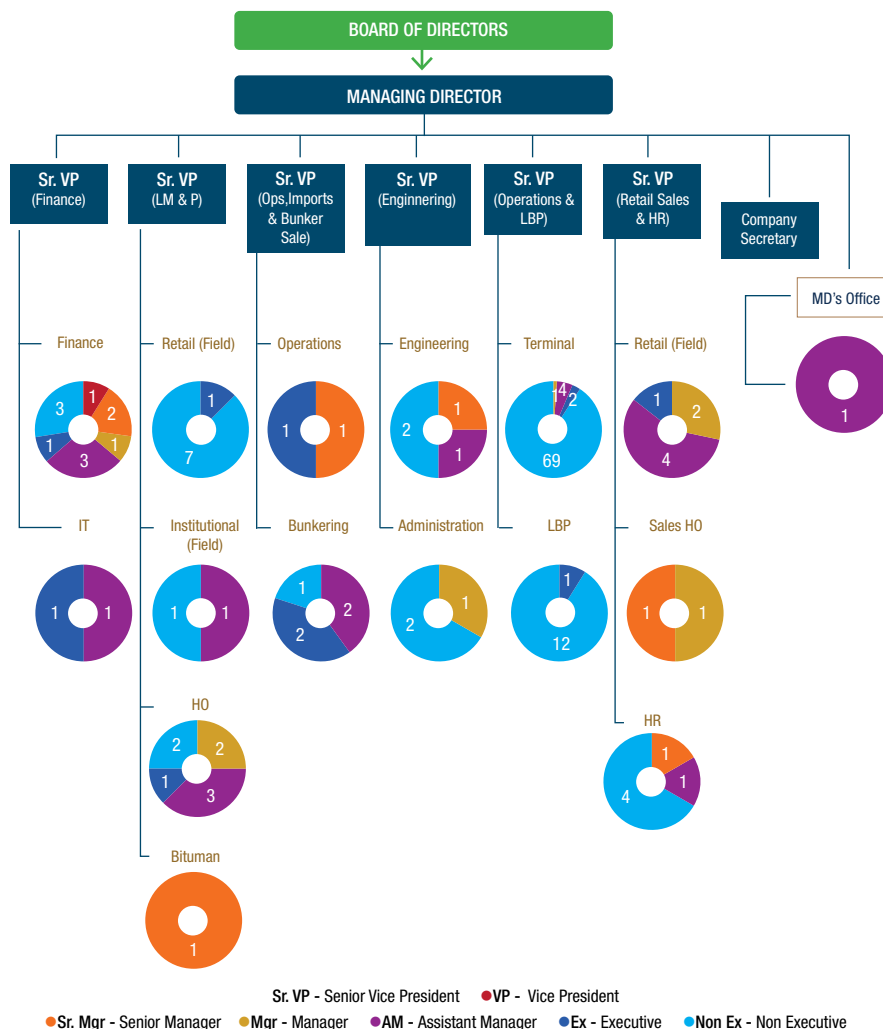
Section	Rule No	Corporate Governance Rule	Status of Compliance
		<p>(v) the rationale for entering into the transaction</p> <p>(vi) the following statement:                      “The Related Party Transactions Review Committee of the Entity is of the view that the transaction/s is/are on normal commercial terms, and is/are not prejudicial to the interests of the Entity and its minority shareholders and the Related Party Transaction Review Committee is/is not (delete as applicable) obtaining an opinion from an independent expert prior to forming its view on the transaction.”</p> <p>(vii) the aggregate value of the Related Party Transactions for the financial year with the particular Related Party whose transaction is the subject of the announcement and the aggregate value of all non-recurrent Related Party Transactions for the same financial year.</p>	
	9.14.9	<p>Disclosures in the Annual Report</p> <p>(1) In the case of Non-recurrent Related Party Transactions: if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets of the Listed Entity, whichever is lower, as per the latest Audited Financial Statements the following information must be presented in the Annual Report.</p> <p>(2) In the case of Recurrent Related Party Transactions: if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented.</p> <p>(3) The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:</p> <ul style="list-style-type: none"> <li>• The names of the Directors comprising the Committee;</li> <li>• A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/ observations to the Board of Directors.</li> <li>• The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</li> </ul> <p>(4) An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Entity has not entered into any Related Party Transaction/s a negative statement to that effect.</p>	Not Applicable
		<p>Acquisition and Disposal of Assets from/to Related Parties</p> <p>(1) Except for transactions set out in Rule 9.14.10, Listed Entities shall ensure that neither the Listed Entity nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution.</p>	Not Applicable

## CORPORATE GOVERNANCE

Section	Rule No	Corporate Governance Rule	Status of Compliance
		<p>An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Entity as per the latest Audited Financial Statements.</p> <p>(2) If a transaction requires shareholder approval as set out in Rule 9.14.9(1) above, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.</p> <p>(3) Rule 9.14.9(1) does not apply to:</p> <ul style="list-style-type: none"> <li>• a transaction between the Listed Entity and a wholly owned subsidiary.</li> <li>• a transaction between wholly owned subsidiaries of the Listed Entity.</li> <li>• a takeover offer made by the Listed Entity in accordance with Takeovers and Mergers Code 1995 (as amended).</li> <li>• any transaction entered into by the Listed Entity with a Bank as principal, on arm's length terms and in the ordinary course of its banking business.</li> </ul> <p>(4) The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of the Listed Entity or who has a Significant Interest in or Financial Connection with the Listed Entity or the relevant Related Party shall not be eligible to give such advice.</p> <p>(5) The competent independent advice obtained in terms of Rule 9.14.9 (4) above should be circulated with the notice of meeting to obtain the shareholder approval as set out in Rule 9.14.9 (1) above.</p> <p>(6) The competent independent advice required in terms of Rule 9.14.9 (4) shall include:</p> <ul style="list-style-type: none"> <li>(a) the key assumptions, conditions or restrictions that impact the estimate value;</li> <li>(b) the different valuation methodologies considered and employed in valuing the subject asset/s and justification for adopting one or more of them in the valuation;</li> <li>(c) the sources of information relied upon for the valuation;</li> <li>(d) the identity of individuals participating in the valuation assignment and their qualifications;</li> <li>(e) statement confirming the independence of the parties participating in the advice;</li> <li>(f) a statement as to whether the transaction is on usual commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Listed Entity and its shareholders as a whole.</li> </ul>	

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.16 Additional Disclosures		<p>The following declarations by the Board of Directors to be included in the Annual Report:</p> <ul style="list-style-type: none"> <li>(i) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;</li> <li>(ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;</li> <li>(iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;</li> <li>(iv) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.</li> </ul>	Complied

Governance structure



# AUDIT COMMITTEE REPORT



**Prof. Lakshman R Watawala**  
Chairman - Audit Committee

## COMPOSITION

**Prof. L R Watawala\*** - Chairman

**Mr. Amitha Gooneratne\***

**Mr. R V N Vishweshwar**

Appointed w.e.f. 20.03.2024

**Mr Ruchir Agrawal \*\***

Ceased to be a member on 20.03.2024

*\*Independent Non-Executive Director*

*\*\*Non-Executive Director*

## MEETINGS

Name	No. of meetings attended
<b>Prof. L R Watawala</b>	06
<b>Mr. Amitha Gooneratne</b>	06
<b>Mr. Ruchir Agrawal</b>	06

## ATTENDEES BY INVITATION

**Mr. Dipak Das** - Managing Director

**Mr. Mr. Aseem Bhargava** -  
Senior Vice President (Finance)

**Mr. Sandeep Kumar** -  
Vice President (Finance)

Secretary to the Committee

**Ms. Amali Liyanapatabendi**

## CHARTER OF THE COMMITTEE

The Audit Committee supports the Board of Directors in fulfilling its responsibilities by exercising systematic supervision of financial reporting, internal audit, internal controls and external audits of the Company.

### Key responsibilities of the Committee

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are true, sufficient and credible.

Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.

- Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems.
- Discussion with Internal Auditors on Annual Internal Audit Program, Significant Audit Findings and follow up on such issues.
- Assessment of the independence and performance of the external auditors
- Post-audit discussion to ascertain any concerns.
- Reviewing the Company's financial and risk management policies.
- Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditor.

## ACTIVITIES OF 2023-24

### Financial Reporting

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies &

methods adopted and their compliance with the Sri Lanka Accounting Standards. In reviewing the Financial Statements, special emphasis was given on the following aspects.

- Adequacy and effectiveness of internal control and financial reporting systems and processes in place to ensure accuracy and reliability of the information provided in the Financial Statements
- Significant accounting and reporting issues
- Impact from new accounting standards
- Going concern assumption
- Developments in the financial reporting framework and consistency of the adopted accounting policies and methods, and their compliance with the Accounting Standards (SLFRS/LKAS)

### Internal Audit, Risk and Controls

The Audit Committee regularly reviews the scope of the internal audit function of the Company. Internal audit reports are submitted to the Committee and audit findings presented in the reports are prioritized based on risk levels. The Internal Audit function has been outsourced to a leading audit firm M/s. KPMG, Chartered Accountants. The Committee in general monitors and reviews:

- The annual audit plan
- Scope of the audit plan
- Internal audit findings
- Remedial action taken on the recommendations of the Internal Auditors

The Committee also provides independent assurance on the overall system of internal controls, the associated risk management framework. The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements.

### EXTERNAL AUDIT

The Committee has reviewed the independence and objectivity of the Independent External Auditors and is satisfied that the independence of the External Auditors has not been adversely influenced by any event or service that could result in a conflict of interest. The key audit matters were discussed with the External Auditors with due consideration placed on judgements, assumptions and measures taken by the company and Auditors to ensure reasonability.

The Committee also reviewed all fees payable to the statutory auditors for the audits carried out during the year and recommended the same for the approval of the Board of Directors.

Compliance with financial reporting, statutory and regulatory requirements

The Committee reviews the Regulatory Compliance Reports submitted to the Committee and verifies that the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of governance have been adhered to. Any instances of non-compliance or breach of ethics are included in the Audit Committee's reports to the Board and necessary corrective action is taken to prevent re-occurrence.

### CONCLUSION

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) effective from 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

The financial statements are prepared under the historical cost convention. The Audit Committee is satisfied that the Company's accounting policies and internal controls provide reasonable assurance that the affairs of the Company are managed in accordance with its policies and that the Company's assets are properly accounted for and adequately safeguarded.



**Prof. Lakshman R Watawala**

Chairman - Audit Committee

18th April 2024



# REPORT OF THE REMUNERATION COMMITTEE



**Prof. Lakshman R Watawala**  
Chairman - Remuneration Committee

## COMPOSITION

**Prof. L R Watawala\*** - Chairman

**Mr. Amitha Gooneratne\***

**Mr. R V N Vishweshwar**  
Appointed w.e.f. 20.03.2024

**Mr Ruchir Agrawal \*\***  
Ceased to be a member on 20.03.2024

*\*Independent Non-Executive Director*

*\*\*Non-Executive Director*

## CHARTER OF THE COMMITTEE

The committee's terms of reference outline the composition, role and responsibilities of the committee.

The committee is committed towards upholding the principles of accountability and transparency ensuring that remuneration structures are fair and aligned with the performance of the Company and long-term interest of the shareholders.

## Key responsibilities of the Committee

- ◆ Examine, evaluate and recommend to the Board of Directors the remuneration packages, annual increments and bonuses of the staff.
- ◆ Lay down guidelines and parameters for the compensation structures of directly recruited Executive and Staff of the Company.
- ◆ Evaluate the performance of the Chairman, MD and Key Management Personnel against predetermined goals.
- ◆ Provide policy direction for the Human Resource Strategy of the Company.

## PROFESSIONAL ADVICE

The Committee has the authority to seek independent professional advice on matters within its purview.

## REMUNERATION POLICY

The remuneration policy is designed to attract, motivate and retain the Company's workforce with competitive remuneration and benefits to support the overall business growth and value creation. Accordingly, appropriate compensation commensurate with the employees' qualifications and experience, is provided giving due consideration individual performance standards and industry norms.

**Prof. Lakshman R Watawala**  
Chairman - Remuneration Committee

18th April 2024

# REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE



**Mr. Amitha Gooneratne**  
Chairman - Related Party  
Transaction Review Committee

## COMPOSITION

**Mr. Amitha Gooneratne\*** - Chairman

**Prof. L R Watawala\***

**Mr. Ruchir Agrawal \*\***

Ceased to be a member on 20.03.2024

**Mr. R V N Vishweshwar**

Appointed w.e.f. 20.03.2024

**Mr. Dipak Das-Managing Director**

*\*Independent Non-Executive Director*

*\*\*Non-Executive Director*

## MEETINGS

Name	No. of meetings attended
<b>Prof. L R Watawala</b>	04
<b>Mr. Amitha Gooneratne</b>	04
<b>Mr. Ruchir Agrawal</b>	04
<b>Mr. Dipak Das</b>	04

## ATTENDEES BY INVITATION

**Mr. Aseem Bhargava** - Senior Vice President (Finance)

**Mr. Sandeep Kumar** - Vice President (Finance)

Secretary to the Committee

**Ms. Amali Liyanapatabendi**

## CHARTER OF THE COMMITTEE

The Charter of the Related Party Transactions Review Committee clearly sets out the purpose, membership, authority, duties and responsibilities of the Committee.

The Related Party Transaction Review Committee was established by the Board of Directors in February 2016 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The primary objectives of the said rules are to ensure that the interests of the Shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, Key Management Personnel or substantial Shareholders from taking advantage of their positions.

## Key responsibilities of the Committee

- ◆ Ensure that the interests of shareholders are taken into account as a whole when entering into related party transactions.
- ◆ Ensure that the Company complies with the Listing Rules of Colombo Stock Exchange.
- ◆ Update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- ◆ Establish the threshold values for related party transactions, i.e transactions which have to be pre-approved by the Board, transactions which require to be reviewed in advance and annually and similar issues relating to listed Companies.
- ◆ Make immediate market disclosures on applicable transactions as required by the Listing Rules.

## CONCLUSION

The Committee ensures that all Recurrent and Non- Recurrent related party transactions are conducted at arm's length and prior approval is obtained from the Committee before entering into any such transaction, or if the transaction is expressed to be conditional on review prior to completion of the transaction. The Committee on quarterly basis, reviews and assesses the ongoing relationships with any related parties to ensure compliance with listing rules. During the year under review, the Company has complied with the related party transactions rules set out in Section 9 of the Listing Rules.

**Amitha Gooneratne**

Chairman - Related Party Transaction Review Committee

18th April 2024

# REPORT OF THE RISK COMMITTEE



**Mr. Dipak Das** - Managing Director  
Chairman - Risk Management  
Committee

## COMPOSITION

**Mr. Dipak Das** - Managing Director -  
Chairman

**Mr. Aseem Bhargava** - Senior Vice  
President, Finance- Chief Risk Officer  
- Member

**Mr. Amber Ahemad** - Senior Vice  
President, Retail Sales & HR - Member

**Mr. Rajesh Kumar Bhagath** - Senior  
Vice President, Bunkering & Operations  
- Member

**Mr. Shashank Jadav** Senior Vice  
President, Engineering & Admin  
- Member

**Mr. Swapan Haldar** - Senior Vice  
President, Lubricants - Member

**Mr. Sandeep Kumar** - Vice President,  
Finance - Member

*\*Independent Non-Executive Director*

*\*\*Non-Executive Director*

## MEETINGS

The heads of divisions constantly monitor risks pertaining to their area of concern. Risk Management Committee Meetings are held as and when the requirement arises and 02 meetings were held during the year

## ATTENDEES BY INVITATION

Secretary to the Committee

**Ms. Amali Liyanapatabendi**

## CHARTER OF THE COMMITTEE

The risk committee mandate outlines the composition, role and responsibilities of the committee. The objective of the committee is to assist the Board by providing necessary oversight pertaining to all aspects of risk management and ensuring that the Company has a comprehensive risk management framework, appropriate compliance policies and risk management systems in place.

### Key responsibilities of the Committee

- ◆ Review the Company's risk management framework including significant policies, processes and systems.
- ◆ Review the risk appetite of the Company.
- ◆ Review the Company's compliance with all applicable laws and regulations.

## RISK MANAGEMENT POLICY

LIOC has a well-defined Risk Management Policy in place equipped with proper monitoring and reporting mechanisms to manage its business risks. The Policy provides the required Risk Management Framework for implementation of the policy by all concerned, effective monitoring and performance appraisal through periodic reporting to the management. The policy also provides an overview of the principles of risk management, the approach to be adopted by the Company for management of the identified risks and defines the organizational structure for effective risk management. The risks are categorized into A and B, which have been identified by each functional area of LIOC. However, there may be other risks that could emerge in the future, hence the respective division heads will constantly be monitoring and assessing the risk involved.

## PROFESSIONAL ADVICE

In addition to the independent judgment by the heads of division the Committee takes into account the Risks identified by the Statutory/ Internal Auditors and take mitigation action accordingly. The committee is authorized to obtain legal or other professional advice internally and/or externally as and when it deems necessary, at the Company's expense.

## ACTIVITIES OF 2023-24

- ◆ Regular engagement with policy makers to strengthen and enhance the industry frameworks in place.
- ◆ Monitor duties and taxes, interest rates, exchange rates and wages and adjust Company strategies to minimize impacts where possible.
- ◆ Closely monitor market price, procurement costs and optimization of inventory.
- ◆ Closely monitor outstanding balances beyond credit limit.
- ◆ Co-ordinate with MEPA to obtain approval for the Oil Spill Contingency Plan of Trincomalee Terminal.

**Mr. Dipak Das**

Chairman - Risk Management Committee

18th April 2024

# REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE



**Prof. Lakshman R Watawala**  
Chairman - Nominations &  
Governance Committee

## COMPOSITION

**Prof. L R Watawala\*** - Chairman

**Mr. Amitha Gooneratne\***

Appointed with effect from 29.11.2023

**Mr. R V N Vishweshwar\*\***

Appointed w.e.f. 20.03.2024

**Mr Ruchir Agrawal \*\***

Appointed with effect from  
29.11.2023 Ceased to be a member on  
20.03.2024

*\*Independent Non-Executive Director*

*\*\*Non-Executive Director*

## MEETINGS

Name	No. of meetings attended
<b>Prof. L R Watawala</b>	01
<b>Mr. Amitha Gooneratne</b>	01
<b>Mr. Ruchir Agrawal</b>	01

## CHARTER OF THE COMMITTEE

The committee's terms of reference outline the composition, role and responsibilities of the committee.

The committee is committed towards upholding the principles of establishing and maintaining a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee. All the Directors except the Managing Director shall be subject to retirement by rotation and save as otherwise expressly provided by the Act, and be appointed by the Company in General Meeting. At every Annual General Meeting of the Company one-third (1/3) of such Directors for the time being are liable to retire by rotation and if their number is not three (03) or a multiple of three (3) then the number nearest to (but not exceeding) one third (1/3) shall retire from office.

## FUNCTIONS

1. Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity
2. Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;
3. Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors
4. Establish and maintain a set of criteria for selection of Directors.
5. Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO
6. Develop succession plan for Board of Directors and Key Management Personnel
7. Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.

8. Periodic review and recommend the overall corporate governance framework

Periodical evaluations have been conducted on the performance of the Board of Directors and the CEO

The Board diversity in the range of experience, skills, age, and gender given below.

Accounting	03
Engineering	02
Business administration	01

Age group	No
Between 45-55	02
Between 56-60	02
Between 61-70	NIL
Between 70 & above	02

Male	Female
06	NIL

The Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met by the Committee

A statement that the Directors of the Listed Entity meet the criteria for determining independence

## POLICY

The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.

**Prof. Lakshman R Watawala**

Chairman - Nominations & Governance  
Committee

18th April 2024

# RISK MANAGEMENT

## Risk landscape 2023/24

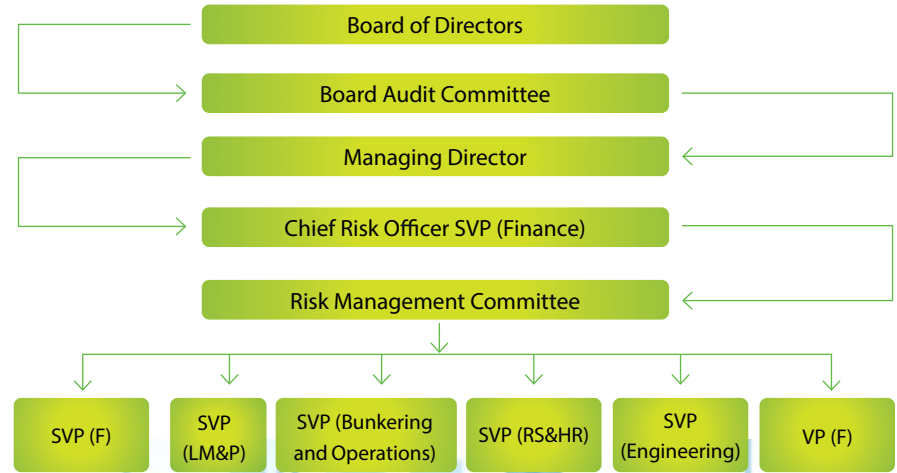
During the financial year under review, Sri Lanka’s economic, social, and political landscape underwent various changes impacting numerous business entities, including Lanka IOC PLC. Fuel accessibility and pricing, consumer behavior, energy sector liberalization with new entrants to the market, competitive pressure from state player, regulatory changes such as tax regimes and exchange rate movements and shift to renewable energy sources are some critical factors that shaped Sri Lanka’s energy sector.

Despite these challenges, Lanka IOC PLC maintained a focus on supporting its trained team through this difficult period and ensuring sound value creation to all connected stakeholders. Effective risk management practices allowed for the early identification and management of these risks, enabling the Company to deliver a resilient performance against emerging trends. The Company continues to vigilantly monitor the risk environment, constantly assessing changes to identify potential risks that need to be addressed.

## Risk governance at Lanka IOC PLC

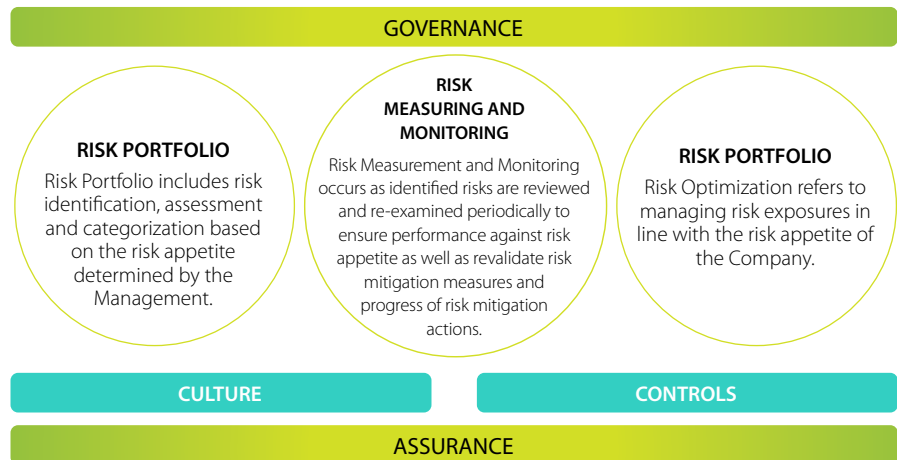
The risk governance framework at the Company ensures accountability and ownership while also promoting an adequate level of independence and segregation of duties. This framework is built upon the three lines of defense and outlines the hierarchy of authority, as well as the roles and responsibilities necessary for effective risk management throughout the Company. The Board of Directors bears the primary responsibility for recognizing and handling the Group’s risk exposures. Assisting them in this task is the Board Audit Committee, which has the overarching responsibility of overseeing these efforts. Identifying risks is a continual endeavor that entails

active engagement with stakeholders and constant assessment of both internal and external business landscapes. Risk grids are regularly reviewed and updated, with presentations made to the Board for evaluation.



## Risk Management Framework

The risk management framework established at LIOC sets out the processes and responsibilities for identifying, measuring, mitigating, monitoring and reporting risks.





### Risk culture at LIOC

LIOC endeavors to cultivate a robust risk culture within its organization, aiming for an environment where employees maintain a comprehensive awareness of risk to make informed decisions and execute suitable actions. This commitment is operationalized through regular training sessions and awareness programs designed to imbue every member of the organization with a sense of ownership over risk. These initiatives serve to ensure that employees possess a clear comprehension of their individual roles and responsibilities concerning risk management, thus contributing to a collective effort in safeguarding the Company's interests.

### Risk Appetite

LIOC's risk appetite delineates the boundaries within which the organization is willing to operate concerning risk-taking activities. It encapsulates the level of risk that LIOC is prepared to accept in pursuit of its strategic objectives, taking into account various factors such as its tolerance for uncertainty, financial capacity, and overall business objectives.

The establishment of a clear risk appetite framework enables LIOC to make well-informed decisions regarding the types and magnitudes of risks it is willing to undertake. This framework is typically developed in alignment with the organization's overall strategic plan and risk management objectives. It serves as a guiding principle for management and employees at all levels, helping them to gauge the appropriateness of their actions and decisions within the context of risk.

To ensure that the risk appetite is effectively communicated and understood across the organization, LIOC employs various communication channels and training initiatives. These efforts help to instill a risk-aware culture where employees are cognizant of the organization's risk appetite and their role in adhering to it. Furthermore, LIOC regularly reviews and revises its risk appetite framework to adapt to evolving business environments, regulatory changes, and emerging risks. This iterative process ensures that the risk appetite remains relevant and aligned with the organization's strategic direction.

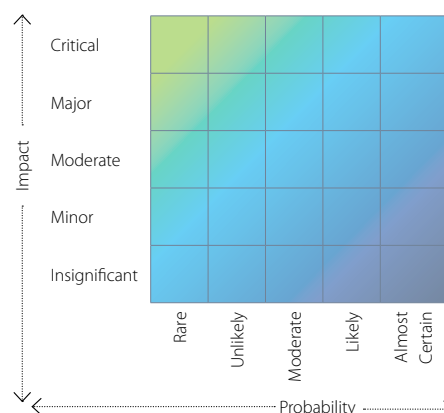
### Rating criteria – impact

		Consequence Category				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
Consequence Factors (Mutually Exclusive)	Financial (Average Net Profit)-Impact on profitability	< Rs. 5 Mn	Rs. 5 – Rs. 50 Mn	Rs. 50 – Rs. 100 Mn	Rs. 101– Rs. 300 Mn	> Rs. 300 Mn
	Product wise market share vis-à-vis previous period	<0.50 % decline	0.50 -1.0 % decline	1.0 -1.5 % decline	1.5 - 2.5 % decline	>2.5 % decline
	Regulatory	Routine issues raised by Ministry/ regulatory authorities	Instructions from Ministry	Penalties/ caution / intensive scrutiny	Heavy Penalties/ restrictions on activity	Loss of rights to operate in specific areas
	Loss of talent of Senior Management	General Attrition - Negligible impact	Higher than usual level of attrition	Exit of key individual affecting operations in the short-term	Exit of several key individuals affecting operations in the short-term in various departments	Exit of several key individuals at senior management level adversely affecting operations
	New business development activities undertaken	Variance in Actual vs Budget <10%	Variance in Actual vs Budget <25%	Variance in Actual vs Budget upto <50%	Variance in Actual vs Budget >25%	Cash losses on a continuous basis (EBDTA)
	Reputation	Localized complaints	Repetitive public complaints	Negative media coverage	Short-term negative media coverage and disruption to customer/ investor confidence	Long-term negative media coverage and long-term disruption of customer/ investor confidence
	Level of Management effort required	Staff level	Junior Management	Functional Head	Managing Director	Board of Directors

- Extensive monitoring required
- Considerable monitoring required
- Moderate monitoring required

### Rating Criteria – Likelihood

Rating	Likelihood	Parameters
5	Almost Certain	70-90% probability of risk occurring
4	Likely	50-70% probability of risk occurring
3	Moderate	30-50% probability of risk occurring
2	Unlikely	10-30% probability of risk occurring
1	Rare	0-10% probability of risk occurring



# RISK MANAGEMENT

## Principle Risks 2023/24

The Company consistently maintains a comprehensive register of principal risks rated as per the Company's clearly established risk rating model explained above. Risks are categorized in to Category A and Category B subject to specific levels of scrutiny.

Escalation level	Risk category
Board Audit Committee	A
Risk Management Committee	A and B

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2023-24	Risk Trend
Financial Capital	<b>Commodity price increases</b> Increase in the world commodity prices which has caused exponential increases in crude oil and related products	Price fluctuations pose a direct impact on profitability margins and cash flows. During 2023, the average price per barrel of crude oil increased to USD 84.40 from USD 82.49 in 2022.	<ul style="list-style-type: none"> <li>Very close monitoring of global crude oil prices</li> <li>Constant liaison with the parent Indian IOL on pricing, trends, etc.</li> <li>Supply chain optimization to minimize shocks of price fluctuations</li> </ul>	H	H	↑
	<b>Interest rate risk</b> Sensitivity to interest rate changes	Increase in interest rates could impact the cost of imports due to high cost of financing and increase in the cost of borrowing. During 2023/2024 interest rates drastically reduced triggered by policy rate cuts by the Central Bank of Sri Lanka	<ul style="list-style-type: none"> <li>Effective management of working capital</li> <li>Maintain a proper combination of fixed and floating rates in close liaison with key banks of the Company based on interest rates trend in the macro-economy</li> </ul>	H	H	↓
	<b>Pricing of products</b> Pricing of Auto Fuels now based on a fuel pricing formula	The Government of Sri Lanka implemented a price formula for auto fuels which has allowed greater flexibility in price revisions in tandem with changes in the global crude oil prices	<ul style="list-style-type: none"> <li>Focus on expanding the branded and premium fuel segment</li> <li>Diversification by expanding to other segments to offset under recoveries on Auto Fuel</li> </ul>	M	M	↓
	<b>Foreign currency risk</b> Arises due to exposure to foreign currency positions	Auto Fuels, Lubricants and Bitumen are procured in USD and sales are carried out in Sri Lankan Rupees. Thus, the Company is exposed to exchange losses. With the depreciation of the Sri Lankan Rupee the impact has been significant. With the gradual stabilization of the Sri Lankan Rupee over the year, the impact is lessened	<ul style="list-style-type: none"> <li>Import loans taken for a shorter tenor</li> <li>Proactive strategy to monitor exchange fluctuation risk</li> <li>Hedge foreign borrowings against foreign currency deposits</li> <li>Engagement with the Central Bank of Sri Lanka to arrange USD funding in order to meet essential import of fuel to the country</li> <li>Plans to supply fuel to the export sector on USD invoicing basis to build the dollar reserves for further fuel import</li> </ul>	H	H	↓

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2023-24	Risk Trend
	<p><b>Change in competitive platform</b></p> <p>New entrants entering the Bitumen and Bunkering space has changed the dynamics in this area</p>	<p>The entry of new players to an already crowded market could affect our margins and market share</p> <p>New small players may not strictly adhere to the best international practices</p> <p>Commencement of Bunkering operations at Hambantota may have substantial impact on Bunkering volume at Colombo and Trincomalee</p>	<ul style="list-style-type: none"> <li>Implementing various marketing and pricing strategies to protect its market share</li> <li>Expanding branding and product awareness campaigns</li> <li>More innovative products introduced to the market</li> <li>Optimization of supply chain management</li> <li>Focusing on excellence in customer satisfaction by automation and digitalization of processes and improving customer convenience</li> </ul>	M	M	↓
	<p>Credit risk</p> <p>Occurs due to settlement default by credit customers</p>	<p>Results in direct losses due to bad debts and increase in finance cost due to delayed payments</p>	<ul style="list-style-type: none"> <li>Regular credit evaluation from reputed independent credit agencies</li> <li>Consistent monitoring of the debtors' aging profile</li> <li>Strict follow-up on customers who seek credit facilities</li> <li>Obtaining adequate collateral wherever there is a risk of default</li> </ul>	H	H	↔
	<p>Risk to stocks, property and equipment</p>	<p>Due to the flammable nature of our products any inadequacy/ambiguity in insurance cover may result in dishonour of insurance claims by the insurance companies</p>	<ul style="list-style-type: none"> <li>Insurance obtained from reputed companies with strong re-insurance support</li> <li>Company has taken adequate insurance policies such as Fire &amp; Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy, etc.</li> </ul>	M	M	↔
	<p>Demurrage due to inadequate port infrastructures</p>	<p>Due to inadequate infrastructure at the Port and non-availability of required pipelines, ships coming to the Colombo Port are compelled to wait for berthing and take more than normal discharge time leading to exposure to the Company for demurrage</p>	<ul style="list-style-type: none"> <li>Comprehensive planning framework for import of Petroleum goods</li> <li>Discussions are carried out with Port Authorities and Ceylon Petroleum Storage Terminals LTD to create desired infrastructure at the port</li> <li>Lay time allocation is planned upon giving due consideration to the operational constraints</li> </ul>	H	H	↑
	<p>Government policy and regulatory changes</p>	<p>Frequent changes to government policies and tax structures hampers the strategic planning process of the Company</p>	<ul style="list-style-type: none"> <li>Duties and taxes, interest rates, exchange rates and wages are monitored and strategies reviewed and revised to minimize impact where possible</li> <li>Regular engagement with policy makers to strengthen and enhance the industry frameworks in place</li> <li>Timely action is taken to renew various licenses, permissions and approvals</li> </ul>	M	H	↑

# RISK MANAGEMENT

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2023-24	Risk Trend
Human capital - Occupational Health and Safety	Product Safety	The flammability of our key products exposes our staff to a wide range of health and safety risks that can result in regulatory action, legal liability and reputational losses	<ul style="list-style-type: none"> <li>Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same</li> <li>Retail Outlet safety handbook is distributed to all Retail Outlets</li> <li>At the Trincomalee terminal, regular safety drills are conducted with employees, transporters and contractors to create awareness amongst them. Further, the Company has positioned adequate safety equipment to deal with emergency situations</li> <li>Ensuring all safety equipment and procedures are in place at Retail Outlets</li> </ul>	H	H	
Social and Relationship Capital	Maintaining product quality and standard of service	Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/legal action	<ul style="list-style-type: none"> <li>Stringent quality control mechanisms</li> <li>All fuels and Lubricants are evaluated for health and safety standards by the parent company's Research Centre</li> <li>Compliance with regulations and certifications</li> <li>Strict compliances ensured material contractual specification</li> </ul>	H	H	
Intellectual Capital	Reputation risk	Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests	<ul style="list-style-type: none"> <li>Continuous engagement is with policy makers and our legal counsels</li> </ul>	M	M	
Natural capital	Waste and effluents including oils spills	Effluents from our processes comprise oil sludge and discharges from the Trincomalee Terminal. Any possible oil spills in or around Trincomalee oil jetty would have severe consequences for LIOC.	<ul style="list-style-type: none"> <li>Responsible disposal of all waste and effluents</li> <li>Compliance with the regulations of the Central Environmental Authority (CEA) and the Marine</li> <li>Environmental Protection Authority</li> <li>Oil sludge is disposed by contracting third parties licensed by the CEA</li> <li>Provide OSCE to Trincomalee oil jetty to harmonize possible negative impact</li> </ul>	M	H	

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2023-24	Risk Category
Human Capital	Employee relations	Around 60% of our employees are unionized as we recognize the right to freedom of association	<ul style="list-style-type: none"> <li>Open door policy for employees to discuss areas of concern</li> <li>Regular structured dialogue with union representatives to identify areas of concern</li> <li>Balanced HR policies applied in a consistent manner building trust with employees</li> </ul>	M	M	↔
	Employee retention	Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labor migration	<ul style="list-style-type: none"> <li>Strong employee value proposition which features attractive remuneration packages</li> <li>Continued investment in training and development</li> <li>Opportunities for career progression</li> </ul>	M	M	↔
Human Capital	Non availability/ limited availability of contractors for specialized work related to Oil Terminalling/ Lube Plant	Impacts the speed of execution Higher cost	<ul style="list-style-type: none"> <li>Local parties being developed by entrusting them with jobs</li> <li>Enabled participation of foreign capable parties as consortium partners with the local parties</li> </ul>	L	M	↔
Natural Capital	Energy	Energy is critical to the Company's day to day operations at the Retail Outlets, head office and the LIOC Terminal in Trincomalee.	<ul style="list-style-type: none"> <li>Solarization at Retail Outlets and Trincomalee</li> <li>Encouraging Retail Outlets to adapt energy efficient lighting systems</li> <li>Investing in energy efficient machinery and equipment</li> <li>Continuous monitoring of energy intensity ratio to drive required action</li> <li>Introduction of energy efficient fuels to contribute towards lower carbon emissions</li> </ul>	M	M	↑
	Climate change	National policies could increase costs and reduce future revenue and strategic growth opportunities. There is also a direct impact through our carbon footprint and compliance with the CEA license  Increasingly pronounced impacts of climate change including erratic weather	<ul style="list-style-type: none"> <li>Introduction of low carbon emitting Auto Fuel products</li> <li>Investments in energy efficient technology</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications</li> </ul>	M	M	↑
Social and Relationship Capital	Local community Relations	As a responsible corporate citizen, the Company contributes towards socio-economic progress of the communities through several timely CSR initiatives which meet the emergent needs and requirements	<ul style="list-style-type: none"> <li>High levels of community engagement and nurturing meaningful relationships with our communities</li> <li>Investments in ongoing community development projects</li> </ul>	L	L	↔



# RISK MANAGEMENT

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2023-24	Risk Category
Social and Relationship Capital	Product responsibility	Given the flammable nature of the product, customer health and safety impacts are critical	<ul style="list-style-type: none"> <li>Compliance with all national health and safety standards at customer touch points</li> <li>Regular training provided to business associates in the handling, transportation and storage of products</li> </ul>	M	M	↔
Human Capital / Intellectual Capital	Training and development	Training and development enhance the competencies of the team to enhance productivity and safety. This enriches the tacit knowledge creating a competitive edge	<ul style="list-style-type: none"> <li>Structured training programs in place for all employees</li> <li>Training needs identified through a robust performance management system</li> </ul>	M	M	↔
Intellectual capital	Cyber security and threats on data and IT systems	With increasing usage of data, digital platforms and technological infrastructure across multiple aspects of operations effectively managing cyber risks and protecting data and IT systems are increasingly challenging.	<ul style="list-style-type: none"> <li>Strengthened technical controls such as firewalls network segregation, intrusion prevention systems, gateway level content filtering, anti-malware solutions, etc.</li> <li>Ongoing investments to upgrade digital defences</li> <li>Strong policy framework on IT security</li> </ul>	M	M	↑

## Way forward

The dynamic nature of the operating environment particularly as the core commodity sold by Lanka IOC – auto fuels is subject to price and supply fluctuations in the world market has prompted Lanka IOC to continuously monitor emerging trends and strengthen risk management frameworks to align with the Company’s strategic goals effectively. At Lanka IOC risk management surpasses mere compliance standards and aligns with global best practices in ensuring the safeguarding of the Company’s assets, people, processes and customers, and also nature and community at large thereby reach organizational strategic objectives.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## To the Shareholders

The Board of Directors have pleasure in presenting the 22nd Annual Report of Lanka IOC PLC for the financial year ended 31st March 2024, that includes and covers the Audited Financial Statements, Chairman's Message, Managing Directors Review, Management Discussion and Analysis, Stakeholder Engagement Report, Capital Reports, Governance Reports, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non-Financial Reporting and other relevant information.

The Directors confirm that the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards, (SLFRS/LKAS) which have been consistently applied and supported by reasonable and prudent judgments and estimates.

The Audited Financial Statements were approved by the Directors at the Board Meeting held on 18th April 2024.

## Review of the year

The Chairman's statement describes in brief the Company's affairs and its performance during the year.

## Financial statements

The Financial Statements of the Company for the year ended 31st March 2024, which include the comprehensive Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements, are given from page 00 onwards.

## Principal activities of the company

The main activities of the Company are importing, blending, distributing, selling of petroleum products including Lubricants, Bitumen, Petrochemical and Bunkering in Sri Lanka.

## Auditors' report

The Auditors' Report on the financial statements is set out on pages No. 145 to 147.

## Accounting policies

The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). The financial statements are prepared under the historical cost convention. Accounting policies have been consistently applied by the Company in preparing the Financial Statements of the Company in conformity with SLFRS/LKAS which requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

## Purchasing and pricing policy

All imports of products are made against global tender floated to various petroleum product suppliers all over the world. All transactions with the Parent Company – Indian Oil Corporation Limited, India are on purely commercial terms and conditions of contract that are applicable/applied to similar such other suppliers of the respective products. The parent company is treated at par with any other such supplying company without any preferences whatsoever.

Government of Sri Lanka does not issue any directions to Lanka IOC PLC on the retail selling prices of Petroleum Products. However, the company indirectly gets affected by the retail selling prices of petrol and diesel as fixed by the Government of Sri Lanka controlled company Ceylon Petroleum Corporation [CPC].

## Entries in the interests register

Under the provisions of Section 168(1) (e) of the Companies Act No.07 of 2007, the Interests Register is maintained by the Company and the Directors have made the necessary declarations, in terms of the Section 192 (2) of the Companies Act No.07 of 2007 which are recorded in the Interests Register and this is available for inspection in terms of the Act. Particulars of entries in the interests register are given below:

## Directors' interests in transactions

The Directors of the Company have made the general disclosure provided for in section 192(2) of the Companies Act No.07 of 2007. Note No. 00 to the Financial Statements deals with the Director's interests in contracts and related party transactions with the Company respectively.

## Directors' interests in shares

Prof. Lakshman R Watawala and Mr.Amitha Gooneratne, Independent Non-Executive Directors of the Company hold 500 and 4800 ordinary voting shares respectively. There were no share dealings by any other directors of the Company (Sec.200) during the financial year.

## Remuneration and other benefits of directors

The aggregate remuneration and other benefits of directors of the Company for the financial year 2023- 24 amounts to Rs. 88.93 Mn.

## Directors

The Directors of the Company for the F/Y 2023-24 were;

Mr. Sujoy Choudhury	(Chairman)
Mr. Dipak Das	(Managing Director)
Prof. Lakshman R Watawala	(Independent Non-Executive Director)
Mr. Amitha Gooneratne	(Independent Non-Executive Director)
Mr. Saumitra P. Srivastava	(Non-Executive Director) Cease to be a Director w.e.f 20.03.2024
Mr. Ruchir Agrawal	(Non-Executive Director) Cease to be a Director w.e.f 20.03.2024
Mr. N D Mathur	(Non-Executive Director) Appointed w.e.f. 20.03.2024
Mr. R V N Vishweshwar	(Non-Executive Director) Appointed w.e.f. 20.03.2024

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Mr. Sujoy Choudhury will retire by rotation in terms of Article 29 (2) and offer himself for re-election as a Director at the forthcoming Annual General Meeting.

Indian Oil Corporation Ltd nominated Mr. N D Mathur and Mr. R V N Vishweshwar Non-Executive Directors in place of Mr. Saumitra P. Srivastava and Mr. Ruchir Agrawal Non-Executive Directors respectively with effect from 20th March 2024. They will vacate their positions as Directors in terms of Article 27 (6) and offer themselves re-election at the forthcoming Annual General Meeting.

Prof. Lakshman R Watawala completed sixteen years as an Independent Non-Executive Director on 26th July 2023 and the Board at its meeting held on 29th April 2023, having assessed and reviewed the status, has found that his independence is not impaired and he is therefore suitable to continue serving as an independent director the financial year 2023-24, subject to his re-appointment at the AGM. Subsequently at the AGM held on 29th June 2023, he was re-appointed as a Director of the Company by the Shareholders.

Mr. Amitha Gooneratne completed eleven years as an Independent Non-Executive Director on 31st May 2023 and the Board at its meeting held on 29th April 2023, having assessed, and reviewed the status, has found that his independence is not impaired and he is therefore suitable to continue serving as an independent director the financial year 2023-24, subject to his re-appointment at the AGM. Subsequently at the AGM held on 29th June 2023, he was re-appointed as a Director of the Company by the Shareholders.

Prof. Lakshman R Watawala, Independent Non-Executive Director will retire in terms of section 210 of the Companies Act No 07 of 2007 and will be subjected to re-appointment until 31st December 2024 as Director of the Company by shareholders under section 211 of the said Companies Act and Section 9 of Listing Rules of Colombo Stock Exchange.

Mr. Amitha Gooneratne, Independent Non-Executive Director will retire in terms of section 210 of the Companies Act No 07 of 2007 and will be subjected to re-appointment until 31st December 2024 as Director of the Company by shareholders under section 211 of the said

Companies Act and Section 9 of Listing Rules of Colombo Stock Exchange.

Mr. Sivakrishnarajah Renganathan and Mr. Hector Manil Anthony Jayasinghe will be subject to appointment by the Shareholders of the Company by an Ordinary Resolution as Independent Non Executive Directors with effect from 1st January 2025.

### Related party transactions

The Board of Directors declares as follows:

The related party transactions during the FY 2023-24 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2023-24 are exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

### Compliance on transfer pricing regulations issued under section 104 of the inland revenue act no 10 of 2016

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during the period from April 1, 2023 to March 31, 2024 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant who reviewed the transfer pricing records and no adverse remarks have been made in the certificate done by the approved accountant.

### Appointment of auditors

M/s Ernst & Young (Chartered Accountants) were appointed as the Auditors of the Company at the Annual General Meeting. However, due to the Independence rules applicable for EY network firms irrespective of any ownership requirements, the Ernst and Young – India who currently engaged in providing professional advisory service to Indian Oil Corporation Ltd., could not release

Ernest and Young – Sri Lanka to undertake the assurance service at the final stage. Therefore, Ernest and Young – Sri Lanka has communicated the reasons along with resignation letter dated on 12th February 2024.

Accordingly, M/s BDO Partners appointed to fill casual vacancy as Statutory Auditor of the company for the F/Y 2023-24 for Rs 1.5 million.

A resolution to reappoint M/s BDO Partners Chartered Accountant as the Auditors of the Company will be proposed at the Annual General Meeting.

### Auditors relationship or any interest with the company

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence.

M/s. KPMG were engaged as Internal Auditors and a remuneration of Rs.1.1 Mn (2022-23 – Rs.1.1 Mn) was incurred for the services rendered by them for internal audit and allied services.

### Changes in property, plant and equipment

The movements in property, plant and equipment during the year ended 31st March 2023 and 31st March 2024 are set out in Note 11 to the financial statements.

### Stated capital and reserves

There was no change in the stated capital of the Company during the year under review. Majority of the shares ie: 75.12% are held by the Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31st March 2024 amounted to Rs. 64,982 Mn (2022-23 – Rs 53,198 Mn).

### Statutory payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the employees and the Government, up to the balance sheet date, have been made.

### Contribution to the exchequer

Your Company has been making enormous contribution to the exchequer. During the year, Rs.62,233 Mn (2022-23 Rs. Rs.40,510 Mn) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities.

### Stated capital and control

There are no restrictions on the voting rights attaching to the Company's ordinary shares of 532,465,705 Which are fully paid up and listed on the Colombo Stock Exchange.

### Turnover

LIOC recorded revenue of Rs 263.59 billion during the year under review against Rs 281.49 billion in year 2022-23 despite the challenging operating competitive context. The main contributor to the topline was the auto fuel segment which counted 76% of the revenue of Rs 200.12 billion. With the regularity and continuity of the fuel supply, LIOC earned the trust of people at large as all its retail outlets continued to fill requirements of all sections of the society despite competitive landscape.

### Earning of foreign exchange

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to US \$ 168.77 Mn (2022-23 – US \$ 20.545 Mn) through its operations.

### Retail sales

The automotive fuels segment of LIOC faced continued difficulties in the financial year, grappling with challenges such as global conflicts which caused fluctuation of crude oil prices, opening of auto fuel segment to new service providers, price fixation considering a maximum margin of 4%, global geopolitical factors etc. However, despite these obstacles, the segment remained resilient, contributing around 76% of LIOC's total revenue, totaling Rs. 200.12 Bn. The segment profit was mainly lowered during the year under review due to the price fixation formula based on IMF requirements considering which the prices were decided by the Government of Sri Lanka on monthly basis considering a maximum margin of 4% for the retailers unlike last year where price movements were directly based on international oil price movements. Despite periodic price revisions the company

continued to face disparities in full cost recovery on a consistent basis in the auto-fuel segment. Notably, the segment also achieved a modest 12% growth in total sales volume, showcasing its ability to navigate through challenging market conditions. During the year company has expanded its foot print by addition another 41 new retail outlets

### Lubes

The introduction of new generation lubricants, including the transition from monograde to multi-grade products with extended lifetimes, has resulted in a significant reduction in consumption. This decrease in volume is attributed to a report maintained by the Public Utilities Commission of Sri Lanka (PUCSL) for all suppliers and manufacturers in the industry, where competition among 26 other players has intensified. Despite the decline in sales volume, we have achieved a revenue totaling to Rs 9.98 billion in the year under review . With an aim to synergize the progress, Lanka IOC recently entered into agreement with Ceypetco for marketing Servo lubricants of LIOC from CPC petrol sheds. This agreement is another step by your company towards inclusive growth for the country without just focusing on competition.

### Bunkering sales

In the face of various obstacles, we effectively maintained our dominant position in the bunker industry in Sri Lanka, retaining a significant 33% market share. Our impressive sales performance of Rs 52.42 billion sales against preceding year Rs 46.44 billion further solidified our strong performance. Our achievements, including expanding operations in Colombo, Hambantota and implementing the pipeline for deliveries in Trincomalee, highlight our unwavering dedication to creating value and optimizing costs In the face of various obstacles, we effectively maintained our dominant position in the bunker industry in Sri Lanka, retaining a significant 33% market share.

### Bitumen

The Bitumen segment is facing challenges due to all road projects are stalled by GoSL. However, we are focusing on export sales which is giving good margin with no inherent risk.

### Petrochemicals

We expanded our business portfolio by entering the petrochemical segment, leveraging our parent company's petrochemical brand PROPEL , through widespread distribution across the island, we ensured that customers are aware of the availability of our product. We are proud to mention that we have received no complaints regarding the product, further establishing its reputation as a reliable and satisfactory choice for customers.

### Taxation

The Company is a Board of Investment [BOI] registered entity, registered under section 17 (2) of the BOI Act No 4, 1978. Under this registration, the Company's profits from the main business operations were exempt from Income Tax for a period of 10 years from FY 2002-03 which has expired in February 2013. Taxes at a concessional rate of 15% have been charged for the Financial Year 2023-24 as per the agreement with BOI.

### Other operating income

In continuous efforts to optimize its income from various sources, your company earned Rs.235.86Mn (2022-23 -Rs.115.54 Mn) during the year lease rentals of hoardings, space and amenities, solarization at the various retail outlets, terminal services and from other resources.

### Funding operations

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks based in Colombo at very attractive interest rates.

### Internal control

The company has adequate internal controls in place commensurate with the size, growth and span of business operations. Policies and procedures covering HR, Finance, Engineering, Secretarial, Plant and Terminal Operations are in place. Adequacy of Internal Control is being evaluated and strengthened on regular basis. The Internal Auditors of the Company are M/s KPMG, Chartered Accountants, Colombo and the scope of their audit covers internal procedures, controls and systems, risk analysis, financial operations, statutory compliance etc. Auditors directly report their observations

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

to the Audit Committee of the Board with recommendations. Monthly reports are presented to the Company Management, discussed and appropriate actions taken wherever required as recommended by the Internal Auditors. Management committee reviews the systems and practices, risks faced by the company due to changes in the business environment, developments in the market, Govt policies etc, and regularly initiate appropriate actions to mitigate the risks and reorient business strategies.

The Management holds Risk Management Meeting comprising of Managing Director and all its Heads of Departments to analyze the existing, impending risks etc., encountered or to be encountered by the company and take appropriate action to mitigate these risks.

### CSR project

We initiated several community reach activities during the year from donating dry rations to the needy families, mobile phones for online classes to Ministry of Education, medical equipment's to Hospitals, etc. Being a responsible Corporate Citizen, we shall continue to engage in meaningful dialogue with all our stakeholders, while striving to improve the social, environmental, and economic performance of our operations. Projects covering the environment, health, and education were carried out by the company and a detailed report on all activities is covered under the Social and Relationship Capital Report in the annual report.

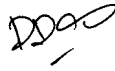
### Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The directors after making inquiry and following a review of the Company's budget, future cash flows and borrowing facilities, consider the Company has adequate resources to continue in operation.

### Post balance sheet events

No events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements.

Signed on behalf of the Board



**Dipak Das**  
Managing Director



**Prof. Lakshman R Watawala**  
Director



**Amali Liyanapatabendi**  
Company Secretary

18th April 2024



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**FINANCIAL  
STATEMENTS**

# FINANCIAL STATEMENTS

## FINANCIAL CALENDAR

Interim Financial Statements are published as per rule 7.4 of the Colombo Stock Exchange

PERIOD	PUBLISHED ON
April-June 2023	24th July 2023
July-September 2023	30th October 2023
October-December 2023	16th January 2024
January-March 2024	18th April 2024

PERIOD	PUBLISHED ON
2022-23 (Eight Integrated Report)	16th June 2023
2021-22 (Seventh Integrated Report)	10th August 2022
2020-21 (Sixth Integrated Report)	31st August 2021
2019-20 (Fifth Integrated Report)	07th October 2020
2018-19 (Fourth Integrated Report)	28th May 2019

MEETING	DATE OF MEETING
21st Annual General Meeting	29th June 2023
20th Annual General Meeting	19th September 2022
19th Annual General Meeting	29th November 2021
18th Annual General Meeting	03rd November 2020

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LANKA IOC PLC



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

## Report on the Audit of the Financial Statements

### OPINION

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31st March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies as set out on pages 05 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2024, and of its financial performance and its 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 Company in accordance with the Code of Ethics for Professional Accountants 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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

Refer note 2.13.16 of the financial statements for disclosures of related significant accounting policies and 3 for the disclosure of revenue from contracts with customers.

The Company's revenue consists of the sale of petroleum products. The Company's most significant revenue stream from petroleum products involves the sales of automotive fuels.

In line with IFRS 15, the Company recognises revenue when a performance obligation is satisfied by transferring control over promised goods to the customer.

For sale of automotive fuel, the point of revenue recognition is when the invoice is raised and the customer acknowledges the goods. A significant proportion of automotive fuel revenue is generated at the delivery point of Ceylon Petroleum Storage Terminals Limited (CPSTL), which is a State-Owned Entity and in the business of storage and distribution of petroleum products. The original source documents (i.e., invoice and customer acknowledgement) pertaining to each sale generated at CPSTL's location on behalf of the Company are placed at CPSTL to which the management does not have access. However, the management gets comfort over the occurrence of a sales transaction initiated at the delivery point of CPSTL by way of accessing and referring to the details of the ERP (i.e SAP) which is also outsourced to and managed by CPSTL.

Due to the magnitude of automotive fuel revenue generated at CPSTL, we assessed that a higher risk is associated with point of revenue recognition and measurement.

Accordingly, the recognition and measurement of automotive fuel revenue was considered a Key Audit Matter.

#### How our audit addressed the key audit matter

Our audit procedures which included, amongst others, the following procedures:

- Reviewed the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers.
- Tested the effectiveness of relevant controls over revenue recognition relating to sale of automotive fuels.
- Performed cut off procedures to ensure that the automotive fuel sales are recorded in the proper accounting period.
- Performed test of details on the automotive fuel revenue generated through the period by checking source documents in the ERP.
- Performed test of details to ensure the occurrence of automotive sales transactions by checking the customer settlements for samples of sales transactions in the bank statements.
- Reviewed the credit notes issued before and after the period end to ensure automotive fuel sales were recorded in the correct accounting period.
- Assessed the reasonableness of selling price for key products including automotive fuel by comparing average price per unit derived by dividing product wise monthly revenue by quantity sold with respective approved sales prices for the period.
- Assessed the adequacy of related disclosures on revenue in the financial statements with reference to the disclosure requirements given in SLFRS 15.

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 FCA, FCMA (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 TO THE SHAREHOLDERS OF LANKA IOC PLC



### OTHER MATTER

The financial statements of Lanka IOC PLC for the year ended 31st March 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29th April 2023.

### 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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 relevant ethical requirements regarding independence, and to communicate with them all relationships and



other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 it 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 April 2024  
HSR/cc



# 148 STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st March		2024	2023
	Note	Rs '000	Rs '000
<b>Revenue from Contracts with Customers</b>	3	<b>263,568,721</b>	281,487,600
Cost of Sales		<b>(239,550,439)</b>	(227,305,669)
<b>Gross Profit</b>		<b>24,018,282</b>	54,181,931
Other Operating Income	4	<b>235,857</b>	115,541
Administrative Expenses		<b>(3,548,774)</b>	(3,313,625)
Selling and Distribution Expenses		<b>(7,896,403)</b>	(6,806,931)
Operating Profit		<b>12,808,962</b>	44,176,916
Finance Income	5.1	<b>5,033,468</b>	3,453,888
Finance Expenses	5.2	<b>(759,070)</b>	(2,928,709)
Finance Income – Net		<b>4,274,398</b>	525,179
<b>Profit Before Tax</b>	6	<b>17,083,360</b>	44,702,095
Income Tax Expenses	7.1	<b>(3,138,366)</b>	(7,006,455)
<b>Profit for the Year</b>		<b>13,944,994</b>	37,695,640
<b>Other Comprehensive Income /(Loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial Loss on Defined Benefit Obligations	8.3	<b>(37,084)</b>	(10,541)
Changes in the Fair Value of Equity Investment at Fair Value Through Other Comprehensive Income		<b>454,000</b>	458,000
Income Tax on Other Comprehensive Income	9.2	<b>5,563</b>	1,581
<b>Other Comprehensive Income / (loss) for the Year, Net of Tax</b>		<b>422,479</b>	449,040
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>14,367,473</b>	38,144,680
Earnings Per Share	10	<b>26.19</b>	70.79

Figures in brackets indicate deductions.

The accounting policies and notes on pages 152 to 187 form an integral part of these Financial Statements.

18th April 2024  
Colombo

# STATEMENT OF FINANCIAL POSITION

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LANKA IOC PLC / ANNUAL REPORT 2023 - 24

As At 31st March		2024	2023
	Note	Rs '000	Rs '000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	11	4,899,713	3,903,723
Financial Assets at Fair Value Through Other Comprehensive Income	12	5,404,000	4,901,000
Intangible Assets	13	673,876	673,876
Right-of-use Assets	14.1	46,899	47,881
Financial Assets at Amortised Cost	17.2	162,621	148,463
		<b>11,187,109</b>	9,674,943
<b>Current Assets</b>			
Inventories	15	26,302,202	38,027,406
Trade Receivables	16	8,975,607	4,514,979
Financial Assets at Amortised Cost	17.1	9,385,817	805,632
Other Current Assets	18	738,372	2,153,779
Short-Term Investments	22.2	38,928,945	21,045,631
Cash and Bank Balances	19.1	6,277,439	5,990,257
		<b>90,608,383</b>	72,537,684
<b>Total Assets</b>		<b>101,795,492</b>	82,212,627
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	20	7,576,574	7,576,574
Other Reserve	12	912,000	458,000
Retained Earnings		64,981,583	53,197,972
Total Equity		<b>73,470,157</b>	61,232,546
<b>Non-Current Liabilities</b>			
Defined Benefit Obligation (Net)	8.2	26,533	15,171
Lease Liabilities	14.2	48,669	49,539
Deferred Tax Liability (Net)	9.1	28,775	541,161
		<b>103,977</b>	605,871
<b>Current Liabilities</b>			
<b>Trade and Other Payables</b>			
Lease Liabilities	14.2	4,347	1,684
Interest Bearing Borrowings	22.1	4,306,616	4,468,346
Income Tax Payable		1,228,034	1,077,421
		<b>28,221,358</b>	20,374,210
<b>Total Equity and Liabilities</b>		<b>101,795,492</b>	82,212,627

Figures in brackets indicate deductions.

The accounting policies and notes on pages 152 to 187 form an integral part of these Financial Statements.

I certify that, these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Senior Vice President (Finance)

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;



Director



Director

18th April 2024  
Colombo

# 150 STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31st March		Stated Capital	Other Reserve (Financial Assets at FVOCI)	Retained Earnings	Total
	Note	Rs '000	Rs '000	Rs '000	Rs '000
<b>As at 1st April 2022</b>		<b>7,576,574</b>	-	<b>16,709,340</b>	<b>24,285,914</b>
Dividends Paid	27	-	-	(1,198,048)	(1,198,048)
Profit for the Year		-	-	37,695,640	37,695,640
Other Comprehensive Loss		-	458,000	(8,960)	449,040
<b>As at 31st March 2023</b>		<b>7,576,574</b>	<b>458,000</b>	<b>53,197,972</b>	<b>61,232,546</b>
Dividends Paid	27	-	-	(2,129,863)	(2,129,863)
Profit for the Year		-	-	13,944,994	13,944,994
Other Comprehensive Income		-	454,000	(31,521)	422,479
<b>As at 31st March 2024</b>		<b>7,576,574</b>	<b>912,000</b>	<b>64,981,583</b>	<b>73,470,157</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 152 to 187 form an integral part of these Financial Statements.

18th April 2024  
Colombo

# STATEMENT OF CASH FLOWS

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For The Year Ended 31st March		2024	2023
	Note	Rs'000	Rs'000
<b>Cash Flows From Operating Activities</b>			
Profit Before Income Tax Expense		17,083,360	44,702,095
<b>Adjustments for:</b>			
Finance Income	5.1	(5,033,468)	(3,453,888)
Finance Expenses	5.2	759,070	2,928,709
Dividends Income	4	(120,000)	-
Increase in Allowances for Impairment	16.1	107,174	20,534
Gain in Disposal of Property, Plant And Equipment	4	(116)	(862)
Defined Benefit Plan Cost	8.3	5,435	4,551
Depreciation	11.2	427,121	421,531
Amortisation of Intangible Asset	13.2	-	-
Amortisation of Right-of- use Assets	14.1	982	32,265
Interest on Lease Liabilities	14.2	6,147	9,573
Exchange Loss on Borrowings		(77,080)	13,573
<b>Operating Profit before Working Capital Changes</b>		<b>13,158,626</b>	<b>44,678,081</b>
Increase in Inventories		11,725,203	(10,770,373)
Increase in Trade Receivable, Other Receivables and Other Current Assets		(11,746,738)	(2,761,174)
Increase in Trade and Other Payables		7,855,601	322,289
<b>Cash Generated From / (Used in) Operations</b>		<b>20,992,693</b>	<b>31,468,823</b>
Income Taxes Paid		(3,531,660)	(5,789,025)
Interest Received		5,033,468	3,453,888
Interest Paid	5.2	(759,070)	(2,928,709)
Defined Benefit Paid		(10,899)	(38,108)
<b>Net Cash Flows From / (Used in) Operating Activities</b>		<b>21,724,532</b>	<b>26,166,869</b>
<b>Cash Flows from Investing Activities</b>			
Dividends Income		120,000	-
Acquisition of Property, Plant and Equipment	11.1	(1,423,118)	(468,595)
Proceeds from Property, Plant and Equipment		122	1,128
Net Withdrawal in Gratuity Fund		16,826	26,655
Withdrawal of Bank Deposits		-	5,731,000
Investment In TPTL		(49,000)	-
Investments in Short-Term Investments		(17,883,314)	(5,422,962)
<b>Net Cash Used in Investing Activities</b>		<b>(19,218,484)</b>	<b>(132,774)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds From Interest Bearing Borrowings	22.1.1	98,378,748	127,445,045
Repayments of Interest Bearing Borrowings	22.1.1	(98,463,397)	(148,768,497)
Dividends Paid	27	(2,129,863)	(1,198,048)
Payment of Lease Creditor	14.2	(4,354)	(46,087)
<b>Net Cash (Used in) / From Financing Activities</b>		<b>(2,218,867)</b>	<b>(22,567,587)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>287,182</b>	<b>3,466,508</b>
Cash and Cash Equivalents at the Beginning of the Year		5,990,257	2,523,749
<b>Cash and Cash Equivalents at the End of the Year</b>	19.1	<b>6,277,439</b>	<b>5,990,257</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash in Hand and at Bank		6,277,439	5,990,257
		<b>6,277,439</b>	<b>5,990,257</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 152 to 187 form an integral part of these Financial Statements.

18th April 2024  
Colombo

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Lanka IOC PLC ("the Company") is a Public Quoted Company with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were importing, selling and distributing petroleum products.

The Company has been granted a Petroleum Products License by the Minister of Power and Energy which gives authority to import, export, store, transport, distribute, sell and supply petrol, auto diesel, heavy diesel (industrial diesel), furnace oil and kerosene, naphtha and other mineral petroleum including premium petrol and premium diesel but excluding aviation fuel and liquid petroleum gas. The license is valid for a period of 20 years from 22nd January 2024 and renewable thereafter.

### 1.3 Parent Entity and Ultimate Controlling Party

The Company's immediate and ultimate parent entity is Indian Oil Corporation Limited headquartered in India and ultimate controlling party is the Government of India.

### 1.4 Date of Authorisation for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31st March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 18th April 2024.

### 1.5 Responsibility For Financial Statement.

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company 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 for the year under review,
- a statement of financial position providing the information on the financial position of the Company 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,
- a statement of cash flows providing the information to users, on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilize those cash flows, and
- notes to the financial statements comprising accounting policies and other explanatory information.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprise Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

### 2.2 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at the present value of the obligation and investment in unit trust and equity instruments which are at fair value.

### 2.3 Changes in accounting standards

- (a) New standards, interpretations and amendments adopted from 1st January 2023

(i) **Disclosure of Accounting Policies (Amendments to LKAS 01 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgments)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. 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 have no effect on the measurement or presentation of any items in the Financial Statements of the Company but affect the disclosure of accounting policies of the Company.

- (ii) Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to LKAS 8, which added the definition of accounting estimates, clarify 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 Financial Statements of the Company.

- (iii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 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 IFRS 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. These amendments had no effect on the annual Financial Statements of the Company.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential

implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

#### **(b) New standards and amendments issued but not yet effective or early adopted in 2024**

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

- Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) – Mandatorily effective for periods beginning on or after 1st January 2024
- Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) - Mandatorily effective for periods beginning on or after 1st January 2024)
- Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) – Mandatorily effective for periods beginning on or after 1st January 2024
- Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) - Mandatorily effective for periods beginning on or after 1st January 2024

#### **(c) The following amendments are effective for the period beginning 01st January 2025**

- Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) – Mandatorily effective for periods beginning on or after 1st January 2025

## **2.4 Functional and Presentation Currency**

These Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company. All values are rounded to the nearest rupees thousand (Rs '000) except when otherwise indicated.

## **2.5 Going Concern**

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future with no interruptions or curtailment of operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant

doubt upon the Company's ability to continue as a going concern. Accordingly, the Financial Statements are prepared on the going concern basis.

### 2.6 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

Or

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

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period

Or

- it does not have a right at reporting date to defer the settlement of the liability by transferring cash or other assets for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.7 Segment Reporting

The Company deals only in Petroleum products. There are no separate activities other than the petroleum segment in the Company.

### 2.8 Offsetting

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

### 2.9 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.

### 2.10 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.

### 2.11 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements requires the application of certain critical accounting estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Capital risk management Note 28.5
- Financial instruments risk management and policies Note 28
- Sensitivity analysis disclosures Notes 8.8 and 28.1

#### 2.12.1 Critical Judgments in Applying the Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Statements.

##### a) Investment in Ceylon Petroleum Storage Terminal Limited

The Company owns a 33 1/3% of stake in Ceylon Petroleum Storage Terminal Limited. The management

has decided to carry the investment at fair value through other comprehensive income on the grounds that the Company has no significant influence on the financial and operating decisions of Ceylon Petroleum Storage Terminal Limited due to the government influence and the sensitivity of the industry towards the national economy. Further information is disclosed in Note 12.1

**b) Investment in Trinco Petroleum Terminal (Pvt) Limited**

The Company owns a 49% of stake in Trinco Petroleum Terminal (Pvt) Limited. The management has decided to carry the investment at fair value through other comprehensive income on the grounds that the Company has no significant influence on the financial and operating decisions of Trinco Petroleum Terminal (Pvt) Limited due to the government influence and the sensitivity of the industry towards the national economy. Further information is disclosed in Note 12.2.

**c) Critical judgments in determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and motor vehicles, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Company is typically and reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically and reasonably certain to extend (or not terminate), and
- otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**2.12.2 Estimates and Assumptions**

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 described below. The Company 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 Company. Such changes are reflected in the assumptions when they occur.

**a) Estimation of net realisable value for inventory**

Inventory disclosed in Note 15 is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

**b) Impairment losses on Trade Receivables**

The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Comprehensive income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

In accordance with SLFRS 9, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the Trade Receivables.

**Simplified Approach**

The Company follows a 'simplified approach' for recognition of impairment loss allowance on Trade

receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates provision on trade receivables at the reporting date. ECL impairment loss allowance (or reversal) recognised during the period is recognized as income/expense.

The impairment loss on Trade Receivables is disclosed in Notes 16.

### c) Defined Benefit Obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate, future salary increase and staff turnover ratio. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligation.

Other key assumptions for gratuity obligations are based in part on current market conditions. Additional information is disclosed in Note 8.

### d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted

at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Further information is disclosed in Note 13.

### e) Estimation of Useful Lives of Property, Plant and Equipment

The Company reviews annually the estimated useful lives of Property, Plant and Equipment disclosed in Note 11 based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of Property, Plant and Equipment would increase the recorded depreciation charge and decrease the Property, Plant and Equipment balance.

## 2.13 Summary of Material Accounting Policy Information

### 2.13.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.13.2 Property Plant and Equipment

Property, Plant and Equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment

in value. Such costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Capital work in progress represents all amounts on work undertaken, and still in an unfinished state as at the end of the year.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the Statement of comprehensive income.

### 2.13.3 Intangible assets

#### a) Goodwill

Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved under a court order. Due to the amalgamation and subsequent dissolution of this acquired company no consolidated financial statements are prepared.

Goodwill is attributed to the future economic benefits arising from other assets which were acquired from the above business combination that were not individually identified and separately recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### 2.13.4 Intangible assets

#### a) License fees on computer software

License fees represent costs pertaining to the licensing of software applications purchased. License fees are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

### 2.13.5 Investment in Ceylon Petroleum Storage Terminal Limited and Trinco Petroleum Terminal (Private) Limited

Investment in the associate company is accounted for at cost and is classified as a long term investment in the statement of financial position. The Company has no significant influence in the financial and operating policy decisions of the investee as more fully explained in Note 12.

### 2.13.6 Accounting for leases - where the Company is the lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date 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. Right-of-use assets are depreciated on a

straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Trinco Tank Farm - Lease Period 50 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

### ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Right-to-use Lease Liability (see Note 14.2).

## 2.13.7 Financial Instruments

### 2.13.7.1 Financial Assets

#### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, but transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in Note 2.7 Changes in Accounting Policies and Disclosures.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely the payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (unless measured at amortised cost or FVTOCI)



**a) Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and short-term deposits, trade and other receivables and other financial assets.

**b) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss

The Company's financial assets at fair value through profit or loss includes investment in unit trust and investment through portfolio management services

**c) Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the Company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely the principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Company's financial assets at fair value through other comprehensive income include investments in equity instruments of Ceylon Petroleum Storage Terminal Limited and Trinco Petroleum Terminal (Private) Limited.

**Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**2.13.7.2 Impairment of Financial Assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flow from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

ECLs are recognised in two stages, for credit exposures for which there has not been a significant increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### 2.13.7.3 Financial Liabilities

#### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, Right-to-use- Lease Liability, Bank Overdrafts and Loans and Borrowings.

#### Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

#### a) Loans and Borrowings (Financial Liabilities at Amortised cost)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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 costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 22.1.

### 2.13.7.4 Financial Liabilities

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### 2.13.7.5 Offsetting of Financial Instruments

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

### 2.13.7.6 Fair Value of Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate

economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### 2.13.7.7 Fair Value of Measurement

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Quantitative disclosures of fair value measurement hierarchy Note 29
- Financial instruments (including those carried at amortised cost) Note 16, 17, 19, 21 & 22.

#### 2.13.8 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for

obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

Finished goods (Lubricants )	- Weighted Average Cost basis
Other Products	- First in First out basis
Goods in Transit	- At Purchase Price

#### 2.13.9 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.

#### 2.13.10 Cash and Short-Term Deposits

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and are subject to and insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with original maturities of three months or less are also treated as cash equivalents.

#### 2.13.11 Liabilities and provisions

##### 2.13.11.1 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 in 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 course of business.

## 2.13.11.2 Short-term borrowing

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

## 2.13.12 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company 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.

## 2.13.13 Employee Benefits

### a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs Prime Actuarial Solutions who carried out actuarial valuation as at 31 March 2024.

#### *Recognition of Actuarial Gains and Losses*

Actuarial gains and losses are recognised in Other Comprehensive Income in the year in which they arise.

### b) Defined Contribution Plans

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under

'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

### Employees' Provident Fund

The Company and employees contribute 15% and 10% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund for Trincomalee based (erstwhile CPC) and 12% and 8% for other employees.

### Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognised as an employee benefit expense in profit or loss when they are due.

## 2.13.14 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit for the year, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### Current Taxes

The Company has entered into agreements with the Board of Investment of Sri Lanka (BOI), as specified below. Such agreements specify that the sections of the Inland Revenue Act relating to the imposition, payment and recovery of income tax should not apply to the Company, as explained below.

Pursuant to the agreement between the Company and the Board of Investment of Sri Lanka, the Company was entitled to a ten year "tax exemption period" on its profits and income, commencing from the first year of making profit.

The 10 year tax exemption period commenced in the year of assessment 2002/2003 and ended in the year of assessment 2012/2013. Thereafter, the Company is taxed at 15% on its business profits.

Current Income 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 by the reporting date. 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 relevant tax legislation.

### Deferred Taxation

Deferred income 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 income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset 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.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

### Sales Tax (Value Added Tax and Social Security Levy)

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

on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

IFRIC Interpretation 23 uncertainly over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainly 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 specially addresses the following:

- I. Whether an entity uncertain tax treatments separately
- II. The assumptions an entity makes about the examination of tax treatments by taxation authorities
- III. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- IV. How an entity considers changes in facts and circumstances

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

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, and the Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

### 2.13.15 Commitments

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

### 2.13.16 Revenue Recognition

Sales are recognised when the performance obligation is satisfied, being when the products are delivered to the

customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Company determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company would achieve by selling the same goods and or services included in the obligation to a similar customer on a standalone basis. Where the Company does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Company maximizes the use of external input; observing the standalone prices for similar goods and services when sold by Ceylon Petroleum Corporation or using a cost-plus reasonable margin approach.

### a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

### Contract balances

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for

the earned consideration that is conditional. There is no contract asset as at reporting date.

### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executes performance obligations under the contract.

### a) Rental Income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

The lease term is the fixed period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in the Statement of Comprehensive Income when they arise.

### b) Finance Income

Finance Income is recognised using the effective interest rate method unless collectability is in doubt.

### c) Dividend income

Dividend income is recognised when the right to receive payment is established.

### d) Others

Other income is recognised on an accrual basis.

Net gains and losses on the disposal of property, plant and equipment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a



group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### 2.13.17 Expenditure Recognition

All 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 the statement of comprehensive income for the period.

### 2.13.18 Finance Cost

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.

### 2.13.19 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.

### 2.13.20 Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

### 2.13.21 Events after the reporting period

All material events occurring after the statement of

financial position date have been considered and where necessary, adjustments or disclosures, have been made in the respective notes to the Financial Statements.

### 2.13.22 Related party transactions

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

Transactions with related parties are carried out in the ordinary course 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.

### 2.13.23 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.

**3. REVENUE FROM CONTRACT WITH CUSTOMERS**

For The Year Ended 31st March	2024	2023
	Rs '000	Rs '000
Lanka Auto Diesel	<b>88,105,865</b>	111,767,849
Lanka Petrol 92 Octane	<b>91,370,281</b>	78,420,041
IFO380/ LSFO	<b>47,359,609</b>	36,115,285
Xtrapremium Euro 3	<b>6,230,374</b>	14,406,891
Lubricants	<b>9,978,062</b>	10,390,408
Marine Gas Oil	<b>5,057,537</b>	10,328,614
Xtramile	<b>3,137,156</b>	7,856,804
Xtrapremium 95	<b>7,751,728</b>	7,843,015
Lanka Super Diesel	<b>3,520,430</b>	2,461,261
Bitumen	<b>747,769</b>	1,494,431
Petrochemical	<b>309,911</b>	403,000
<b>Total Sales of Petroleum Products</b>	<b>263,568,721</b>	281,487,600

**3.1 Segment Information**

The Company deals only in Petroleum products. There are no separate activities other than the petroleum segment in the Company.

**3.2** The Revenue from contracts with customers is recognised at a point in time upon satisfying the performance obligation.

**3.3 Contract balances**

For The Year Ended 31st March	2024	2023
	Rs '000	Rs '000
Trade Receivables (Note 16)	<b>8,975,607</b>	4,514,979
Contract Liabilities (Note 21)	<b>(585,012)</b>	(1,083,099)

**4. OTHER OPERATING INCOME**

For The Year Ended 31st March	2024	2023
	Rs '000	Rs '000
Dividend Income	<b>120,000</b>	-
Rental Income	<b>89,892</b>	63,086
Sundry Income	<b>25,849</b>	51,593
Gain on Disposal of Property, Plant and Equipment	<b>116</b>	862
	<b>235,857</b>	115,541

**5. FINANCE INCOME AND EXPENSES**

For The Year Ended 31st March	2024	2023
	Rs '000	Rs '000
<b>5.1 Finance Income</b>		
Income from Short-term Investments and Deposits	<b>4,754,898</b>	3,286,542
Interest on others	<b>278,570</b>	167,346
	<b>5,033,468</b>	3,453,888
<b>5.2 Finance Expenses</b>		
Interest Expenses	<b>484,705</b>	2,027,925
Exchange Loss	<b>274,364</b>	900,785
	<b>759,070</b>	2,928,709

For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>6.</b>	<b>PROFIT FROM OPERATING ACTIVITIES</b>		
	Stated after Charging /Crediting		
	Directors' Emoluments	88,925	83,686
	Salaries and Wages	1,200,734	883,061
	Defined Benefit Obligation : Charge for the year (Note 8)	5,606	6,142
	Audit Fee - Current year	1,500	1,680
	Rent	87,472	68,699
	Depreciation Charge for the year (Note 11.2)	427,121	421,531
	Depreciation of Right-of-Use Assets (Note 14.1)	982	32,265
	Provision for doubtful debts	107,175	20,534

## 7. INCOME TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2024 and 31 March 2023 are as follows :

For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>7.1</b>	Income Statement		
	Current Income Tax:		
	Current Tax Expense	3,645,922	6,844,202
	Under/(Over) Provision of Current Taxes in respect of Prior Year	(733)	-
	Deferred Tax:		
	Deferred Taxation (Reversal)/Charge (Note 9.2)	(506,823)	162,253
	Income Tax Expense Reported in the Income Statement	3,138,366	7,006,455

## 7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2024 and 31 March 2023 are as follows :

Accounting Profit Before Tax	17,083,359	44,702,095
Tax calculated at a statutory income tax rate of 15% (2023 - 15%)	2,562,504	6,705,314
Tax impact of expenses deductible/not deductible for tax purpose	593,753	184,364
Tax impact of income taxable at different rate	(673,508)	(346,545)
Tax impact of income not subject to tax	(98,613)	(312,069)
Adjustment due to the estimated deferred tax base in previous year	-	165,039
<b>Tax charge on profit from trade or business</b>	<b>2,384,136</b>	<b>6,396,103</b>
Taxable Other Income	189	-
Taxable Interest Income	4,145,762	2,110,302
Tax calculated at a tax rate of 24%	-	90,956
Tax calculated at a tax rate of 30%	1,243,786	519,396
<b>Tax charge on Interest Income</b>	<b>1,243,786</b>	<b>610,352</b>
Taxable Dividend income	120,000	-
Tax calculated at a tax rate of 15% (2023 - 14%)	18,000	-
Tax charge on Dividend Income	18,000	-
<b>Total tax charge for the year</b>	<b>3,645,922</b>	<b>7,006,455</b>

For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>8.</b>	<b>DEFINED BENEFIT OBLIGATIONS</b>		
	Balance as at 01st April	92,714	114,138
	Current Service Cost	5,679	5,541
	Interest Cost	13,090	11,410
	Actuarial Loss / (Gain) (8.4)	51,566	(268)
	Benefits Paid	(10,899)	(38,108)
	Balance as at 31st March	152,150	92,713
For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>8.1</b>	<b>Reconciliation of Fair Value of Plan Assets</b>		
	Balance as at 01st April	77,543	102,606
	Contribution by Employer	31,327	10,611
	Expected Return	13,163	10,809
	Remeasurement	14,482	(10,809)
	Benefit Paid	(10,899)	(35,674)
	Balance as at 31st March	125,616	77,543
For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>8.2</b>	<b>Reconciliation of Fair Value of the Plan Assets and Defined Benefit Obligations</b>		
	Defined Benefit Obligation at the end of the year	152,149	92,713
	Fair value of the plan assets at the end of the year	(125,616)	(77,543)
	Amount recognised in statement of financial position	26,533	15,171
For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>8.3</b>	<b>Expenses recognised on Defined Benefit Plan</b>		
	<b>Income Statement</b>		
	Current Service Cost for the year	5,679	5,541
	Net Interest Cost for the year	(74)	601
	Transfers	(170)	(1,591)
		5,435	4,551
	<b>Other Comprehensive Income</b>		
	Actuarial (Gain) / Loss (8.4)	51,566	(268)
	Remeasurement	(14,482)	10,809
		37,084	10,541
For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>8.4</b>	<b>Actuarial Loss during the year has resulted from the following:</b>		
	Expected maturity analysis of undiscounted retirement benefit obligations:		
	Changes in Financial Assumptions	25,921	(8,726)
	Changes in Demographic Assumptions	-	-
	Experience Adjustments	25,645	8,458
		51,566	(268)

## 8. DEFINED BENEFIT OBLIGATIONS (CONTD...)

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31st March 2024 was carried out by Messrs. Prime Actuarial Solutions, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

### 8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

For The Year Ended 31st March	2024	2023
Discount Rate	12.4%	15.0%
Salary Incremental Rate	1-10%	1-10%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	14.00%	15.0%

Assumptions regarding future morality are based on 67/70 Mortality Table issued by Institute of Actuaries, London.

For The Year Ended 31st March	2024	2023
	Rs '000	Rs '000
<b>Maturity Profile of the Defined Benefit Obligation Plan</b>		
Less than 1 year	10,045	9,420
Between 2-5 years	70,050	50,336
Beyond 5 years	511,738	326,641

### 8.8 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligation measurement as at 31st March 2024. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

" Increase/(Decrease) in Discount Rate "	" Increase/ (Decrease) in Salary Increment Rate "	" Increase/ (Decrease) in Staff Turnover Rate "	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
			Rs '000	Rs '000
1%			11,041	(11,041)
-1%			(12,564)	12,564
	1%		(13,054)	13,054
	-1%		11,643	(11,643)
		1%	(1,302)	1,302
		-1%	1,421	(1,421)

### 8.9 Defined Benefit Plan

As per Company policy, plan asset is maintained under the assets liability matching strategy. Plan asset is invested in a fund management entity and that entity is responsible for the administration of plan assets and for definition of the investment strategy.

A major category of Plan assets is as follows :

For The Year Ended 31st March	2024	2023
Insurer-managed funds	100%	100%

8.10 The weighted average duration of Defined Benefit Obligations is 8.91 years.

For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>9.</b>	<b>DEFERRED TAX ASSETS - NET</b>		
<b>9.1</b>	<b>Deferred Tax</b>		
	Deferred Tax relates to the Following:		
	<b>Deferred Tax Assets Arising on:</b>		
	Brought Forward Tax Losses	-	-
	Retirement Benefit Obligation	22,822	13,907
	ECL Provision	26,374	10,298
	Unrealized Exchange Loss	48,050	-
		97,246	24,205
	<b>Deferred Tax Liability Arising on:</b>		
	Property Plant and Equipment	(126,021)	(107,373)
	Unrealised Exchange Gain	-	(457,992)
		(126,021)	(565,365)
	<b>Net Deferred Tax Liability</b>	<b>(28,775)</b>	<b>(541,161)</b>
<b>9.2</b>	<b>Deferred Tax Movement</b>		
	<b>Balance brought forward</b>	<b>541,161</b>	380,488
	Deferred Income Tax (Reversal)/Charge - Income Statement	(506,823)	162,253
	Deferred Income Tax Reversal - Statement of Other Comprehensive Income	(5,563)	(1,581)
	<b>Net Deferred Tax Liability</b>	<b>28,775</b>	541,161

**10. EARNINGS PER SHARE**

**10.1** Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

**10.2** The following reflects the income and share data used in the Earnings Per Share computation.

For The Year Ended 31st March		2024	2023
		Rs '000	Rs '000
<b>Amounts Used as the Numerator</b>			
Profit for the year Attributable to Ordinary Shareholders for Basic			
Earnings Per Share		13,944,994	37,695,640
<b>Number of Ordinary Shares used as the Denominator:</b>			
		<b>2024</b>	2023
Weighted Average Number of Ordinary Shares		532,465,705	532,465,705
Basic Earnings Per Share		26.19	70.79



## 11. PROPERTY, PLANT AND EQUIPMENT

### 11.1 Gross Carrying Amounts

	Balance as at 01.04.2023	Additions	Transfers	Disposals	Balance as at 31.03.2024
<b>At Cost</b>	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Freehold Land	1,953,857	-	-	-	<b>1,953,857</b>
Building and Fixtures	2,273,227	-	72,670	-	<b>2,345,898</b>
Plant and Equipment	3,512,454	-	1,316,686	-	<b>4,829,140</b>
Office Equipment	85,189	17,547	-	(1,705)	<b>101,031</b>
Furniture and Fittings	421,900	1,469	51,353	(150)	<b>474,572</b>
Motor Vehicles	20,902	-	-	-	<b>20,902</b>
Capital Work-In- Progress	303,494	1,404,101	(1,440,709)	-	<b>266,887</b>
	8,571,023	1,423,118	-	(1,855)	<b>9,992,286</b>

### 11.2 Depreciation

	Balance as at 01.04.2023	Charge for the year	Transfers	Disposals	Balance as at 31.03.2024
<b>At Cost</b>	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Building and Fixtures	1,483,803	106,020	-	-	<b>1,589,823</b>
Plant and Equipment	2,837,276	248,014	-	-	<b>3,085,290</b>
Office Equipment	55,273	19,023	-	(1,699)	<b>72,598</b>
Furniture and Fittings	271,126	53,284	-	(150)	<b>324,260</b>
Motor Vehicles	19,822	780	-	-	<b>20,602</b>
Capital Work-In- Progress	-	-	-	-	-
	4,667,300	427,121	-	(1,849)	<b>5,092,572</b>

### 11.3 Net Book Value

As At 31st March	2024	2023
	Rs '000	Rs '000
Freehold Land	<b>1,953,857</b>	1,953,857
Building and Fixtures	<b>756,075</b>	789,424
Plant and Equipment	<b>1,743,850</b>	675,178
Office Equipment	<b>28,433</b>	29,915
Furniture and Fittings	<b>150,312</b>	150,774
Motor Vehicles	<b>300</b>	1,080
Capital Work-In- Progress	<b>266,887</b>	303,494
Total Carrying Value of Property, Plant and Equipment	<b>4,899,713</b>	3,903,723

11.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs 1,423 Mn (2023 - Rs 469 Mn).

11.5 The Useful Lives of the Assets are estimated as follows:

As At 31st March	2024	2023
Building and Fixtures	<b>15 Years</b>	15 Years
Plant and Equipment	<b>8 Years</b>	8 Years
Office Equipment	<b>4 Years</b>	4 Years
Furniture and Fittings	<b>5 Years</b>	5 Years
Motor Vehicles	<b>5 Years</b>	5 Years

		2024	2023
		Rs '000	Rs '000
<b>12.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>		
	At the beginning of the year	4,901,000	4,443,000
	Add: Investment made in Trinco Petroleum Terminal (Private) Limited	49,000	-
	Change in Fair value of CPSTL	454,000	458,000
	Balance at the end of the year	5,404,000	4,901,000
<b>12.1</b>	<b>INVESTMENT - CPSTL</b>		
	At the beginning and end of the year	4,852,000	4,394,000
	Change in Fair value of CPSTL	454,000	458,000
	At the end of the year	5,306,000	4,852,000

- 12.1.1** Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF). The Company paid US\$ 45 million to the Treasury on 22 January 2004 for the acquisition of 250,000,000 shares. The Ceylon Petroleum Corporation owns 66 2/3% of 750,000,000 shares of CPSTL and controls through the nomination of six of the nine board members. Lanka IOC PLC nominates the balance three board members. Due to the government influence and the sensitivity of the industry towards the national economy, the directors nominated by Lanka IOC PLC do not have significant influence over decisions of CPSTL. Accordingly, the investment is recorded at Fair value through OCI.

		2024	2023
		Rs '000	Rs '000
<b>12.2</b>	<b>INVESTMENT - TPTL</b>		
	At the beginning and end of the year	49,000	49,000
	Add: Investment made in Trinco Petroleum Terminal (Private) Limited	49,000	-
	At the end of the year	98,000	49,000

- 12.2.2** Lanka IOC PLC (LIOC) acquired 49% of the shares in newly formed Joint Venture Trinco Petroleum Terminal Pvt Ltd. (TPTL) for the development of Sixty-One (61) tanks, the related area, and allied facilities in the Upper Tank Farm of the China Bay Oil Tank Farm. LIOC has also entered into a Modalities Agreement with Ceylon Petroleum Corporation (CPC) and TPTL for the possession, development, and use of the China Bay Oil Tank Farm by LIOC, CPC and TPTL. The Company paid Rs 49 million for TPTL shareholding in Jan'22. The CPC owns 51% shares of TPTL and nominates four board members including Chairman out of the seven board members. LIOC nominates the balance three board members including Managing Director. As such, the investment is recorded at Fair value through OCI.

### 13. INTANGIBLE ASSETS

#### 13.1 Gross Carrying Amounts

	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
At the beginning and end of the year	759,298	14,437	773,734
At the end of the year	759,298	14,437	773,734

**13. INTANGIBLE ASSETS (CONTD...)****13.2 Amortisation**

	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
At the beginning and end of the year	85,421	14,437	<b>99,858</b>
At the end of the year	85,421	14,437	<b>99,858</b>

**13.3 Net Book Value as at 31.03.2023** 673,876 - **674,876**

**13.4 Net Book Value as at 31.03.2024** 673,876 - **673,876**

**13.5** Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not individually identified and separately recognised. Accumulated amortisation cost of Rs 85 Mn as at the statement of financial position date includes the amortisation charge recognised up to 2007 based on 20 years useful life. Goodwill is tested for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**13.6** The Company assesses the recoverable amount of the Goodwill using value in use calculation and has found the that recoverable amount exceeds its carrying value, as such Goodwill is not impaired

The key assumptions used to determine the recoverable amount are as follows:

**EBIT**

The basis used to determine the value assigned to the budgeted EBIT is the EBIT achieved in the year preceding the budgeted year adjusted for projected market conditions.

**Discount rates**

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

**Inflation**

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

**Volume growth**

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to five years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

**14. LEASES**

As a lessee

The Company has lease contract of 14 Tanks at Lower Tank Farm area of Trincomalee Terminal for a period of 50 years commencing 16 January 2022. The Company's obligation under its leases are secured by the lessor's title to the leases assets.

The Company also has certain leases with lease term of 12 months or less and leases with low value. The Company applies the 'short-term lease' and lease of low - value assets' recognition exceptions for these leases.

**14. LEASES (CONTD...)****14.1 Right-of-use assets**

Set out below are the carrying amount of Right-of-use Assets recognised and movements during the year.

As At 31st March	2024	2023
Cost	Rs '000	Rs '000
Balance as at 01st April	<b>174,238</b>	174,238
Addition and Improvement	-	-
Balance as at 31st March	<b>174,238</b>	174,238
Accumulated Amortisation		
Balance as at 01st April	<b>126,357</b>	94,092
Charge for the year	<b>982</b>	32,265
Balance as at 31st March	<b>127,339</b>	126,357
Net Book Value as at 31st March	<b>46,899</b>	47,881

**14.2 Lease Liabilities**

Set out below are the carrying amounts of lease liabilities and the movements during the year.

As At 31st March	2024	2023
	Rs '000	Rs '000
Balance as at 01st April	<b>51,224</b>	87,738
Addition	-	-
Accretion of Interest	<b>6,147</b>	9,573
Payments	<b>(4,354)</b>	(46,087)
Balance as at 31st March	<b>53,016</b>	51,224
Current Liability	<b>4,347</b>	1,684
Non Current Liability	<b>48,669</b>	49,539
	<b>53,016</b>	51,224

**14.3 Maturity Analysis of Lease Liability**

As At 31st March	2024	2023
	Rs '000	Rs '000
Not later than one month	<b>385</b>	365
Later than one month not later than three months	<b>1,155</b>	1,103
Later than three months not later than one year	<b>3,080</b>	4,533
Later than a year not later than five years	<b>25,568</b>	26,250
Later than five years	<b>426,353</b>	427,770
	<b>456,540</b>	460,020

**14.4 Following are the amounts recognised in profit or loss:**

As At 31st March	2024	2023
	Rs '000	Rs '000
Depreciation expenses of right-of-use assets	<b>982</b>	32,265
Interest expenses on lease liability	<b>6,147</b>	9,573
Expenses relating to short-term and low value leases included in administrative expenses	<b>80,343</b>	26,861
Total amount recognised in profit or loss	<b>87,472</b>	68,699

The total cashflow made with respect to leases is Rs.4 Mn. (2023 - Rs. 46 Mn).

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>15.</b>	<b>INVENTORIES</b>		
	Auto Fuel	17,383,374	28,393,872
	Base oil and other raw materials	5,045,442	5,147,313
	Bunker Fuel	3,074,791	2,766,274
	Lubricants	530,347	947,397
	Bitumen	-	438,584
	Goods in Transit	268,249	333,965
		<b>26,302,202</b>	38,027,406

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>16.</b>	<b>TRADE RECEIVABLES</b>		
	Trade Receivable from third- party customers	9,213,955	4,646,152
	Allowance for Impairment	(238,348)	(131,173)
		<b>8,975,607</b>	4,514,979

**16.1** Set out below is the movement in the allowance for expected credit losses of trade receivables.

As At 31st March		2024	2023
		Rs '000	Rs '000
	As at 01st April	131,174	110,640
	Provision for the Expected Credit Losses	107,174	20,534
	As at 31st March	<b>238,348</b>	131,174

**16.2** As at 31st March, the age analysis of net - trade receivables is set out below.

	Total	Neither Past due nor Impaired	Past Due but not Impaired				>365 days
			Less than 30 days	31-90 days	91-180 days	181-365 days	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2024	8,975,607	7,898,865	924,618	70,140	36,621	32,197	13,166
2023	4,514,979	4,353,083	106,704	46,502	2,299	5,912	479

**16.3** Allowance for impairment Rs. 238 Mn (2023 Rs. 131 Mn) includes provision for Expected Credit Loss line with accounting policy applicable for trade receivable for which the Company has applied the simplified approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 28.2.

**16.4** The carrying amounts of trade receivables are denominated in the following currencies:

As At 31st March		2024	2023
		Rs '000	Rs '000
	US Dollars	5,850,499	3,863,111
	Sri Lankan Rupees	3,125,108	651,868
		<b>8,975,607</b>	4,514,979

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>17.</b>	<b>FINANCIAL ASSETS AT AMORTISED COST</b>		
<b>17.1</b>	<b>Financial Assets At Amortised Cost - Current</b>		
	Claims, Refunds, Staff loans and Others	3,766	17,875
	VAT Receivables	9,258,627	669,314
	Deposits	123,425	118,444
		<b>9,385,817</b>	805,632

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>17.2</b>	<b>Other Receivable At Amortised Cost - Non-Current</b>		
	Staff Loans	122,188	116,718
	Prepaid-deferred employee benefit	40,434	31,745
		<b>162,621</b>	148,463

**17.3** The carrying amounts of financial assets at amortised cost are denominated in Sri Lankan Rupees.

**17.4** For the other receivables, the Company applies the three stage model approach permitted by SLFRS 9, which requires the Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31st March 2024 and 31st March 2023 was immaterial.

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>18.</b>	<b>OTHER CURRENT ASSETS</b>		
	Advance Payments	189,655	2,110,693
	Prepayments	548,716	43,086
		<b>738,372</b>	2,153,779

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>19.</b>	<b>CASH AND CASH EQUIVALENTS</b>		
<b>19.1</b>	<b>Cash and Cash Equivalent balances</b>		
	Cash and Bank Balances	6,277,439	1,721,154
	Short-Term Bank Deposits	-	4,269,103
	<b>Total Cash and Cash Equivalent balances</b>	<b>6,277,439</b>	5,990,257

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>20.</b>	<b>STATED CAPITAL</b>		
<b>20.1</b>	Stated Capital as at 31 March ( Rs '000)	7,576,574	7,576,574
<b>20.2</b>	Number of Ordinary Shares	532,465,705	532,465,705



As At 31st March		2024	2023
		Rs '000	Rs '000
<b>21.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade Payables - Related Parties (21.2)	<b>563,069</b>	510,998
	- Others (21.1)	<b>11,059,559</b>	11,346,638
	Other Payables- Related Parties (21.3)	<b>824,493</b>	688,144
	Sundry Creditors Including Accrued Expenses	<b>9,206,410</b>	1,252,150
	Provision for NBT Assessment (25.2)	<b>1,028,830</b>	1,028,830
		<b>22,682,361</b>	14,826,759

**21.1** Trade Payables - Others Consist of Rs. 585 Mn (2023- Rs. 1,083 Mn) contract liability received from Customers.

**21.2 Trade Payables- Related Parties**

As At 31st March		Relationship	2024	2023
			Rs '000	Rs '000
	Indian Oil Corporation Limited	Immediate Parent	<b>563,069</b>	510,998
			<b>563,069</b>	510,998
<b>21.3</b>	Other Payables - Related Parties	Relationship		
	Indian Oil Corporation Limited	Immediate Parent	<b>507,607</b>	410,195
	Ceylon Petroleum Storage Terminal Limited	Affiliate	<b>316,886</b>	277,949
			<b>824,493</b>	688,144

**22. OTHER FINANCIAL ASSETS AND LIABILITIES**

**22.1 Interest Bearing Borrowings**

Short-Term Loans from Banks (Note 22.1.1)	<b>4,306,616</b>	4,468,346
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The interest rates are as follows:

Short-term loans SOFR+ Margin

The SOFR rate (monthly) at the date of statement of financial position was 5.33%

**22.1.1 Short-Term Loans from Banks Movement**

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>Balance as at 01st April</b>		<b>4,468,346</b>	25,778,224
Proceed from bank loans		<b>98,378,748</b>	127,445,045
Repayments of bank loans		<b>(98,463,397)</b>	(148,768,497)
Exchange ( Gain )/ Loss on bank loans		<b>(77,080)</b>	13,573
<b>Balance as at 31st March</b>		<b>4,306,616</b>	4,468,346

**22.1.2** The short-term loans from banks Rs.4,359 Mn (2023- Rs.4,468 Mn) are unsecured except for the loans from the State Bank of India, Colombo branch amounting to Rs.1,560 Mn (2023- Rs.1,204 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>22.2</b>	<b>Short-Term Investments</b>		
	Investment in Unit Trust (Note 22.4)	<b>14,842,272</b>	2,654,504
	Investment through Portfolio Management Services	<b>15,728,721</b>	8,273,702
	Short-Term Bank Deposit (Note 22.3)	<b>8,357,952</b>	10,117,425
		<b>38,928,945</b>	21,045,631

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>22.3</b>	<b>Bank Deposits</b>		
	Total Bank Deposits	<b>8,357,952</b>	14,386,528
	Less: Short-Term Bank Deposits	<b>(8,357,952)</b>	(14,386,528)
	Long term Bank Deposits	-	-

The short-term deposit is repayable within 12 months after the reporting date.

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>22.4</b>	<b>Investment in Unit Trust - Fair Value Through Profit or Loss</b>		
	<b>Balance as at 01st April</b>	<b>2,654,504</b>	2,447,538
	Net Investments	<b>10,642,181</b>	(85,760)
	Fair Value Gain	<b>1,545,588</b>	292,726
	<b>Balance as at 31st March</b>	<b>14,842,272</b>	2,654,504

## 23. RELATED PARTY DISCLOSURES

### 23.1 Transactions with Related Entities

As At 31st March		2024	2023
		Rs '000	Rs '000
<b>23.1.1</b>	<b>Transactions with Parent</b>		
	<b>Nature of Transactions</b>		
	<b>Amounts Receivable as at 01st April</b>	-	-
	<b>Amounts Payable as at 01st April</b>	<b>(921,193)</b>	(532,302)
	Fund Transfers/Payment Made	<b>10,699,581</b>	441,866
	Purchases of Goods/Services	<b>(10,724,170)</b>	(614,678)
	Expenses Reimbursed	<b>(124,896)</b>	(216,079)
	Amounts Receivable as at 31st March	-	-
	<b>Amounts Payable as at 31st March</b>	<b>(1,070,677)</b>	(921,193)
	<b>Net Balance as at 31st March</b>	<b>(1,070,677)</b>	(921,193)

**23.1.2** During the year, the Company paid a gross dividend of Rs 2,130 Mn with respect to the financial year ended 31st March 2024, out of which Rs.1,600 Mn was paid to Indian Oil Corporation Limited.

## 23.1.3 Transactions with Indian Oil Middle East - Affiliated Company

Year ended 31 March	2024	2023
	Rs '000	Rs '000
<b>Nature of Transactions</b>		
<b>Amounts Receivable as at 01st April</b>	-	-
<b>Amounts Payable as at 01st April</b>	-	-
Fund Transfers/Payment Made	-	(129,538)
Purchases of Goods/Services	-	129,538
<b>Amounts Receivable as at 31st March</b>	-	-
<b>Amounts Payable as at 31st March</b>	-	-

## 23.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Affiliate

<b>Nature of Transactions</b>		
<b>Amounts Receivable as at 01st April</b>	-	-
<b>Amounts Payable as at 01st April</b>	<b>(277,948)</b>	(269,755)
Fund Transfers/Payment Made	<b>733,466</b>	673,850
Services Rendered	<b>(892,404)</b>	(682,044)
Dividend	<b>120,000</b>	-
<b>Amounts Receivable as at 31st March</b>	-	-
<b>Amounts Payable as at 31st March</b>	<b>(316,886)</b>	(277,948)

## 23.1.5 Transactions with Trinco Petroleum Terminal Limited (TPTL) - Affiliate

<b>Nature of Transactions</b>		
<b>Amounts Receivable as at 01st April</b>	<b>12,369</b>	12,369
<b>Amounts Payable as at 01st April</b>	-	-
Fund Transfers/Payment Made	<b>(49,000)</b>	-
Investments In Equity	<b>49,000</b>	-
Payment made on account of TPTL Tanks Lease Rental	<b>(20,182)</b>	-
<b>Amounts Receivable as at 31st March</b>	-	12,369
<b>Amounts Payable as at 31st March</b>	<b>(7,813)</b>	-

Lanka IOC PLC has invested Rs.49 Mn in the financial year 2023-24 in Equity of Trinco Petroleum Terminal Limited (TPTL) - Significant Investee to hold 49% of its equity value.

**23.1.6 Terms and Conditions**

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Company is to settle such related party dues within a short term (less than one year).

**23.2 Transactions with Key Management Personnel of the Company or its Subsidiaries**

a) The Key Management Personnel are the members of the Board of Directors, of the Company.

Payments made to Key Management Personnel during the year were as follows:

Year ended 31 March	2024	2023
	Rs '000	Rs '000
Fees for Directors	<b>2,800</b>	2,850
Emoluments	<b>78,198</b>	75,419
Short-Term Employment Benefits	<b>7,927</b>	5,417
	<b>88,925</b>	83,686

**23.3** Apart from the transactions reported above, the Company has transactions with other Government of India related entities, which includes but is not limited to Goods/services etc. These transactions are conducted in the ordinary course of the Company's business on terms comparable to other entities.

The Company enters into transactions, arrangements and agreements with the Government of India related entities and the Summary of transactions has been reported as follows.

Year ended 31 March		2024	2023
	Nature of the transactions	Rs '000	Rs '000
<b>(a) Items in Statement of Comprehensive Income</b>	Finance Expenses	<b>72,377</b>	72,377
	Purchases	<b>126,564</b>	1,156,559
<b>(b) Items in Statement of Financial Position</b>	Interest Bearing Loans and Borrowings	<b>1,559,644</b>	1,331,553
	Investment in Gratuity Fund	<b>125,616</b>	77,543
	Trade Payable	<b>23,011</b>	140,511
<b>(c) Off statement of Financial Position Items</b>	Letters of credit	<b>9,241</b>	-

**24. COMMITMENTS**

There were no material commitments as at the reporting date except for the following:

**24.1 Capital Commitments**

Capital expenditure contracted for at end of the period but not yet incurred amounts to Rs.287 Mn (2023- Rs.1,202 Mn)

**24.2 Purchase Commitments**

Letters of Credit opened with Banks Favours Suppliers as at 31st March 2024 amounted to Rs.21,266 Mn (2023 - Rs. 23,784 Mn).

## 25. CONTINGENCIES

There were no material contingencies as at the reporting date except for the following:

**25.1** Guarantees issued by Banks on behalf of the Company as at 31st March 2024 amounted to Rs.821 Mn (2023- Rs. 602Mn).

**25.2** There is a disagreement on interpretation of National Building Tax (NBT) Act between Company and Inland Revenue Department (IRD). The case was determined by the Tax Appeal Commission (TAC) in favour of IRD for the assessment period Jan 2012 to Sept 2012 amounting to Rs. 149.12 Mn including interest and penalty. Considering the merits of the case and expert opinion, Lanka IOC PLC (LIOC) filed an appeals in the Court of Appeal (COA). Arguments of the appeals filed for the period of Jan 2012 to June 2012 are being heard by COA. COA gave the Judgement dated 15.12.2023 for the period of July 2012 to Sept 2012 and allowed the LIOC's appeal. IRD has appealed against the judgment of the COA before Supreme Court (SC). Subsequent to the COA judgment, TAC issued determinations for all pending periods before TAC (The Appeals for the assessment period Oct 2012 to Dec 2015 and April 2016 to Mar 2017) in favour LIOC which was against their previous determinations amounting to Rs. 1,052.18 Mn including interest and penalty. IRD is in the appeal process to appeal before COA against TAC determinations. For the assessment period April 2017 to March 2018 amounting to Rs. 376.68 Mn including interest & penalty, Commissioner General of Inland Revenue (CGIR) has issued the determinations confirming assessments, later on CGIR agreed to waive off the same which is yet to be updated in IRD system. The estimated liability for the assessment period Jan 2016 to Mar 2016 and Apr 2018 to November 2019 is Rs. 410.28 Mn for which assessment orders have not yet been received and no default in Inland Revenue Department. NBT has been abolished w.e.f. 01.12.2019.

Therefore, total amount for the period Jan 2012 to Nov 2019 is Rs. 1,988.26 Mn which includes principal demand of Rs.1,412 Mn and Interest & penalty of Rs. 576 Mn. Total principal amount for the assessed period Jan 2012 to Dec 2015 and April 2016 to March 2018 is Rs.1,028.83 Mn provided in the books of accounts while the balance Rs.959.43 Mn not been provided on the grounds that the assessment from IRD had not been received and no liability is shown in IRD and the management is unable to make a best estimate of the penalty required to settle the present obligation at the end of the reporting period.

## 26. ASSETS PLEDGED

The short-term loans from banks Rs.4,359Mn (2023- Rs.4,468 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs.1,560 Mn (2023- Rs.1,204 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

Except for the above no assets have been pledged as at the reporting date.

## 27. DIVIDEND

	2024	2024	2023	2023
Equity Dividend on Ordinary shares	Per Share	Rs '000	Per Share	Rs '000
Declared and Paid during the year	4.00	2,129,863	2.25	1,198,048

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Audit Committee provides guidance to the Company's Board of Directors so that the Company's financial risk-taking activities would be governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

**28.1 Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

An analysis of the carrying amount of financial instruments based on the currency they are denominated in are as follows.

As at 31st March 2024	Denominated in Rs	"Denominated in USD
	Rs '000	Rs '000
Cash at bank and in hand	<b>5,872,176</b>	405,263
Interest Bearing Loans and Borrowings	<b>24,304</b>	4,282,312
Investment in Unit Trust	<b>14,842,272</b>	-
Investment Through Portfolio Management Services	<b>15,728,721</b>	-
Short-Term Bank And REPO Deposits	-	8,357,952
Trade Receivables	<b>3,125,108</b>	5,850,499
Other Receivables at Amortised cost	<b>9,548,439</b>	-
Trade and Other Payables	<b>12,060,723</b>	10,621,638
<b>As at 31st March 2023</b>		
Cash at bank and in hand	<b>674,809</b>	446,682
Interest Bearing Loans and Borrowings	<b>2,539,900</b>	1,328,788
Investment in Unit Trust	<b>2,654,504</b>	-
Investment Through Portfolio Management Services	<b>8,273,702</b>	-
Short-Term Bank And REPO Deposits	<b>6,082,527</b>	8,304,001
Trade Receivables	<b>651,868</b>	3,863,111
Other Receivables at Amortised cost	<b>954,095</b>	-
Trade and Other Payables	<b>3,407,980</b>	11,418,780

**a) 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations, Unit Trust investments and other investments. The Company manages its interest rate risk by daily monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favourable rates on borrowings.



As at 31st March 2024	Increase/ decrease in interest rate	Effect on Profit Before Tax
		Rs '000
Sensitivity only using borrowings		
Increase	+1%	(43,066)
Decrease	-1%	43,066
Sensitivity using Investment in deposits		
Increase	+1%	389,289
Decrease	-1%	(389,289)
As at 31st March 2023		
		Rs '000
Sensitivity only using borrowings		
Increase	+1%	(38,687)
Decrease	-1%	38,687
Sensitivity using Investment in deposits		
Increase	+1%	192,322
Decrease	-1%	(192,322)

#### b) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's USD denominated loans, short-term investments, Trade Receivables and Trade Payables.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of USD denominated liabilities).

As at 31st March 2024	Average Value	Year End Ex- change Rate	Change in USD Rate	Effect on Profit Before Tax
	Rs '000			Rs '000
Bank Deposits (USD)	8,357,952	300.44	+/- 1%	+/- 83580
Interest Bearing Loans and Borrowings (USD)	4,282,312	300.44	+/- 1%	+/- 42823
Trade and Other Receivables (USD)	5,850,499	300.44	+/- 1%	+/- 58505
Trade and Other Payables (USD)	10,621,638	300.44	+/- 1%	+/- 106216
<b>2023</b>				
Bank Deposits (USD)	8,304,001	326.57	+/- 1%	+/- 83040
Interest Bearing Loans and Borrowings (USD)	1,328,788	326.57	+/- 1%	+/- 13288
Trade and Other Receivables (USD)	3,863,111	326.57	+/- 1%	+/- 38631
Trade and Other Payables (USD)	11,418,780	326.57	+/- 1%	+/- 114188

The movement on the post-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars.

**28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD...)****28.2 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. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The following policies are implemented within the Company in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

For trade receivables, the Company has applied the simplified approach in SLFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Set out below is the information about the credit risk exposure on the Company's trade receivables using the provision matrix:

	2024		2023	
	Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
	Rs'000	Rs'000	Rs'000	Rs'000
Current	<b>7,955,734</b>	<b>56,880</b>	4,388,061	28,917
< 30 days	<b>970,480</b>	<b>45,862</b>	107,789	4,655
31-90 days	<b>75,606</b>	<b>5,466</b>	47,616	270
91-180 days	<b>43,555</b>	<b>6,935</b>	2,406	550
181-365 days	<b>58,251</b>	<b>26,054</b>	6,127	3,018
>365 days	<b>110,317</b>	<b>97,151</b>	94,151	93,761
	<b>9,213,944</b>	<b>238,348</b>	4,646,150	131,171

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. Counterparty credit limits are reviewed by the Company's board of directors on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through a counterparty's potential failure to make payments.

For other receivable at amortized cost, bank deposits and cash and bank balances the Company applies the three stage model approach permitted by SLFRS 9, which requires the Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31st March 2024 and 31st March 2023 were immaterial.

### 28.3 Liquidity risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and projecting cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Less than 1 year	More than 1 year	Total
As at 31st March 2024	Rs'000	Rs'000	Rs'000
Interest-Bearing Loans and Borrowings	<b>4,306,616</b>	-	<b>4,306,616</b>
Lease Liabilities	<b>4,347</b>	<b>48,669</b>	<b>53,016</b>
Trade and Other Payables	<b>22,682,361</b>	-	<b>22,682,361</b>
	<b>26,993,324</b>	<b>48,669</b>	<b>27,041,993</b>
As at 31st March 2023	Rs'000	Rs'000	Rs'000
Interest-Bearing Loans and Borrowings	4,468,346	-	4,468,346
Lease Liabilities	1,684	49,539	51,224
Trade and Other Payables	14,826,759	-	14,826,759
	19,296,789	49,539	19,346,328

### 28.4 Price Risk

The Company is exposed to the commodity price risk of petroleum products.

The Company monitors the price of petroleum products on a dynamic basis and adjusts inventory levels to minimise the impact.

### 28.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the desired gearing ratio within 40%.

As at 31st March	2024	2023
	Rs'000	Rs'000
Total borrowings (Note 22.1)	<b>4,306,616</b>	4,468,346
Less :- Cash and Cash Equivalents (Note 19.1)	<b>(6,277,439)</b>	(5,990,257)
Net debt	<b>(1,970,823)</b>	(1,521,912)
Total Equity	<b>73,470,157</b>	61,232,546
Total Capital	<b>77,776,773</b>	65,700,892
Gearing Ratio	<b>6%</b>	7%

**29. FAIR VALUES**

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

**a) Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique.

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 (that is, as prices) or indirectly (that is, derived from prices)

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

As at 31st March, the Company held the following financial instruments carried at fair value on the statement of financial position:

Year ended 31 March 2024	2024	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000	Rs '000
<b>b) Financial Assets measured at fair value</b>				
Financial Assets At Fair Value Through Profit or Loss				
- Investment in Unit Trust (Note 22.4)	<b>14,842,272</b>	<b>14,842,272</b>	-	-
Financial Assets At Fair Value Through Other Comprehensive Income				
- Investment in CPSTL (Note 12.1)	<b>5,306,000</b>	-	-	<b>5,306,000</b>
- Investment in TPTL (Note 12.2)	<b>98,000</b>	-	-	<b>98,000</b>
Investment Through Portfolio Management Services (Note 22.2)	<b>15,728,721</b>	<b>14,842,272</b>	-	<b>5,404,000</b>
	2023	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000	Rs '000
Financial Assets At Fair Value Through Profit or Loss				
- Investment in Unit Trust (Note 22.4)	2,654,504	2,654,504	-	-
Financial Assets At Fair Value Through Other Comprehensive Income				
- Investment in CPSTL (Note 12.1)	4,852,000	-	-	4,852,000
- Investment in TPTL (Note 12.2)	49,000	-	-	49,000
Investment Through Portfolio Management Services (Note 22.2)	8,273,702	2,654,504	-	4,901,000

During the reporting period ended 31st March 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

### 30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading.

As at 31st March 2024		Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at FVOCI	Financial Assets and Liabilities at Amortised Cost	Total
	Note	Rs '000	Rs '000	Rs '000	Rs '000
<b>Financial Assets</b>					
Financial Assets at Amortised Cost	17	-	-	9,548,438	9,548,438
Trade Receivables	16	-	-	8,975,607	8,975,607
Bank Deposits	22.3	-	-	8,357,952	8,357,952
Investment in Unit Trust	22.4	14,842,272	-	-	14,842,272
Financial Assets At Fair Value Through					
Other Comprehensive Income	12	-	5,404,000	-	5,404,000
Investment Through Portfolio					
Management Services	22.2	15,728,721	-	-	15,728,721
Cash and Bank Balances	19	-	-	6,277,439	6,277,439
Total Financial Assets		30,570,993	5,404,000	33,159,436	69,134,429
Financial Liabilities					
Trade and Other Payables	21	-	-	22,682,361	22,682,361
Interest Bearing Loans and Borrowings	22.1	-	-	4,306,616	4,306,616
Total Financial Liabilities		-	-	26,988,977	26,988,977

As at 31st March 2023		Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at FVOCI	Financial Assets and Liabilities at Amortised Cost	Total
	Note	Rs '000	Rs '000	Rs '000	Rs '000
<b>Financial Assets</b>					
Financial Assets at Amortised Cost	17	-	-	954,095	954,095
Trade Receivables	16	-	-	4,514,979	4,514,979
Bank Deposits	22.3	-	-	14,386,528	14,386,528
Investment in Unit Trust	22.4	2,654,504	-	-	2,654,504
Financial Assets At Fair Value Through					
Other Comprehensive Income	12	-	4,901,000	-	4,901,000
Investment Through Portfolio					
Management Services	22.2	8,273,702	-	-	8,273,702
Cash and Bank Balances	19	-	-	1,721,154	1,721,154
Total Financial Assets		10,928,206	4,901,000	21,576,756	37,405,961
Financial Liabilities					
Trade and Other Payables	21	-	-	14,826,759	14,826,759
Interest Bearing Loans and Borrowings	22.1	-	-	4,468,346	4,468,346

# SHAREHOLDER INFORMATION

## AS AT 31 MARCH 2024

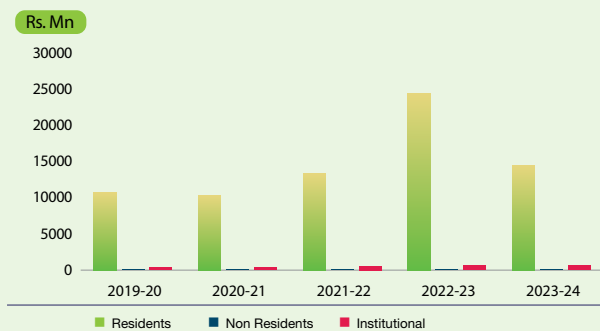
Share Range	Resident			Non-Resident			Total		
	No. of Share Holders	No. of Shares	Holding %	No. of Share Holders	No. of Shares	Holding %	Total No. of Share Holders	No. of Shares	Total Share holding %
1 - 1000	9,229	2,930,211	0.550	22	12,104	0.002	9,251	2,942,315	0.553
1001 - 10000	4,282	12,587,025	2.364	51	217,587	0.041	4,333	12,804,612	2.405
10001 - 100000	749	22,174,578	4.165	27	1,037,888	0.195	776	23,212,466	4.359
100001 - 1000000	141	40,882,736	7.678	7	1,491,998	0.280	148	42,374,734	7.958
1000001 - & Above	18	51,131,573	9.603	1	400,000,005	75.122	19	451,131,578	84.725
<b>TOTALS</b>	<b>14,419</b>	<b>129,706,123</b>	<b>24.360</b>	<b>108</b>	<b>402,759,582</b>	<b>75.640</b>	<b>14,527</b>	<b>532,465,705</b>	<b>100.000</b>

## AS AT 31 MARCH 2024

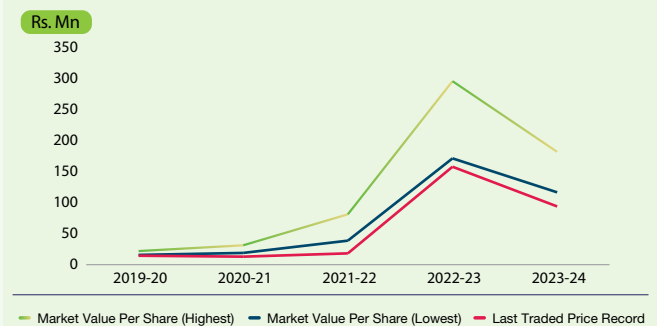
Share Range	Company			Individual			Total		
	No. of Share Holders	No. of Shares	Holding %	No. of Share Holders	No. of Shares	Holding %	Total No. of Share Holders	No. of Shares	Total Share holding %
1 - 1,000	112	50,579	0.009	9,139	2,891,736	0.54	9,251	2,942,315	0.553
1,001 - 10,000	235	1,020,363	0.192	4,098	11,784,249	2.21	4,333	12,804,612	2.405
10,001 - 100,000	171	6,128,743	1.151	605	17,083,723	3.21	776	23,212,466	4.359
100,001 - 1,000,000	76	25,633,888	4.814	72	16,740,846	3.14	148	42,374,734	7.958
1,000,001 - & Above	16	442,445,559	83.094	3	8,686,019	1.63	19	451,131,578	84.725
<b>TOTALS</b>	<b>610</b>	<b>475,279,132</b>	<b>89.260</b>	<b>13,917</b>	<b>57,186,573</b>	<b>10.74</b>	<b>14,527</b>	<b>532,465,705</b>	<b>100.000</b>

Financial Year	Resident Shareholders	Non Resident Shareholders	Institutional Shareholders
01.04.2019 - 31.03.2020	10,722	106	391
01.04.2020 - 31.03.2021	10,306	104	352
01.04.2021 - 31.03.2022	13,314	85	577
01.04.2021 - 31.03.2023	24,408	86	650
<b>01.04.2021 - 31.03.2024</b>	<b>14,419</b>	<b>108</b>	<b>610</b>

### Shareholders Information



### Share Price Movements





**LANKA IOC PLC - TOP 20 SHAREHOLDERS AS AT 31ST MARCH 2024**

NO	NAME	HOLDING	%
1	INDIAN OIL CORPORATION LIMITED	400,000,005	75.12
2	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	7,975,875	1.50
3	BANK OF CEYLON A/C CEYBANK UNIT TRUST	5,161,333	0.97
4	MR. K.A.S.R. NISSANKA	4,450,519	0.84
5	J.B. COCOSHELL (PVT) LTD	4,177,083	0.78
6	PEOPLE'S LEASING & FINANCE PLC/ MR. D.M.PDISANAYAKE	3,797,197	0.71
7	SEYLAN BANK PLC/ ARRC CAPITAL (PVT) LTD	3,538,284	0.66
8	SEYLAN BANK PLC/ CHANNA NALIN RAJAHMONEY	3,014,144	0.57
9	PEOPLES LEASING & FINANCE PLC/ MRS. M.E. AMARASINGHE	2,760,084	0.52
10	HATTON NATIONAL BANK PLC/ ELAYATHAMBY THAVAGNANASUNDARAM	2,469,873	0.46
11	EMPLOYEE'S PROVIDENT FUND	2,346,558	0.44
12	SRI LANKA INSURANCE CORPORATION LTD - GENERAL FUND	2,148,947	0.40
13	ACUITY PARTNERS (PVT) LIMITED/ MR. ELAYATHAMBY THAVAGNANASUNDARAM	2,016,999	0.38
14	EMPLOYEES TRUST FUND BOARD	1,868,959	0.35
15	MR. N. SAMARASURIYA/ MRS. C. SAMARASURIYA	1,704,000	0.32
16	ACUITY PARTNERS (PVT) LIMITED/ MR. ELAYATHAMBY THAVAGNANASOORIYAM/ MR. ELAYATHAMBY THAVAGNANASUNDARAM	1,498,625	0.28
17	ASSETLINE LEASING CO.LTD/ BRITISH AMERICAN TECHNOLOGIES PVT LTD	1,451,796	0.27
18	SEYLAN BANK PLC/ CAPITAL TRUST HOLDINGS LIMITED	1,391,497	0.26
19	SEYLAN BANK PLC/ ANUJA CHAMILA JAYASINGHE	1,296,862	0.24
20	HATTON NATIONAL BANK PLC/ANUJA CHAMILA JAYASINGHE	1,192,954	0.22
	<b>TOTAL TOP 20 SHAREHOLDING</b>	<b>454,261,594</b>	<b>85.29</b>
	<b>OTHER SHAREHOLDING</b>	<b>78,204,111</b>	<b>14.71</b>
	<b>TOTAL SHAREHONDING</b>	<b>532,465,705</b>	<b>100.00</b>

**DIRECTORS' SHAREHOLDING AS ON 31ST MARCH 2024**

Mr. Sujoy Choudhry	Nil
Mr. Dipak Das	Nil
Prof. Lakshman R Watawala	500
Mr. Amitha Gooneratne	4,800
Mr. N D Mathur	Nil
Mr. R V N Vishweshwar	Nil

**LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE) 01 April 2023 - 31 March 2024**

No. of Share transactions for the year	71,635
No. of Shares traded	97,363,369
Value of Shares Traded (Rs)	12,065,374,628.65
<b>Price Movements (Rs)</b>	
Highest (Rs)	182.00
Lowest (Rs)	94.00
Closing Price (Rs)	116.75
Market Capitalization (Rs Mn) (Closing Price* Issued Quantity)	62,165,371,058.75
Float Adjusted Market Capitalisation (Rs Mn)	15,464,751,700.00

**LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE) 01 April 2022 - 31 March 2023**

No. of Share transactions for the year	257,648
No. of Shares traded	412,730,157
Value of Shares Traded (Rs)	62,314,100,197.75
<b>Price Movements (Rs)</b>	
Highest (Rs)	296.00
Lowest (Rs)	19.20
Closing Price (Rs)	171.50
Market Capitalization (Rs Mn) (Closing Price * Issued Quantity)	91,317,868,407.50
Float Adjusted Market Capitalisation (Rs Mn)	22,716,958,600.00

# GRI CONTEXT INDEX

<b>Statement of use</b>	Lanka IOC PLC has reported in accordance with the GRI Standards for the period from 1st April 2023 to 31st March 2024
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	GRI 11: Oil and Gas Sector 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organisational details	6-9			
	2-2 Entities included in the organization's sustainability reporting	4			
	2-3 Reporting period, frequency and contact point	4-5			
	2-4 Restatements of information	4		A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.	
	2-5 External assurance	145-147			
	2-6 Activities, value chain and other business relationships	6-9			
	2-7 Employees	75-76			
	2-8 Workers who are not employees	75-76			
	2-9 Governance structure and composition	125			
	2-10 Nomination and selection of the highest governance body	99			
	2-11 Chair of the highest governance body	98			
	2-12 Role of the highest governance body in overseeing the management of impacts	98			
	2-13 Delegation of responsibility for managing impacts	96			
	2-14 Role of the highest governance body in sustainability reporting	96			
	2-15 Conflicts of interest	96			
	2-16 Communication of critical concerns	100			
	2-17 Collective knowledge of the highest governance body	96			
	2-18 Evaluation of the performance of the highest governance body	99			
	2-19 Remuneration policies	99			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
	2-20 Process to determine remuneration	99				
	2-21 Annual total compensation ratio	-	2-21 a, b and c	Confidentiality constraints	Omitted due to sensitivity of the information	
	2-22 Statement on sustainable development strategy	15-17				
	2-23 Policy commitments	105-125				
	2-24 Embedding policy commitments	75, 105-120				
	2-25 Processes to remediate negative impacts	100				
	2-26 Mechanisms for seeking advice and raising concerns	100				
	2-27 Compliance with laws and regulations	105-125				
	2-28 Membership associations	72				
	2-29 Approach to stakeholder engagement	36-37				
	2-30 Collective bargaining agreements	79				
<b>Material topics</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	42		A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	3-2 List of material topics	43-46				
<b>Economic performance</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	59-64				11.14.1
	201-1 Direct economic value generated and distributed	64				11.14.2
	201-2 Financial implications and other risks and opportunities due to climate change	-	201-2a	Information unavailable	This information is not available at present	
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	162, Note 8				
	201-4 Financial assistance received from government	-	201-4a,b,c	Not applicable	LIOC does not receive any financial assistance from the government	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	66-69				11.14.1
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	66-69				11.14.4
	203-2 Significant indirect economic impacts	10-11				11.14.5
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	87				11.14.1
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	87				11.14.6
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	162				11.21.1
GRI 207: Tax 2019	207-1 Approach to tax	162				11.21.4
	207-2 Tax governance, control, and risk management	162				11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	162				11.21.6
	207-4 Country-by-country reporting	-	207-4,a,b,c	Not applicable	LIOC does not have subsidiaries operating in overseas locations	11.21.7
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	89				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	-	301-1a	Information unavailable	This information is not available at present	
	301-2 Recycled input materials used	-	301-2a	Not applicable	LIOC does not use recycled input materials in its processes	
	301-3 Reclaimed products and their packaging materials	-	301-3a,b	Not applicable	This information is not available at present	
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				11.1.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
GRI 302: Energy 2016	302-1 Energy consumption within the organization	90				11.1.2
	302-2 Energy consumption outside of the organization	-	302-2a,b,c	Information unavailable	LIOC does not measure this	11.1.3
	302-3 Energy intensity	-	302-3a,b,c,d	Information unavailable	This information is not available at present	11.1.4
	302-4 Reduction of energy consumption	90				
	302-5 Reductions in energy requirements of products and services	-	302-5a,b,c	Information unavailable	This information is not available at present	
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	91				11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	91				11.6.2
	303-2 Management of water discharge-related impacts	91				11.6.3
	303-3 Water withdrawal	91				11.6.4
	303-4 Water discharge	-	303-4a,b,c,d,e	Information unavailable	This information is not available at present	11.6.5
	303-5 Water consumption	-	303-5a,b,c,d	Information unavailable	This information is not available at present	11.6.6
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	92				11.5.1
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	92				11.5.2
	306-2 Management of significant waste-related impacts	92				11.5.3
	306-3 Waste generated	-	306-3a,b	Information unavailable	This information is not available at present	11.5.4
	306-4 Waste diverted from disposal	-	306-4a,b,c,d,e	Information unavailable	This information is not available at present	11.5.5
	306-5 Waste directed to disposal		306-5a,b,c,d,e	Information unavailable	This information is not available at present	11.5.6
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	87				



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	87			
	308-2 Negative environmental impacts in the supply chain and actions taken	87			
<b>Employment</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	71			11.10.1
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	71			11.10.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	72			11.10.3
	401-3 Parental leave	80			11.10.4
<b>Labor/management relations</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	79			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	79			11.10.5
<b>Occupational health and safety</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	79			11.9.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	78-79			11.9.2
	403-2 Hazard identification, risk assessment, and incident investigation	78-79			11.9.3
	403-3 Occupational health services	78-79			11.9.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	78-79			11.9.5
	403-5 Worker training on occupational health and safety	78-79			11.9.6
	403-6 Promotion of worker health	78-79			11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	78-79			11.9.8
	403-8 Workers covered by an occupational health and safety management system	78-79			11.9.9
	403-9 Work-related injuries	79			11.9.10
	403-10 Work-related ill health	79			11.9.11

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	78				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	78				11.10.6
	404-2 Programs for upgrading employee skills and transition assistance programs	78				11.10.7
	404-3 Percentage of employees receiving regular performance and career development reviews	78				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	79				11.11.1
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	80				11.11.5
	405-2 Ratio of basic salary and remuneration of women to men	80				11.11.6
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	79				11.11.1
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	79				11.11.7
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	79				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	79				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	79				11.12.1
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	79				11.12.1
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	79				11.12.1
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	79				11.12.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	87				11.15.1
	413-1 Operations with local community engagement, impact assessments, and development programs	87				11.15.2
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	-	413-2 a.	Not applicable	The company has not identified such potential negative impacts	11.15.3
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	84				
	416-1 Assessment of the health and safety impacts of product and service categories	84				
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	84				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	85				
	417-1 Requirements for product and service information and labeling	85				
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	85				
	417-3 Incidents of non-compliance concerning marketing communications	85				

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the 22nd Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Friday, 28th June 2024 at 10.30 a.m virtually for the following purposes;

## AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2024 with the Report of the Auditors thereon.
2. To declare a first & final dividend of Rs. 5.00 per share for the Financial Year 2023-2024 as recommended by the Board.
3.
  - (i) To re-elect Mr. Sujoy Choudhury as a Director of Lanka IOC PLC who retires by rotation as per Article 29(2) of the Articles of Association of the company and offers himself for re-election.
  - (ii) To re-elect Mr. R V N Vishweshwar who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
  - (iii) To re-elect Mr. N D Mathur who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
4. To re-appoint Prof. Lakshman R Watawala, who has reached the age of 76 (w.e.f 17th March 2024) and accordingly vacates his position in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act). The board of directors have declared, having considered all relevant factors, that Prof Watawala is 'nevertheless independent' and recommended the proposal of the following Ordinary Resolution, with regard to his re-appointment.
 

"RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 (the Act), shall not apply to Prof. Lakshman R Watawala, Independent Non-Executive Director who has reached the age of 76 years (w.e.f 17th March 2024) and that Prof. Lakshman R Watawala, be re-appointed until 31st December 2024 (in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange and Section 211 of Companies Act No.7 of 2007) as a Director of the Company.
5. To re-appoint Mr. Amitha Gooneratne, who has reached the age of 72 (w.e.f 27th April 2024) and accordingly vacates his position in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act). The board of directors have declared, having considered all relevant factors, that Mr Gooneratne is 'nevertheless independent' and recommended the proposal of the following Ordinary Resolution.

"RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 (the Act), shall not apply to Mr. Amitha Gooneratne Independent Non- Executive Director

who has reached the age of 72 years (w.e.f 17th April 2024) and that Mr. Amitha Gooneratne, be re-appointed until 31st December 2024 (in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange and Section 211 of Companies Act No.7 of 2007) as a Director of the Company.

6. To appoint Mr. H M A Jayasinghe, as an Independent Non-Executive Director with effect from 01.01.2025 in terms of Article 27 (8) of the Article of Association of the Company.
7. To appoint Mr. S. Renganathan, as an Independent Non-Executive Director with effect from 01.01.2025 in terms of Article 27 (8) of the Article of Association of the Company.
8. To re-appoint Messrs, BDO Partners Sri Lanka Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and to authorize the Board of Directors to determine their remuneration.
9. To consider and if thought fit to pass the following Special Resolutions to amend the Articles of Association of the Company in line with and to comply with the Listing Rules of the Colombo Stock Exchange that are currently in force.

## SPECIAL RESOLUTION 1:

IT IS HEREBY RESOLVED THAT Article 27 (1) be deleted in entirety and be substituted with the following new Article 27 (1):

Unless otherwise determined by ordinary resolution of the shareholders of the Company, the number of Directors shall not be less than five (5) and not more than eleven (11) including the Managing Director and/or any other executive Directors.

IT IS HEREBY RESOLVED THAT Article 27 (9) be deleted in entirety and be substituted with the following new Article 27 (9):

Alternate Directors shall only be appointed in exceptional circumstances. A Director may, if he is unable to attend to his duties as a Director in such circumstances, by notice in writing under his hand to the registered office of the Company or by notice sent by facsimile transmission, appoint any person to be an alternate director of the Company for a maximum period of one (1) year from the date of appointment and at any time remove the alternate director so appointed. The alternate director shall ipso facto cease to be an alternate director if his appointer ceases for any reason to be a Director.

IT IS HEREBY RESOLVED THAT Article 27 (10) be deleted in entirety and be substituted with the following new Article 27 (10):

A Director appointed by another Director to be his alternate director shall thereupon be entitled to exercise (in addition to his own right of voting as Director) such appointer's rights at meetings of the Board. The

attendance of any alternate Director at any meeting, including a Board committee meeting, at which the appointer is absent, shall be counted for the purpose of quorum at such meeting. A person may act as an alternate director for more than one Director.

IT IS HEREBY RESOLVED THAT Article 27 (13) be deleted in entirety and be substituted with the following Article 27 (13):

If an alternate Director is appointed for a non-executive Director, such alternate Director shall not be an executive of the Company.

IT IS HEREBY RESOLVED THAT the following be included as Article 27 (14):

If an alternate Director is appointed by an independent Director, such alternate Director so appointed shall meet the criteria for independence of the Listing Rules of the Colombo Stock Exchange.

IT IS HEREBY RESOLVED that Articles 27(14), 27(15) and 27(16) be renumbered as Articles 27(15), 27(16) and 27(17).

### **SPECIAL RESOLUTION 2:**

IT IS HEREBY RESOLVED THAT Article 15 be deleted in entirety and be substituted with the following new Article 15:

A meeting of shareholders may be held by a number of shareholders who constitute a quorum, being assembled at the place (whether physical or virtual or a combination), date and time appointed for the meeting which shall include for the avoidance of doubt any means by which audio or visual or written or any combination of these communications is facilitated for shareholders participating as such and constituting a quorum.

IT IS HEREBY RESOLVED THAT Article 18(1) be deleted in entirety and be substituted with the following new Article 18(1):

Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by shareholders signifying individually their assent or dissent by a show of hands or voice or any other method of expression as may be used in the context of and allowed by the electronic platform and/or application used by the Company to conduct such meeting.

### **SPECIAL RESOLUTION 3:**

IT IS HEREBY RESOLVED THAT Article 50 (1) be deleted in entirety and be substituted with the following new Article 50(1):

Where the Company is required to send any notice, financial statement, report or other document to a shareholder, it shall be sufficient for the Company to send the notice, financial statement, report or other document by courier or by post to his registered address or by electronic mail to an electronic mail account notified by the shareholder in writing to the Company. Any notice, financial statement, report or other

document sent by courier or by registered post, is deemed to have been received by the shareholder on the day following the dispatch of a properly addressed letter containing the notice, financial statement, report or other document. Where electronic mail is used, the notice, financial statement, report or other document shall be deemed to have been received by the shareholder on the day of and upon the dispatch of the same by the Company through electronic mail.

IT IS HEREBY RESOLVED THAT the following be included as a new Article 50(5):

Any notice required to be given by the Company to the Directors, shareholders (or any of them) and/or auditors and any communication between the Company, its Directors, shareholders not expressly provided for by these Articles shall be sufficiently given if the notice or communication is published on the official website of the Company and/or published on the official website of the Colombo Stock Exchange (if the Company is listed on the Colombo Stock Exchange) and/or published in Sinhala, Tamil and English national daily newspapers.


IT IS HEREBY RESOLVED that Articles 50(5), 50(6) and 50(7) be renumbered as Articles 50(6), 50(7) and 50(8).

The Annual Report of Lanka IOC PLC for 2023/24 will be available via the below links, once the Financial Statements for the year ended 31 March 2024 are released to the Colombo Stock Exchange:

- (1) Corporate Website <https://www.lankaio.com> under investor section
- (2) The Colombo Stock Exchange – <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=LIOC.N0000>

Shareholders may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.

By Order of the Board



**[Ms] Amali Liyanapatabendi**

Company Secretary  
Lanka IOC PLC.

3rd June 2024

Colombo

1. A duly registered and entitled holder of the Company's shares is entitled to attend, speak and vote at the AGM and is entitled to appoint a proxyholder to attend, speak and vote on his/ her behalf;
2. A proxyholder need not be a shareholder of the Company; A proxy so appointed shall have the same right as the shareholder to vote on a show of hands or on a poll as well as to speak at the AGM;
3. The Form of Proxy is enclosed for this purpose. The completed Form of Proxy must be deposited at the Registered Office of the Company situated at Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01 or forwarded via e-mail to [agmlankaiooc@gmail.com](mailto:agmlankaiooc@gmail.com) or facsimile to 011 2 391 490, not less than forty-eight (48) hours before the appointed hour of the meeting;
4. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
5. Instructions given in the Circular to shareholders dated must be followed to join the meeting via audio – visual means;



# FORM OF PROXY

I/We.....[Full Name]  
 .....[NIC No] of .....being a  
 a member/s of Lanka IOC PLC, hereby appoint Mr/Mrs/Miss.....  
 [NIC No] .....of.....whom failing:

Mr. Sujoy Choudhury	whom failing
Mr. Dipak Das	whom failing
Prof. Lakshman R Watawala	whom failing
Mr. Amitha Gooneratne	whom failing
Mr. R V N Vishweshwar	whom failing
Mr. N D Mathur	

as my/our Proxy holder to represent me/us to speak at the meeting and to vote on a show of hands or on a poll for me/us on my/our behalf, as indicated below at the 22nd Annual General Meeting of the Company to be held on Friday, 28th June 2024 virtually and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive, consider and adopt the Annual Report for the financial year ended 31st March 2024 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first & final dividend of Rs. 5.00 per share for the Financial Year 2023-24.	<input type="checkbox"/>	<input type="checkbox"/>
3. a) To re-elect, Mr Sujoy Choudhury who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
b) To re-elect Mr R V N Vishweshwar who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
c) To re-elect N D Mathur who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Prof.Lakshman R Watawala, who has reached the age of 76 and vacates the position of Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr Amitha Goonaratne, who has reached the age of 72 and vacates the position of Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To appoint Mr. H M A Jayasinghe , as an Independent Non-Executive Director with effect from 01.01.2025.	<input type="checkbox"/>	<input type="checkbox"/>
7. To appoint Mr. S. Renganathan, as an Independent Non-Executive Director with effect from 01.01.2025.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Messrs, BDO Partners Sri Lanka Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Board of Directors to their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9. To pass Special Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>
To pass Special Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>
To pass Special Resolution 3	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on this.....day of.....2024

.....  
 NIC Number

.....  
 Signature/s

## Notes

1. A Proxy need not be a shareholder of the Company
2. Instructions as to completion are noted on the reverse hereof

**Instructions as to Completion**

- Please perfect the Form of Proxy by filling in legibly your full name, NIC No and address as well as the full name and NIC number of the proxy holder, by signing in the space provided and filling in the date of signature.
- The completed Form of Proxy should be deposited at Lanka IOC PLC, Level 20, West Tower, World Trade Centre, Colombo 01 or emailed to agmlankaio@gmail.com or facsimile to +94 112391490 not less than 48 hours before the time appointed for the holding of the Meeting.
- If the appointer is a Company or Corporation, this Form must be executed under its Common Seal or the hand of a duly Authorized Officer of the Company, in accordance with its Articles of Association.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

**Please fill in the following details:**

NIC No: .....

Full Name: .....

Address: .....

.....

Jointly with: .....

Tel No: .....

email ID: .....

# CORPORATE INFORMATION

Name of Company	:	Lanka IOC PLC
Company Registration Number	:	PQ 179
BOI Registration No.	:	2613/05/12/2002
Legal Form	:	A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th August 2002 under the provisions of the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed in the Colombo Stock Exchange
Registered Office	:	Level 20, West Tower, World Trade Centre Echelon Square, Colombo 01, Sri Lanka Telephone : + 94 11 2475720
Facsimile	:	+ 94 11 2391490
Website	:	www.lankaioc.com
Associates	:	Ceylon Petroleum Storage Terminals Limited Trinco Petroleum Terminal (Pvt) Ltd
Board of Directors	:	Mr. Sujoy Choudhury (Chairman) Mr. Dipak Das (Managing Director) Prof. Lakshman R Watawala Mr Amitha Gooneratne Mr. N D Mathur (Appointed w. e. f 20.03.2024) Mr. R V N Vishweshwar (Appointed w. e. f 20.03.2024) Mr. Saumitra P Srivastava (Cease to be a Director w. e. f 20.03.2024) Mr. Ruchir Agrawal (Cease to be a Director w. e. f 20.03.2024)
Company Secretary	:	(Ms) Amali Liyanapatabendi
Registrars	:	Central Depository System (Pvt) Ltd Ground Floor, M & M Centre 341/5, Kotte Road, Rajagiriya
Auditors - Statutory	:	BDO Partners - Chartered Accountants "Charter House" 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Auditors - Internal	:	KPMG Chartered Accountants # 32/A, Sir Mohamed Macan Mawatha, Colombo 03
Lawyers	:	F J & G de Saram, Attorneys-at-Law # 216, de Saram Place, Colombo 10
Bankers	:	Standard Chartered Bank Deutsche Bank Citibank N. A. State Bank of India, Colombo HSBC Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank National Development Bank Cargills Bank

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