



# ENRICHING LIVES

BEYOND BUSINESS





# ENRICHING LIVES

## BEYOND BUSINESS

The year 2022 will stand out as a watershed year. Every facet of our nation was impacted by unprecedented challenges. At this crucial juncture, LIOC resolutely stepped ahead to ensure uninterrupted supplies across the length and breadth of our country, thus ensuring the energy security of the country. Inspired by our 'Nation First' mantra, we went above and beyond our call of duty to ensure that the wheels of the economy were in motion.

The challenges over the last three years, test the remarkable resilience of our Sri Lankan people who have risen strong through waves of socio-economic turmoil to chart a path of revival defying all odds.

This Integrated Annual Report 2022-23 is a celebration of the relentless spirit of the team at LIOC PLC who demonstrated grit and dedication to deliver value that enrich lives beyond business.

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## CHAIRMAN'S MESSAGE

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.

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## MANAGING DIRECTOR'S REVIEW

Our team proved their mettle by remaining determined and resilient amidst the year's headwinds, to deliver robust revenue and profits backed by strong operational efficiencies. The year's revenue surpassed Rs 280 billion on the back of higher product prices and increased sales volumes, steering the company towards a phenomenal growth in profits.

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[HTTPS://WWW.LANKAIOC.COM/INVESTORS/](https://www.lankaio.com/investors/)



# OUR INTEGRATED ANNUAL REPORT



It gives us great pleasure to present Lanka IOC PLC's 8th integrated annual report 'Enriching Lives – Beyond Business'.

The Annual Report provides our holistic approach to business and capture key highlights of our business operations during a period of unprecedented challenges. We at LIOC transcended beyond the call of business creating a tangible impact in the people of our nation.

## Lanka IOC PLC

ANNUAL REPORT 2022 - 23

This Report provides a balanced overview of the integrated thinking that extends across every level of our operations with the purpose of creating sustainable value.

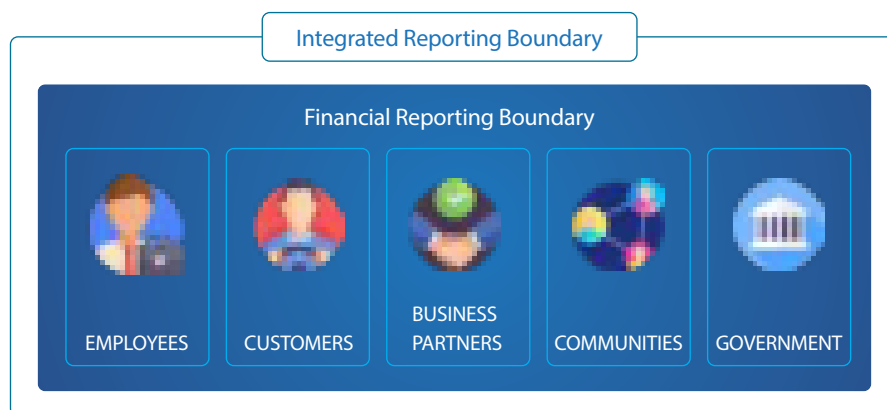
This Report provides an extensive overview of the operating environment faced by the Company during the year, in addition to the relevant strategies and principles of governance and risk management that enabled the exceptional performance. In line with our commitment towards continuous improvement and overall excellence, this report provides further year-on-year improvements to content and the overall presentation and structure as per the principles established by the Integrated Reporting Council whilst adhering to the Sustainability Reporting Guidelines set forth by the Global Reporting Initiative.

### Scope & Boundary

As graphically set out alongside, this Report covers the operations of Lanka IOC PLC for the period from 1st April 2022 to 31st March 2023. The Company adopts an annual reporting cycle for its financial and sustainability reporting. The financial and non-financial information presented in the narrative report represents the information of the Company. There were no major changes in the Company's organisational 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, which enabled the identification of the business, social, environmental and external issues which could have the most significant impact on the Company's ability to generate value. The process for determining material issues is given on page 42 of this Report.



### Determining materiality

OUR OPERATING ENVIRONMENT
STAKEHOLDER NEEDS
STRATEGIC ASPIRATIONS
OPPORTUNITIES AND RISKS

### Precautionary Principle

Lanka IOC PLC applies the precautionary approach according to its capabilities in order to protect the environment.

## Reporting Concepts



## 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-reality 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)

## Directors' Responsibility

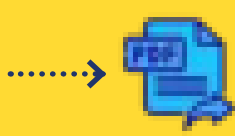
Lanka IOC PLC's Board of Directors is ultimately responsible for ensuring the integrity of this Annual Report and confirms that the Report provides a balanced view of the performance in 2022-23. We hereby confirm that the 2022-23 Report addresses all relevant material matters and fairly represents the 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 was unanimously approved by the Board and signed on its behalf by :

  
**Dipak Das**  
Managing Director

## Feedback

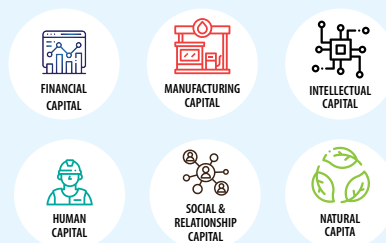
We welcome your comments on our 7th Integrated Annual Report 2022-23, together with any queries and suggestions for improvement. Please direct your feedback to:

Company Secretary  
**Lanka IOC PLC**  
Sri Lanka  
E-mail: [companysecretary@lankaio.com](mailto:companysecretary@lankaio.com)



## ICON Guide

### CAPITAL REPORTS ICON



### OUR STRATEGIC PILLARS



### PRODUCT ICONS



# ABOUT US

## VISION

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

## MISSION

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

**To provide** technology and services through sustained research and development.

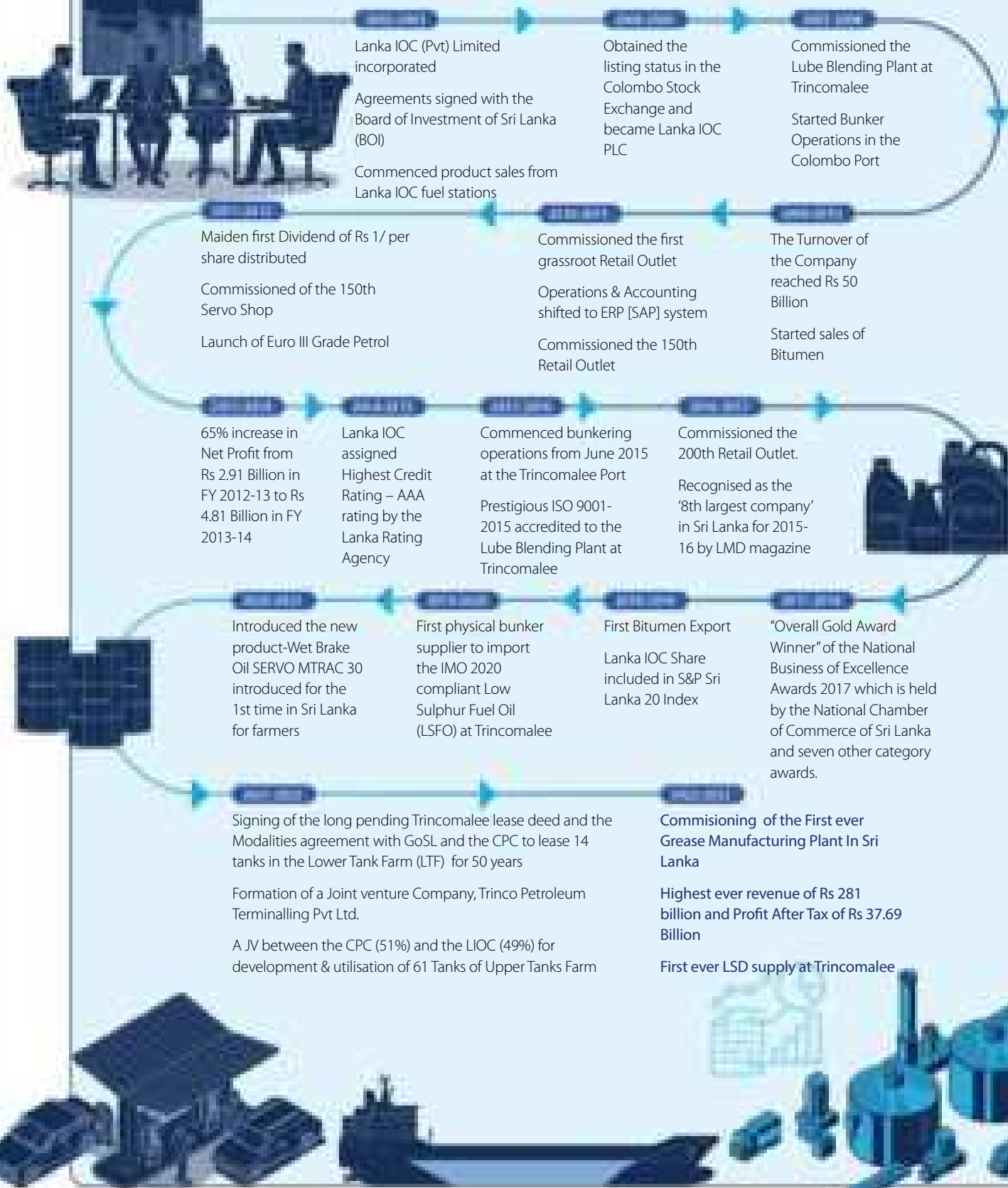
**To foster** a culture of participation and innovation for employee growth and contribution.

**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.



# HISTORICAL MILESTONES



# ABOUT LIOC PLC



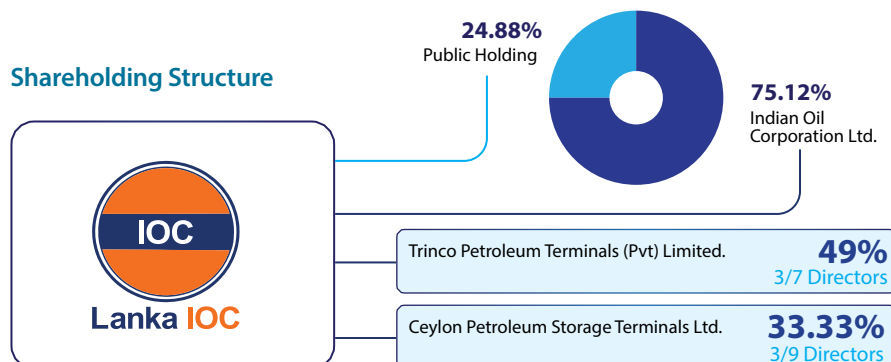
Lanka IOC PLC with a corporate history of 21 years is the only private sector auto fuel retailer in Sri Lanka. Over the years the Company has made a significant impact on the socio-economic landscape by enabling mobility, economic activity and development. With an island-wide footprint of 249 Retail Outlets the Company services 20% of the country's retail fuel demand.

The Company is a subsidiary of the Indian Oil Corporation Ltd., (IOCL), India's state-owned energy company which is the country's largest commercial enterprise with operations in 08 countries. IOCL possesses business interests across the entire hydrocarbon value chain – from refining, pipeline transportation and marketing of petroleum products to exploration & production of crude oil & gas, 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. We have over the years demonstrated our continuous commitment to providing the best quality products and creating a 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.

## Shareholding Structure



## A Partner in Sri Lanka's Economic Development

Uninterrupted fuel supply (24/7) during the fuel crisis

Supply of **6000 MT** Gasoil to CEPETCO/CEB

**36** new Retail Outlets and 249 in the country

Wet-Brake oil **Servo MTRAC 30** for farmers

First grease manufacturing plant in Sri Lanka

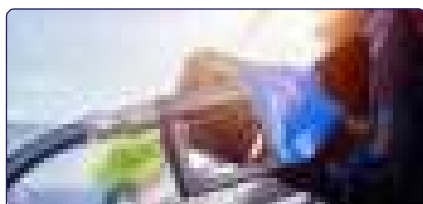
**Serving 20%** of the country's auto fuel requirement

**Rs 41 Bn** Contribution to the nation as taxes and levies

Commissioning of the consumer business

**Rs 469 Mn** Investment in Revenue Generating Assets

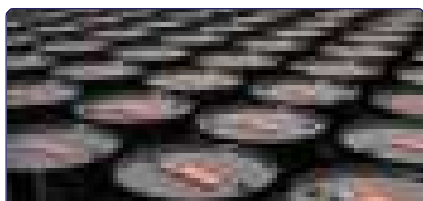
# KEY BUSINESS VERTICALS



## Automotive Fuels

### Positioning

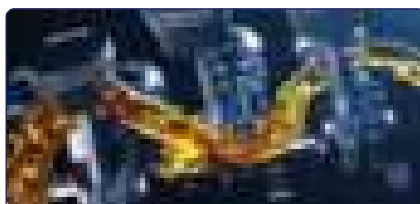
Possess a market share of 20%. Auto fuels are distributed through retail fuel outlets. A range of premium and branded fuels have also been introduced to ensure fuel efficiency and engine performance.



## Bitumen

### Positioning

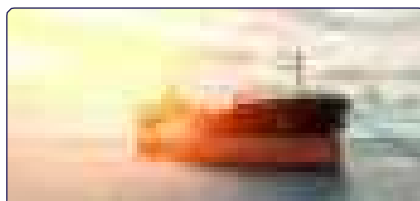
We are the market leader in the Bitumen business and sell Bitumen for industrial and road construction purposes. We also export Bitumen to neighbouring countries.



## Lubricants

### Positioning

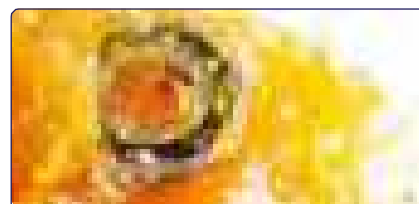
The second market player in the lubricants sector. The Servo brand of lubricants are used for automotive, marine and industrial applications.



## Bunkering

### Positioning

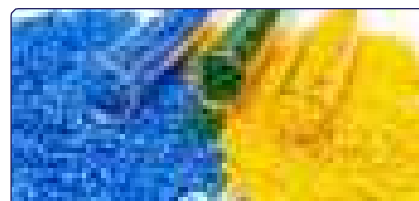
Market leader in bunkering serving local and foreign vessels from the Colombo, Trincomalee and Hambantota ports.



## Grease

### Positioning

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



## Petrochemicals

### Positioning

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

# OUR CONTRIBUTION TO THE ECONOMY

**Lanka IOC (LIOC) plays a pivotal role in the country's economy, making a substantial and impactful contribution. By offering essential petroleum products and services, LIOC ensures the smooth functioning of various industries and transportation systems, thus driving economic growth and stability.**

LIOC's commitment to providing reliable and high-quality petroleum products helps create opportunities for individuals and businesses to enhance their operations and living standards. The company's extensive distribution network ensures a consistent supply of petroleum fuels, lubricants and other related products, supporting industries such as transportation, manufacturing and agriculture. By powering these sectors, LIOC enables businesses to operate efficiently, stimulate production and contribute to the overall economic well-being of the country.

Furthermore, Lanka IOC actively engages in corporate social responsibility (CSR) initiatives that aim to uplift local communities and contribute to their well-being. Lanka IOC demonstrates its commitment to creating a positive impact beyond its core business activities, thereby contributing to the overall socio-economic development of Sri Lanka.

Lanka IOC's presence and operations in Sri Lanka significantly contribute to the country's economy. Through its focus on energy security, reliable supply of petroleum products and engagement in CSR initiatives, Lanka IOC strives to foster economic growth, reduce inequalities and support the well-being of the Sri Lankan population.

In this Annual Report for the period 2022-23, we have highlighted our significant contribution to the Sri Lankan economy through the following operations and various initiatives.



## 1 Revenue Generation and Foreign Exchange Earnings

LIOC plays a vital role in revenue generation for the Sri Lankan economy. The company's sales of petroleum products contribute substantial revenue and a significant portion of this revenue is derived from the auto fuel segment. As a majority of Sri Lanka's transportation relies on fossil fuels, the demand for auto fuel remains consistently high. LIOC's distribution network and retail outlets across the country ensure the availability of quality automotive fuels to meet the needs of individual consumers, commercial vehicles and industries.

We expanded our market presence to neighbouring countries and successfully ventured into the export of bitumen. This strategic move not only provided new growth opportunities for LIOC but also contributed to the economic stability to Sri Lanka. By earning foreign exchange through exports, LIOC strengthened the country's economic stability.

## 2 Employment Opportunities



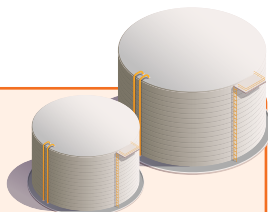
As a major player in the petroleum industry, LIOC provides direct and indirect employment opportunities. The company's operations, including service stations, distribution centers and retail outlets, require a skilled workforce. By employing thousands of individuals across various job categories, the company contributes to job creation and economic growth.

### 3 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.

### 4 Investments in Infrastructure



LIOC invested in infrastructure development, including storage facilities, distribution networks and fuel stations. These investments enhance the country's energy infrastructure and contribute 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. These investments improve the energy infrastructure of the country, ensuring efficient supply and distribution of petroleum products. By enhancing infrastructure, the company not only benefits its own operations but also supports other sectors that depend on reliable energy sources, thereby contributing to economic activities in those sectors.

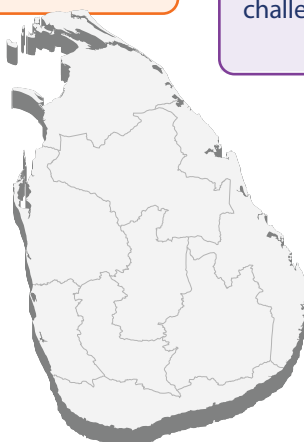
#### Ensuring the continuity of lives and livelihoods through an unprecedented crisis

Seamless continuity of fuel supplies

**Across the Island**

Supply of Gasoil to the CEB/CPC to provide uninterrupted power

**6000 MT**



Supply of Diesel to the BOI sector

**More than 100 factories served**

Special Tourist Fuel Passes

**More than 5000**

### 5 Corporate Social Responsibility (CSR) Initiatives



At LIOC, we consider our commitment to social welfare and community development as a fundamental aspect of our values. To further emphasize and prioritize our community work, we have adopted the Sustainable Development Goals (SDGs) outlined by the United Nations as part of their 2030 sustainability development agenda. By aligning 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.

### 6 Ensuring Stability

The year 2022-23 was one such year in which LIOC rose to the challenges ensuring continuity of livelihoods of all Sri Lankans and businesses amidst an unprecedented energy crisis that engulfed the country. The Company was successful in transcending beyond business thereby enabling the nation to tide over challenges.

# MAJOR ACHIEVEMENTS AND HIGHLIGHTS 2022-23

Highest  
Turnover

**Rs 281.49**  
Billion

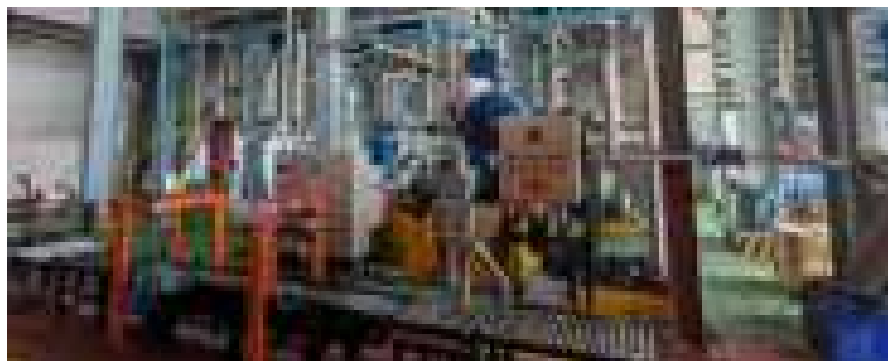
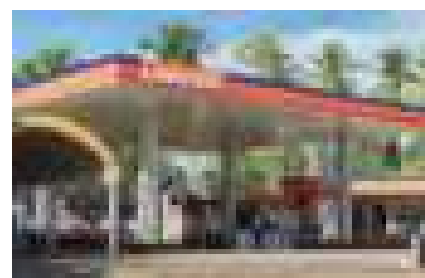
Highest Profit  
After Tax

**Rs 37.70**  
Billion

Highest Market  
Value Per Share

**Rs 296**

36 new Retail  
Outlets



Commissioning  
of Grease Plant

USD  
Consumer  
Business  
to Export  
Houses



Supply of  
**6000 MT** of Gasoil  
to **CEB/CPC** for  
electricity generation  
for the country



**Rs 200 Mn**  
contribution to  
the President  
Fund

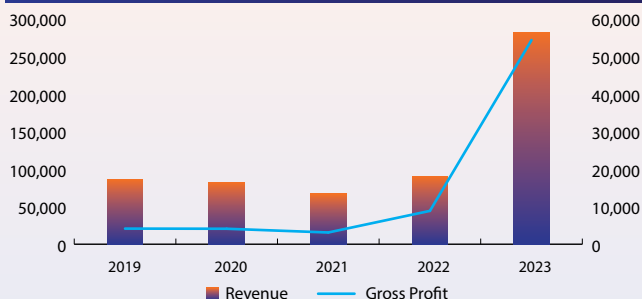


# FINANCIAL HIGHLIGHTS

	Metric	2022-23	2021-22	2020-21	2019-20	2018-19
<b>OPERATING RESULTS</b>						
Revenue	Rs Mn	281,488	89,951	66,686	81,947	86,322
Gross Profit	Rs Mn	54,182	8,845	3,113	4,106	4,141
Operating Profit	Rs Mn	44,177	5,410	161	635	854
Net Profit/(Loss) Before Tax	Rs Mn	44,702	5,612	988	599	331
Income Tax	Rs Mn	(7,006)	(793)	(105)	(177)	73
Net Profit / (Loss) After Taxation	Rs Mn	37,696	4,818	882	422	403
Dividends	Rs Mn	1,198	453	399	399	346
<b>CAPITAL EMPLOYED</b>						
Stated Capital	Rs Mn	7,576	7,576	7,576	7,576	7,576
Revenue reserves (Retained earnings)	Rs Mn	53,198	16,709	12,347	11,870	11,851
Shareholders' Funds (Total equity)	Rs Mn	61,233	24,285	19,923	19,446	19,427
Borrowings- Short term	Rs Mn	4,468	25,778	20,590	16,955	2,327
Other Short term Liabilities	Rs Mn	15,906	14,568	5,842	3,284	6,484
Total Current Liabilities	Rs Mn	19,037	40,347	26,432	20,239	8,811
<b>ASSET EMPLOYED</b>						
Non-current assets	Rs Mn	9,675	10,658	19,753	9,610	9,694
Current assets	Rs Mn	72,538	54,413	26,654	30,149	18,551
Total assets employed	Rs Mn	82,213	65,071	46,407	39,760	28,245
<b>KEY RATIOS</b>						
Earning Per Share	Rs	70.79	9.05	1.66	0.79	0.76
GP Ratio	%	19%	10%	5%	5%	5%
Operating Profit Margin	%	16%	6.0%	0.2%	1%	1%
Net Profit Ratio	%	13%	5.4%	1.3%	0.5%	0.5%
ROE	%	62%	20%	4%	2%	2%
Net Assets Per Share	Rs	115.00	45.61	37.42	36.52	36.49
Dividend per share	Rs	2.25	0.85	0.75	0.75	0.65
Annual sales growth (%)	%	213%	35%	-19%	-5%	-5%
Equity to total assets ratio	%	74%	37%	43%	49%	69%
Dividend cover	Times	31.4	10.6	2.2	1.1	-
Dividend Payout (Paid Basis)	%	25%	51%	95%	99%	-
Dividend Yield(%)	%	6%	4%	5%	4%	2%
Price Earning Ratio (P/E)	Times	2.42	4.29	11	20	23
Price to book value	Times	1.5	0.9	0.5	0.4	0.5
Current Ratio	Times	3.8	1.3	1.0	1.5	2.1
Quick Assets Ratio	Times	1.8	0.7	0.6	0.8	0.5
Turnover to capital employed (no of times)	Times	5	4	3	2	4
Interest cover (no of times)	Times	21.8	5.6	0.3	1.3	4.1
ROCE	%	67.2%	10.8%	0.4%	2%	4%
Debt/Equity	%	7%	106%	103%	87%	12%
Debt/Total Assets	%	5%	40%	44%	43%	8%
<b>PRICE MOVEMENT Rs</b>						
Market Value Per Share (Highest)	Rs	296.00	81.30	31.30	22.00	37.00
Market Value Per Share (Lowest)	Rs	1	18.30	13.00	14.50	17.10
Last Traded Price Record	Rs	171.5	38.80	19.00	15.80	17.40
Market Capitalisation	Rs Mn	91,318	20,660	10,117	8,413	9,265
Enterprise Value	Rs Mn	68,750	24,022	18,066	12,656	10,647

## FINANCIAL HIGHLIGHTS

### Revenue Vs Gross Profit (Rs.Mn)

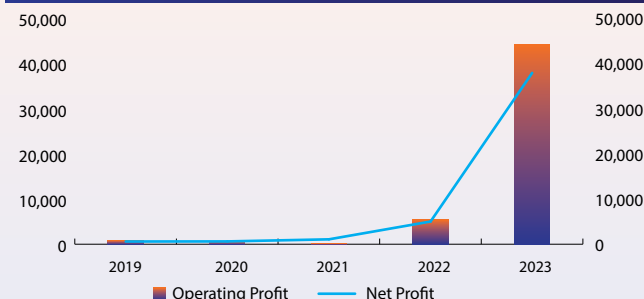


REVENUE  
**Rs 281.49 Bn**  
(2022) Rs.89.95 Bn

↑  
**100%**

GROSS PROFIT  
**Rs 54.18 Bn**  
(2022) Rs.8.85 Bn

### Operating Profit Vs Net Profit (Rs.Mn)

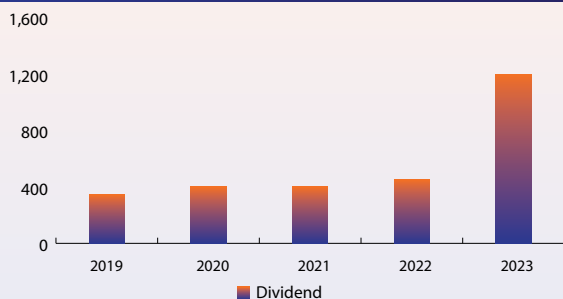


OPERATING PROFIT  
**Rs 44.18 Bn**  
(2022) Rs.5.41 Bn

↑  
**100%**

NET PROFIT  
**Rs 37.69 Bn**  
(2022) Rs.4.82 Bn

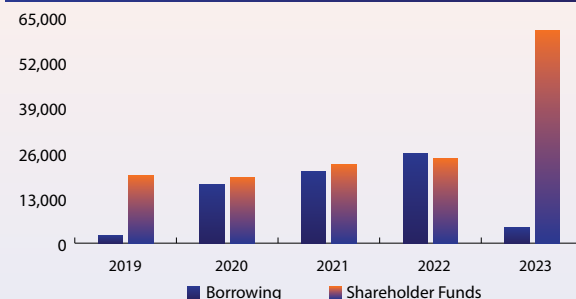
### Dividend (Rs.Mn)



DIVIDEND  
**Rs 1,198 Mn**  
(2022) Rs 453 Mn

↑  
**100%**

### Borrowing Vs Shareholders Fund (Rs.Mn)

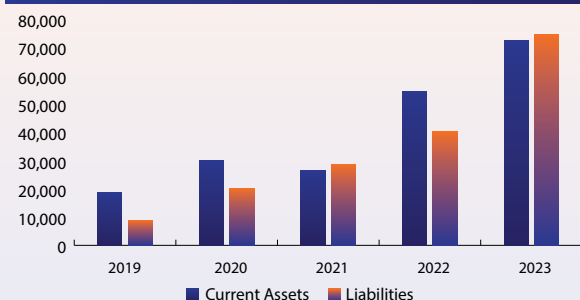


BORROWINGS  
**Rs 4.47 Bn**  
(2022) Rs.25.78 Bn

↓  
**83%**

SHAREHOLDER FUNDS  
**Rs 61.23 Bn**  
(2022) Rs.24.29 Bn

### Current Assets Vs Liabilities (Rs.Mn)

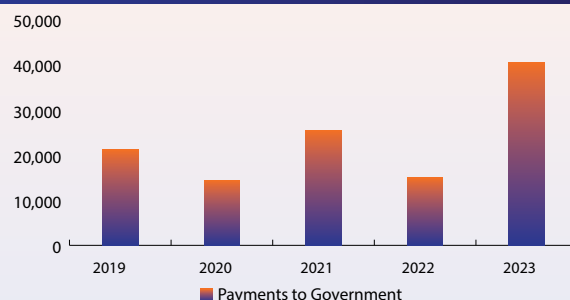


CURRENT ASSETS  
**Rs 72.54 Bn**  
(2022) Rs.54.41 Bn

↑  
**33%**

LIABILITIES  
**Rs 19.04 Bn**  
(2022) Rs.40.35 Mn

### Payments to Government (Rs.Mn)



PAYMENTS TO GOVERNMENT  
**Rs 40.51 Bn**  
(2022) Rs.14.97 Bn

↑  
**100%**

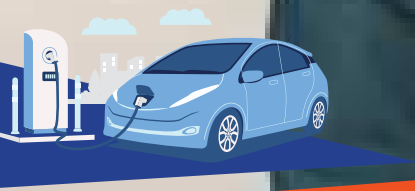




# OUR LEADERSHIP

Leading the way with a far-sighted vision our strategic path powers us to achieve strides of progress. Amidst the turbulence experienced, we reached out to create stability with a commitment to serve our nation, despite challenges enabling us to enrich lives beyond business.

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# Leadership Insights

## CHAIRMAN'S MESSAGE

we successfully faced the challenges to ensure regular fuel imports through our rigorous and continuous interactions and requests with all licensed commercial banks in Sri Lanka.

## Our commitment and our mandate to go beyond the scope of business and profit motives to provide our unequivocal support in the best interests of the nation at large.

Dear Shareholders,

It gives me immense pleasure to reflect on a journey marked by grit, determination and courage as Lanka IOC PLC weathered through a period of unique volatility throughout the year 2022-23. 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 above and beyond to deliver on our commitments to stakeholders. The grueling challenges coupled with unforeseen economic fluctuations kept businesses on their toes to confront and steer through fast evolving unpredictable business environment. As unprecedented times called for an unprecedented response, your company invariably rose up to the occasion and seamlessly catered to all energy requirements across sectors of the economy thereby becoming a household name, a name resonating trust. In view of the valuable contribution in supplementing government to meet country's energy requirements and at the same time ensuring maximum value for stakeholders, your Company was successful in reporting a phenomenal financial performance along with significant strides of operational success across many spheres despite headwinds, maintaining its progressive and future-fit business model. It is my pleasure to present you the Annual Report and Financial Statements for the year ended 31st March 2023.

### The local context to performance

The Sri Lankan economy faced significant macroeconomic pressure with all key economic indicators moderating during the year. These impacts were compounded by the shortage of dollars within the banking system thereby curtailing the import of essential items including fuel, food and medicines. The

free float of the Rupee against the USD in March 2022 led to the sharp unprecedented depreciation of the Sri Lankan currency. Significant depletion of official foreign exchange reserves and net foreign assets in the banking system was a key challenge faced. To preserve foreign currency liquidity in the market, import restrictions were imposed on a wide range of essential items. The dollar liquidity crisis in the economy created significant disruptions to fuel supplies for transportation. As power disruptions crippled the smooth functioning of the economy several sectors of the economy such as exports, business operations, medical facilities and tourism were adversely affected. The downgrading of the country's sovereign credit rating was a roadblock for banks when opening LCs for Gasoil/Gasoline import. This was exacerbated by high international oil prices. In this setting your company had to involve multiple first-class international banks from amongst the restricted options acceptable to Suppliers, many of which were subjected to a second level of confirmation. Yet your company successfully faced the challenges to ensure regular fuel imports through rigorous and continuous interaction and requests with all licensed commercial banks in Sri Lanka. Your company was quick to respond to these new developments creating solutions in tandem with the Ministry of Power & Energy to bring in a silver lining of hope to an era marked by grey clouds of uncertainty.

### The global economy

The global economy displayed strong signs of recovery in 2022 from the aftermath of the pandemic induced shocks. However, geo-political tensions and the war in Ukraine created cascading ripples across energy markets and supply chains added further constraints to evolving inflationary pressures and concerns over declining consumer demand. 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 responded to this with aggressive interest rate hikes and monetary tightening policies to curtail and manage the rising inflation levels. In this backdrop significant turbulence was witnessed in the currency markets as the US Dollar strengthened placing pressure on many emerging economics which faced a sharp depreciation of the local currencies. During the

year, energy and commodity market showed heightened volatility as global supply chain disruptions faced many roadblocks owing to the war in Ukraine and the economic sanctions.

### Enriching the nation – beyond business

The financial year 2022-23 was a watershed year where multiple challenges across the country's economic, operating, political landscape converged together to test the mettle of many corporates. In the face of these externalities, 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. Guided by the 'nation first' mantra your company shouldered the responsibility of enabling the wheels of the economy to move ahead. Your Company placed the interests of the nation and its 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 extraordinary zeal demonstrated by the team who rose to trying circumstances that have never been experienced in the country to respond towards the greater good of the nation at large. Amidst the fuel scarcity in 2022, LIOC took timely initiatives to serve the fuel requirements of the export businesses against receipt of payment in USD that ensured the continuous supply of fuel to maintain the continuity of business operations of the export sector to enable a much-needed industry to sustain. The USD receipts enabled further fuel imports by LIOC for the export sector.

Subsequently permission was expanded to cover vital sectors encompassing hotels, telecommunication companies, hospitals / pharma companies which also required continuous diesel supplies to maintain business continuity. The acute shortage of fuel led to intermittent daily power cuts on daily basis over 12 hours a day. Your company ensured the supply of 500 Gasoil for the purpose of electricity generation (through CEB). LIOC also agreed to supply further 6000 MT of Gasoil 500 for meeting country's essential energy requirements

It is a matter of great pride that your company has been instrumental in arrangement of Gasoil for electricity generation for the country. This signifies our commitment and our mandate

## CHAIRMAN'S MESSAGE

to go beyond the scope of business and profit motives to provide our unequivocal support in the best interests of the nation at large.

### Delivering on value

I am happy to announce that your Company reported its highest ever revenue of Rs 281.49 billion during the year under review against Rs 89.95 billion in year 2021-22. The enhanced revenue was augmented by the auto fuel segment. With the regularity and continuity of fuel supply specially during the period, Lanka IOC managed to supply the nation with fuel needs.

### 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 few years, we witnessed the importance of looking out for sustainable energy solutions we also remain committed to provide long-term sustainable solutions in driving the nation towards a low carbon economy.

### 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 Bronze Award. This is the second 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 2021-22 themed 'Nation First' was also feted the CMA Awards with Lanka IOC shining with a Gold Award in the Energy Sector and been recognised amongst the Top Ten Best reports.

### 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 disadvantaged members of the community to coincide with the Company's 20th anniversary celebrations. Your company inter-alia also made a significant contribution of Rs 200 Mn towards President's Fund aimed towards upliftment of the society apart from several other initiatives of providing dry rations to the needy, medical equipments 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 in 2024.

Presently, we are witnessing encouraging signs of progress across number of key economic parameters such as inflation. Interest rates are also on a gradual decline, a result of easing inflation, reduction in the high-risk premium 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 towards the latter part of 2023, given more positive market sentiments, restoration of macro-economic stability and an anticipated improvement in external sector activity.

The Government of Sri Lanka has opened the auto fuel market to new entrants who will have the authority to operate 150 fuel stations that were previously managed by the CPC as well as establish additional 50 fuel stations in new locations in the times to come. This is a significant development which will diversify and broaden the market which was a monopoly held by CPC and LIOC.

We welcome this move which will create added competition thus 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 services at our Retail Outlets. We also welcome the much-awaited approval granted to open 50 new retail outlets which will create an opportunity to strengthen our geographical reach of our existing network of 213 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 it was 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.

With the joint venture agreement with CPC we are committed to further develop and operationalize the 61 tanks in the Trincomalee Upper Tank Farm. We have initiated this process with the feasibility study and developmental roadmap. The technical suitability has been completed and nine out of ten tanks were identified as suitable for the Phase 1 development stage. We have already commenced the ground clearing work around three tanks and envisage that a few tanks will be operational by the end of 2023.

Reflecting on our commitment to promulgate green energy sources we have planned to expand our network of EV charging stations across our network. We have entered into a strategic partnership with Greenstat Hydrogen India (Pvt) Limited to explore the energy potential of Hydrogen which would enable the nation to transition towards renewable energy sources.

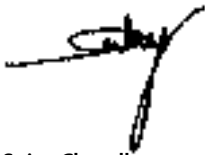
### A note of gratitude

As we traverse through yet another uniquely challenging year, which required the Company to respond with agility 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 immense commitment 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 significant 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 been 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



# Leadership Insights

## MANAGING DIRECTOR'S REVIEW



Our team proved their mettle by remaining determined and resilient amidst the year's headwinds, to deliver robust revenue and profits backed by strong operational efficiencies. The year's revenue surpassed Rs 280 billion on the back of higher product prices and increased sales volumes, steering the company towards a phenomenal growth in profits.



**We put in our best effort to maintain a controlled yet steady flow of fuel. Since June 2022, operations at the Trincomalee Terminal were intensified and even with limited facilities and manpower, maximum effort was directed towards distributing petroleum products without a single lean day to every part of the island.**

Dear Shareholders,

The year 2022 was one characterised by market volatility which led to considerably high energy costs, while global inflation resulted in unfavourable foreign exchange movements. As a nation, we were confronted with a variety of challenges including import bottlenecks, liquidity constraints and rising debt and amidst all this turbulence two key issues remained at the forefront: energy security and energy affordability. While all of this had an impact on LIOC's overall performance, our team proved their mettle by remaining determined and resilient amidst the year's headwinds, to deliver robust revenue and profits backed by strong operational efficiencies. The year's revenue surpassed Rs. 280 billion on the back of higher product prices and increased sales volumes, steering the company towards a phenomenal growth in profits.

## Our performance

Our agility and capability to rise to the challenging environment served us well during the last year. As the Ceylon Petroleum Corporation (CPC), the largest player in the petroleum market faced challenges in importing fuel, the responsibility fell on LIOC to take the lead and cater to the need of the country. Liaising with the CBSL as well as

other institutions, we put in our best effort to maintain a controlled yet steady flow of fuel. Since June 2022, operations at the Trincomalee Terminal were intensified on round the clock basis and even with limited facilities and manpower, maximum effort was directed towards distributing petroleum products without a single lean day to every part of the island.

Despite the challenges, LIOC continued to deliver and ended the year on a high note recording the highest ever profit after tax of Rs. 37.69 billion, a 682% growth compared to the previous year. Our revenue rose to Rs. 281.49 billion during the year with the auto fuel segment being the main contributor to this remarkable growth. By keeping our facilities running efficiently to ensure the regularity and security of product supply, we were able to earn the trust of consumers and the improved market sentiments coupled with regular price adjustments in line with the common pricing formula, led to remarkable growth in the auto fuel segment. The contribution to revenue from the bunkering segment reduced to 16% during the year in line with the lack of vessel movements and economic unrest during the first half of the year. Revenue from the lubricants segment marked a significant growth of 43% over the prior year, recording a historically high Rs. 10.39 Bn in 2022-23. The bitumen and petrochemical segments were the lower contributors to the top line owing to the lacklustre infrastructural development amidst the country's economic downfall.

Our finance expenses marked a significant increase during the year as the company continued to increase its borrowings despite higher interest rates, to facilitate an uninterrupted fuel supply. The finance cost was further aggravated by exchange losses caused by the depreciation of the Sri Lankan rupee against the USD. The main contributor of finance cost was the exorbitant confirmation charges of Letter of Credit (LC) opened by LIOC as international petroleum product suppliers mandatorily required LC confirmations from banks outside Sri Lanka to circumvent the Country's credit risk in view of downgraded credit ratings by globally renowned credit rating agencies such as S&P, Fitch & Moody's.

Total assets of LIOC as at the end of March 2023 stood at Rs. 82.21 billion marking an increase of Rs. 17.14 billion compared to the previous

year mainly with the increase in inventories and investments made for bank deposits. It is also noteworthy that the company has significantly reduced its Borrowings by over 80% as at 31st March 2023, against the previous year.

I am proud that the company, against all odds, continued to deliver superior shareholder returns, underpinned by record profitability and the highest dividend pay-out in its history. Earnings per share increased from Rs. 9.05 to Rs. 70.79 during the year, while the company's net asset value per share rose significantly to Rs. 115 per share from Rs 45.61.

## An agile strategy

In an unpredictable external environment, we acknowledge the importance of having an agile strategy to be able to swiftly respond to any scenario. The strategic decisions we took in 2022, came to fruition allowing us to once again demonstrate LIOC's resilience, flexibility and capability as we navigated high-cost inflation, continued import restrictions and supply chain disruptions.

Despite the turbulence in the external environment, we continued our expansion plans and launched 36 new retail outlets during the year. LIOC was accorded approval to commission 50 new fuel stations by the Ministry of Power & Energy during August 2022 in addition to the existing approval to commission 46 new fuel stations.

Marking a significant milestone, we commissioned the country's first ever indigenous grease plant with a capacity of 3000MT. This gives me an immense sense of pride and fulfilment as this initiative would help build the country's local grease production capacity, thereby creating notable savings in terms of foreign exchange.

Amidst the myriad supply related constraints due to logistical challenges and the shortage of dollars for financing imports we placed additional emphasis on swiftly procuring products at lower rates and proactively building up our stock of inventories. With limited banking facilities available as a result of the continuous downgrading of the country's credit ratings, for the opening of a single shipment LC for Gasoil/Gasoline import, we had to involve multiple first-class international banks from amongst the restricted options



## MANAGING DIRECTOR'S REVIEW

acceptable to suppliers. To reduce our dependence on the country's USD reserves, we adopted a strategy of invoicing in USD to leading exporters who needed fuel supplies on an uninterrupted basis. This turned out to be a win-win as we were able to realise amount of US dollars through this arrangement while meeting the needs of our consumers, which went a long way in ensuring seamless import and availability of energy supplies for the country.

Further elevating our brand position, we joined hands with the prestigious Stafford Group during the year, for the supply of co-branded SERVO ecoPLUS - an eco-friendly lubricant meeting 'API SN', the highest performance level specified by American Petroleum Institute - to its dealers' network.

In terms of our joint venture agreement with Ceypecto to develop and operationalize the 61 tanks in the Trincomalee Upper Tank Farm we made progress on the feasibility study and developmental road map. The technical suitability was verified by a renowned consultant after which nine out of ten tanks were identified as suitable for the Phase 1 development stage. We have already commenced the ground clearing work around three tanks and envisage that a few tanks will be operational by the end of 2023.

For the first time since commencing operations, we also arranged direct fuel supply to the Ceylon Electricity Board for electricity generation in a move to bring about interim relief to the electricity crisis in the country. LIOC has always been concerned about the wellbeing of the country and its people and this arrangement further reiterates our commitment to serve and enrich the nation during its time of need.

Taking a step further in our digital agenda we launched customer friendly mobile solutions as well as a mobile application for dealers.

Overall, the strategies we executed during 2022-23 positioned us well to deliver energy security and affordability and our track record of delivery has given us increased confidence to continue to invest for sustainable growth and value creation.

### Delivering value for our employees

Our people are essential to our strategy for sustainable growth and the key reason behind our success. Thus, their safety and wellbeing will always be our top priority, and we remained committed to creating a workplace where our people can deliver on our purpose and bring out the best in each other. We remained acutely sensitive to the impacts of the challenging economic environment that continued to exert significant financial as well as non-financial pressure on our staff and focused mainly on providing them the required relief to the best of our ability. Taking into consideration the rising inflation we offered a salary revision and provided a profit linked variable bonus pay out during the year. Furthermore, we also launched a comprehensive employee wellness programme engaging a doctor to visit our premises on a weekly basis to carry out a health clinic as well as motivational sessions to advise our employees on how to take care of their health and inculcate more healthy lifestyles.

As a part of our commitment to ensure inclusion for all, we endeavoured to harness the talents of our diverse workforce across every level of the organisation and provided various training opportunities to enhance their capabilities. We also continued to encourage employee suggestions to further improve our operational efficiencies and provide better and a superior value proposition.

### Our social and environmental impact

LIOC has always stepped up to support the country, its people and the environment and last year was no exception. Operating with strong fundamentals we always endeavour to build strong connections with the society through our CSR activities and invested Rs. 210 million during 2022-23 to uplift the living standards of our community by contributing Rs. 200 million to the President's Fund.

Developing solutions to environmental challenges such as climate change is also an important aspect of our strategic priority of creating sustainable growth. The energy sector has a unique role to play, given its considerable impact on the environment and LIOC stayed

on course to execute its environmental commitments. Reducing the environmental impact of our physical operations is an important part of becoming a more sustainable organization and we accelerated our transformation to renewable energy by installing solar panels in fuel stations during the year. With the heightened awareness of climate change encouraging the transition to electronic vehicles (EVs) we embarked on a plan to roll out EV charging stations across all our fuel stations. We also tied up with reputed company to explore the hydrogen potential in the country and obtain advice on the opportunities and feasibility of shifting from fossil fuels to renewables.

Reaffirming our commitment to maintain a serene marine environment we also signed an agreement with the Marine Environment Protection Authority (MEPA) to undertake a beach cleaning project in Colombo, engaging beach caretakers for a period of one year. Thus, with the agenda of sustainability embedded in a more prominent manner within LIOC's culture, operations, and strategic undertakings, we are well positioned to strengthen our conservation culture and become a more sustainable corporation.

### The year ahead

Looking ahead, we see a lot of growth opportunity for LIOC which would generate stronger revenues and consistent profits. We are targeting an ambitious double-digit growth in market share in auto fuels and aim to expand our footprint in the Retail as well as Gasoil consumer market. We look forward to commissioning 50 new retail fuel stations in the year ahead which will take our total outlet count close to 300.

We shall continue to take all possible measures to ensure LIOC moves steadfastly and consistently towards growth taking appropriate actions to counter the challenges faced from time to time. LIOC's strong performance during 2022-23 and results achieved position us well to continue investing and innovating. Thus, we will remain even more focused on our role in supporting the economy and enriching the lives of all our stakeholders.



## Appreciations

I wish to extend my sincere gratitude to the Chairman as well as the team at our parent company Indian Oil Corporation Limited for their continuous support and guidance in setting the right strategic path amidst the turbulent business environment. I wish to convey my deep gratitude to the Board of Directors for their wisdom and sharp insights as well as for continuing to direct us towards a profitable trajectory.

Our achievements during the year 2022-23 have been incredible and historical owing to the dedication and commitment that has been demonstrated by each and every one of our staff members. Their humane endeavours and spirit of solidarity deserve the highest praise and I look forward to continuing working with them. Our committed teams at the retail outlets and channel partners have also been a strong source of support in seamlessly delivering our services.

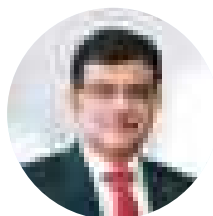
My appreciation also goes out to the Ministry of Finance, Central Bank of Sri Lanka and various other government agencies and regulatory bodies who continued to support and work closely with us while doing their utmost to maintain a stable ecosystem for the energy industry. I also extend my appreciation to all our investors, shareholders, business partners, suppliers and customers, for their unwavering trust and confidence in the LIOC's continued ability to deliver amidst challenging market conditions.

While I derive a sense of gratification from the achievements we've made so far, I am energised by the exciting prospects that lie ahead.



**Dipak Das**  
Managing Director  
Lanka IOC

# BOARD OF DIRECTORS



**Mr. Sujoy Choudhury**

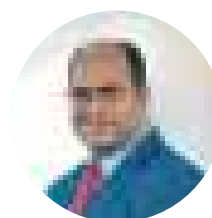
**Non Executive  
Chairman**

A mechanical engineer and MBA (Finance) from Jadavpur University, Kolkata, Mr. Sujoy Choudhury brings with him a vast cross-functional experience spanning every facet of the Indian energy business. He has rich experience working across various oil industry functions, including engineering, retail sales and petrochemicals across geographies in IndianOil. During his over three-decade service, Mr. Choudhury has held several leadership positions.

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

In his earlier role, Mr Choudhury was in-charge of all petroleum-related activities in the Indian States of Punjab & Himachal Pradesh and the Union Territories of Jammu & Kashmir, Ladakh and Chandigarh. His major contributions in this role included maintaining & augmenting hydrocarbon infrastructure in the territories under his jurisdiction, introducing winter-

grade diesel in high altitude areas, developing specialised lubricants for FMCG industry, introducing geotextiles and steel concrete structures for construction in hilly terrain.



**Mr. Dipak Das**

**Managing Director**

Mr. Dipak Das is a Mechanical Engineering graduate from NIT Silchar and holds certificate in Petroleum Management. With over 27 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.

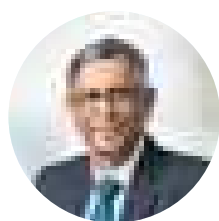


He played a lead role in various capacities in the State of Kerala, Telangana, Andhra Pradesh, Rajasthan, West Bengal and Northeastern States in India covering vast geographies.

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 as a Director on the Board of Ceylon Petroleum Storage Terminals Limited. He is also 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 perform as an active member of various chambers such as Ceylon Chamber of Commerce, National Chamber

of Commerce, International Chamber of Commerce Sri Lanka, Sri Lanka India Society etc., while organizing various CSR programs to assist the needy persons 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. 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.

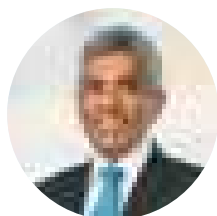
He is currently the President of the Institute of Certified Management Accountants of Sri Lanka (CMA) and its founder, President of the Institute of Chartered Professional Managers of Sri Lanka (CPM) and its Founder.

## BOARD OF DIRECTORS

Past President of Institute of Chartered Accountants of Sri Lanka, Past 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).

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 to 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.

He 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 Mr. Gooneratne 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, Teejay Lanka PLC, Teejay Lanka Prints (Private) Limited and Commercial Development Company PLC.



**Mr Saumitra P Srivastava**  
Non-Executive Director

Mr Saumitra P Srivastava is a Civil Engineering Graduate from IIT, Roorkee and has an Executive MBA from SP Jain Institute of Management & Research, Mumbai. Mr Srivastava Joined Indian Oil Corporation in 1993 and has a rich experience of over 30 years in LPG and Retail Business. Currently he is heading Retail Transformation function of IndianOil as Executive Director (Retail Transformation).

He is an accomplished executive with extensive experience in the Oil and Gas industry, specifically in downstream operations, marketing, and strategy. He brings in a track record of success in driving business growth, increasing profitability and enhancing customer satisfaction. His leadership style is collaborative and result oriented. He has handled various transformation projects at Indian Oil including structured Non-Fuel Convenience Store, Dhruva – Retail Transformation project and several other technology and digitalisation projects.

After initial 4 years in LPG business, he has held various key positions in Sales function including heading the Divisional offices in New Delhi and Mumbai. He has also headed Sales function for western Uttar Pradesh and Uttarakhand state.

In his current assignment he and his team are working on various technological interventions, Loyalty programs and Non-Fuel Revenue generation, to enhance customer satisfaction and bring efficiency in Retail Outlet operations. He is also responsible for coordination with Oil Industry in India on various policy and regulatory issues pertaining to Fuel retailing.



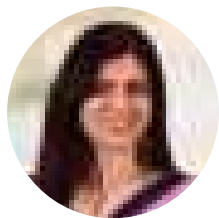
**Ruchir Agrawal**  
Non-Executive Director

Mr. Ruchir Agrawal is presently heading the Treasury and Corporate Finance function of IndianOil as Chief General Manager (Corporate Finance & Treasury).

He is a Fellow member of the Institute of Cost and Works Accountants of India and the Institute of Chartered Ship Brokers, London.

Having joined IndianOil in the year 1994, he has worked at various locations in divergent positions covering departments like International Trade, Treasury, Business Development, and Corporate Audit. He is currently serving as a member of the Board for three Indian Oil subsidiaries viz. IOCL Explorational & Production Oman Ltd., Beximco IOC Petroleum & Energy Limited, IOC Sweden AB.

Mr. Agrawal is having rich experience in the field of Shipping, International Trade, Gas, and E&P. He had been associated with various studies undertaken by IOCL like restructuring of JV/ Subsidiaries and Improvement of Market capitalization, etc.

**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 Halder -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)

An illustration of an industrial landscape featuring a large storage tank with a ladder, a distillation column, and a reactor vessel labeled with the chemical formula  $H_2$ . In the background, there are green trees and a large grey arrow pointing upwards and to the right. The entire scene is set against a dark blue background.

# OPERATING LANDSCAPE AND STRATEGY

Amidst a dynamic and volatile business landscape, we responded with agility and strategic focus. Our strategic foresight and timely decision making enabled us to harness emerging opportunities to enrich lives beyond business.

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# OPERATING ENVIRONMENT

The operating environment for Lanka IOC (LIOC) during 2022-23 was shaped by complex geopolitical dynamics, economic volatility, technological advancements and growing concerns about climate change. The global oil industry experienced a gradual recovery in demand, with fluctuating prices influenced by supply adjustments, geopolitical developments and the energy transition. The local economy of Sri Lanka faced significant challenges, including economic hardship and policy lapses, which required corrective measures and transition to equilibrium. LIOC's operations in this dynamic environment necessitated strategic adaptation to changing market conditions, technology advancements and evolving consumer preferences.

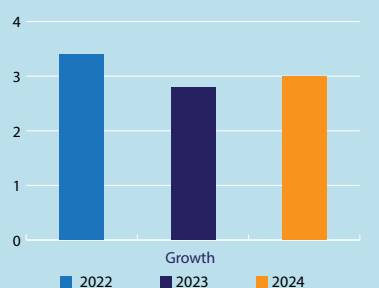
## Global Operating Environment – An Overview

The global operating environment in 2022 presented a diverse set of challenges and opportunities across geopolitics, economics, technology and the environment. Key aspects include:

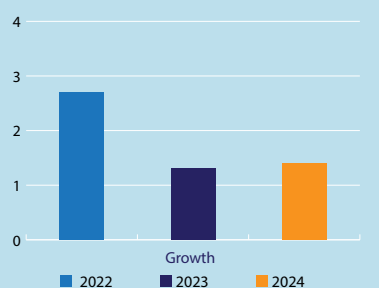
- Geopolitics:** Power dynamics continued to evolve, with China's rise as a global player and ongoing trade tensions between major economies. Regional conflicts posed challenges to stability, requiring international efforts for peaceful resolutions.
- Economics:** The global economy exhibited signs of recovery, driven by fiscal stimulus, monetary policies and vaccination campaigns. However, disparities in recovery persisted and inflationary pressures emerged due to supply chain disruptions and increased government spending.
- Technology:** The adoption of emerging technologies gained momentum, reshaping industries and driving innovations in various sectors. However, escalating cybersecurity threats underscored the need for robust measures and international collaboration.
- Environment:** The urgency to address climate change gained prominence, with efforts to reduce greenhouse gas emissions and transition to clean energy sources. The increase in extreme weather events highlighted the risks associated with climate change, leading to discussions on resilience and adaptation. Biodiversity and conservation also gained recognition, with efforts focused on protecting and restoring ecosystems.

## IMF Global Growth Projections

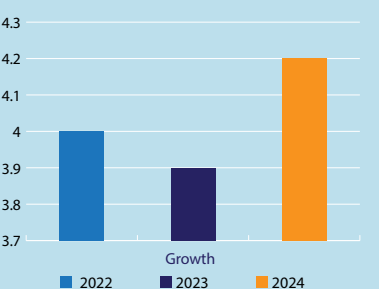
### Global Economy Growth



### Advanced Economies



### Emerging Markets and Developing Economies

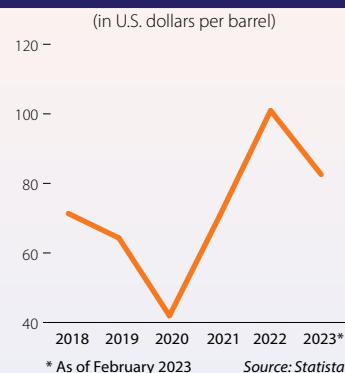


Source: World Economic Outlook, April 2023

## Global Oil Industry

The global oil industry went through significant developments and challenges during 2022. After the slump caused by the COVID-19 pandemic in 2020, oil prices began to recover in 2022 as economies reopened and travel restrictions eased. The gradual increase in oil demand reflected the improving global economic conditions. However, the recovery was uneven across different regions, with some countries experiencing a stronger rebound than others.

### AVERAGE ANNUAL BRENT CRUDE OIL PRICE



During this period, the Organisation of the Petroleum Exporting Countries (OPEC) and OPEC+, played a crucial role in stabilising the oil markets. In 2022, OPEC+ gradually eased production cuts that were implemented in response to the pandemic. This measured approach helped prevent a sudden oversupply of oil, supporting prices. In 2023, the oil market continues to stabilise and prices remain relatively steady.



Geopolitical factors remained a concern for the oil industry as tensions in the Middle East, a region crucial for oil production, had the potential to disrupt oil supply and impact global prices. Conflicts or other geopolitical events in oil-producing regions had the potential to create significant volatility in the market.

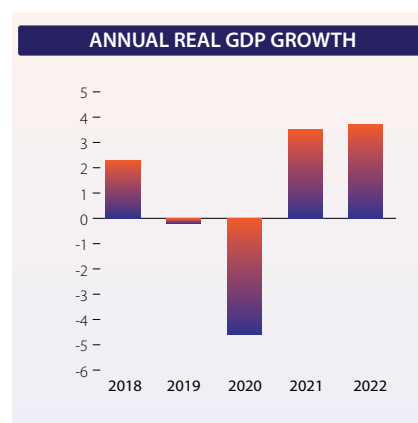
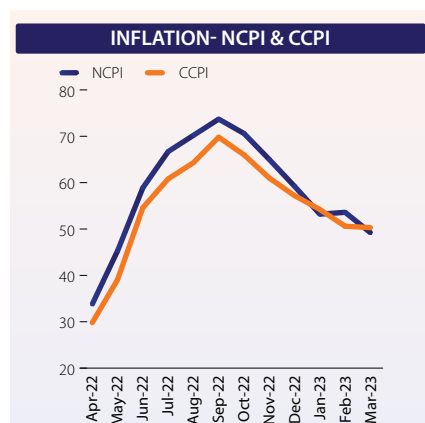
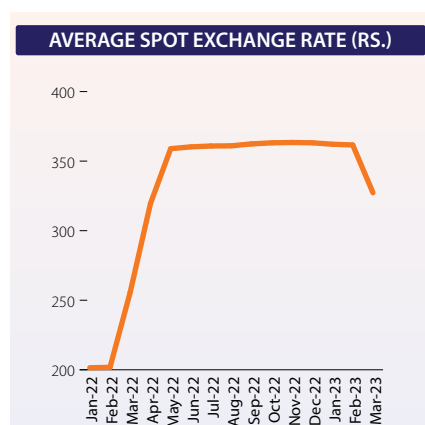
Outside of the OPEC+ alliance, non-OPEC production, including shale oil from the United States, continued to contribute to global oil supply. The response of non-OPEC producers to changing market conditions, price levels and investment decisions also had a notable influence on overall supply dynamics. The interaction between OPEC+ and non-OPEC producers played a crucial role in shaping the global oil supply landscape.

The energy transition and the increasing focus on mitigating climate change were also important factors affecting the oil industry. With governments, corporations and consumers placing greater emphasis on reducing greenhouse gas emissions and shifting towards renewable energy sources, oil companies faced growing pressure from investors and the public to increase their environmental responsibility. Many companies began diversifying their portfolios and investing in renewable energy projects to position themselves for the future. This shift exerted downward pressure on oil demand growth, especially in sectors like transportation, where alternative fuels and electrification gained traction. As governments and industries increasingly prioritize environmental sustainability, the demand for oil may continue to face challenges in the coming years.

Technological advancements continued to shape the oil industry during this period. Digitalisation, automation and artificial intelligence played an increasingly significant role in optimising operations, improving efficiency and reducing costs for oil companies. Advanced drilling techniques and enhanced oil recovery methods allowed for the extraction of oil from previously inaccessible reserves. These technological advancements helped the industry maintain production levels while adapting to changing market dynamics and the growing demand for cleaner energy sources.

## Local Economy

The Sri Lankan economy faced significant financial challenges in 2022, impacting key indicators such as inflation, exchange rates, fiscal imbalances and public debt. However, the implementation of policy measures and reforms, along with international assistance, has yielded positive financial outcomes and set the stage for economic recovery. Ongoing efforts to execute structural reforms, enhance coordination among stakeholders and prioritize data-driven policymaking will be crucial in ensuring sustained financial stability and long-term economic progress.



## Impacts and Measures Taken in 2022:

The economic challenges had far-reaching consequences on various aspects of the economy. Measures were implemented to mitigate the impacts and stabilize the situation, such as:

- ♦ **Exchange rate stabilization:** Measured adjustment and subsequent floating of the exchange rate to address demand pressures and stabilize the currency.
- ♦ **Monetary policy tightening:** Aggressive tightening to curb inflation and manage demand pressures.
- ♦ **Foreign exchange management:** Provision of foreign exchange for essential imports, prioritisation of imports and control measures on capital outflows.
- ♦ **Government initiatives:** Revenue enhancement, expenditure curtailment, State-Owned Enterprises (SOE) reforms, import controls and energy supply rationing.
- ♦ **Seeking international assistance:** Initiatives to seek support from the International Monetary Fund (IMF) and debt restructuring efforts.

## Financial Outcomes and Outlook for 2023:

The implemented measures yielded notable financial outcomes and set the stage for a recovery in 2023. These outcomes include:

- ♦ **Inflation and exchange rates:** Inflation returned to a disinflationary path after reaching a peak in September 2022, while

## OPERATING ENVIRONMENT

the exchange rate stabilized and even appreciated in early 2023.

- ◆ **External deficits and reserves:** Modest external current account deficits were observed alongside a gradual accumulation of official reserves.
- ◆ **IMF-supported program:** Approval of a 48-month Extended Fund Facility (EFF) program of approximately US dollars 3 billion, aimed at supporting economic recovery and addressing structural impediments.
- ◆ **Importance of structural reforms:** Lessons learned from the crisis emphasized the need for data-driven policymaking, addressing long-standing structural issues and avoiding ad hoc policy experiments.
- ◆ **Outlook for 2023:** Continued focus on executing structural reforms, effective coordination among stakeholders, and timely implementation of policies to achieve sustainable economic progress and prosperity.

### Impact on LIOC Operations, Demand, Supply and Pricing:

The challenging operating environment in Sri Lanka had a direct impact on LIOC's operations. LIOC had to navigate the challenges of limited foreign currency availability, foreign exchange shortages and import restrictions to ensure an uninterrupted supply of petroleum products.

Fuel pricing in Sri Lanka was influenced by global oil price fluctuations, import costs, taxes and government regulations. LIOC had to carefully manage fuel prices to balance cost recovery and affordability for consumers, considering the economic hardships faced by the general public.

LIOC, being a subsidiary of the Indian Oil Corporation, has been a major player in Sri Lanka's petroleum market. Despite the challenging economic conditions, LIOC reported robust financial performance which is detailed under the financial capital section of this Annual Report.

The opening of the domestic retail market to foreign oil companies in Sri Lanka will have implications for LIOC's operations. The entry of Chinese, American and Australian oil firms

will heighten the competition in a market previously dominated by the state-owned Ceylon Petroleum Corporation (CPC) and LIOC. With the granting of licenses, these foreign companies will have the opportunity to import, store and distribute petroleum products in Sri Lanka for the next 20 years.

The new entrants will also have the authority to operate 150 fuel stations that were previously managed by the CPC, as well as establish 50 additional fuel stations in new locations. This development is significant as it diversifies the market and breaks the monopoly previously held by CPC and LIOC. It is expected that the entry of foreign companies will enhance competition, improve service quality and potentially lead to more competitive fuel pricing.

### Opportunities for LIOC:

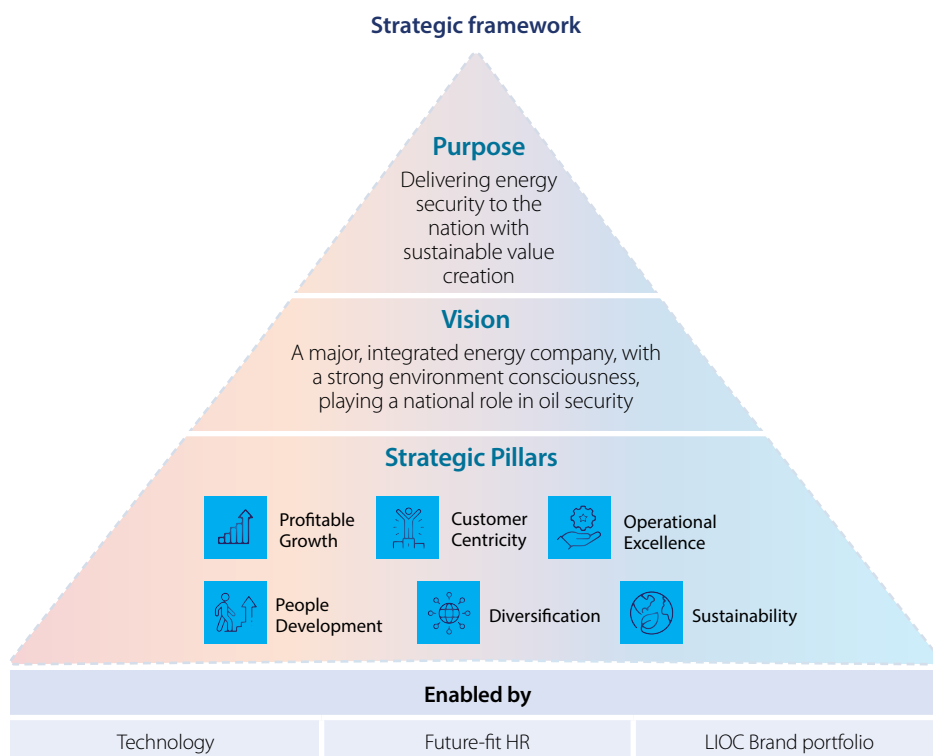
- ◆ **Geographical diversification:** LIOC has the opportunity to export its products to neighboring countries, leveraging its existing infrastructure and market presence.
- ◆ **Expansion of capacity:** Investing in expanding the company's capacity can lead to increased production and sales, enabling LIOC to meet growing demand in the market.
- ◆ **Solarisation:** Embracing solarisation initiatives in line with Sustainable Development Goals (SDGs) can open up new opportunities for LIOC in the renewable energy sector and contribute to environmental sustainability.

### Risks for LIOC:

- ◆ **Restricted import volumes:** The shortage of foreign currency in Sri Lanka may impact LIOC's ability to import petroleum products, potentially restricting its business operations and revenue generation.
- ◆ **Exchange rate volatilities:** Fluctuations in exchange rates can have a significant impact on LIOC's profitability and pricing strategies, potentially leading to drastic price fluctuations that may affect customer demand.
- ◆ **Potential loss of demand:** In the event of fuel prices reaching extreme high levels, there is a risk of customers reducing their demand for petroleum products, which could negatively impact LIOC's sales and revenue.
- ◆ **Competition from new entrants:** The entry of new fuel supplying companies in Sri Lanka, as allowed by the government, may increase competition in the market, potentially reducing the overall supply and demand of LIOC's products and challenging its market position.




# OUR STRATEGY

Our short, medium and long-term strategy focuses on delivering organic growth by leveraging our attractive market positions to deliver a well-balanced range of products and services to our customers along with sustainable profitability and cash flow generation. 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 focus area	2022-23 initiatives and results	2023-24 priorities
 <b>Profitable Growth</b>	<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 2022-23. 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>Commissioning 50 new fuel stations in 2023/24.</li> <li>Expanding our reach in the industrial sector.</li> <li>Seeking new distributors in the Maldives to facilitate the export of our lubricant products.</li> </ul>

# OUR STRATEGY

Strategic focus area	2022-23 initiatives and results	2023-24 priorities
 <p><b>Customer Centricity</b></p> <p>In a rapidly changing operating context, 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 to give our customers a more pleasant experience.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the LIOC footprint with 36 new retail outlets, 02 new lube distributors and 64 new Servo shops.</li> <li>Revamped the visual identity of an additional 20 retail outlets.</li> <li>Facilitated transacting via digital modes for the ease of our customers.</li> <li>Launch of the mobile lube shop.</li> </ul>	<ul style="list-style-type: none"> <li>Sustain smooth delivery of products and services to ensure reliable and high-quality products are delivered to customers.</li> </ul>
 <p><b>Operational Excellence</b></p> <p>LIOC stood strong through the unprecedented disruptions to the global economy caused by the COVID-19 pandemic and the subsequent local socio-economic crisis. The Company's emphasis on operational excellence has always been 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> <li>Joined hands with the prestigious Stafford Group for the supply of co-branded SERVO ecoPLUS.</li> <li>Efficient conversion of the cone roof tank, T1 for storage and handling of Lanka Super Diesel. With the completion of this facility LIOC is now totally self-reliant for storage and handling of all six grades of diesel and petrol.</li> </ul>	<ul style="list-style-type: none"> <li>Unlock value creation through transformative digital solutions in creating a safer, cost efficient and more productive environment.</li> <li>Improve the preparation and execution of critical activities.</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 across the employee life cycle to build a diverse, skilled team and inclusive culture where our employees are valued and able to bring their full selves and best work forward.</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 promotions.</li> <li>Conducted a series of motivational sessions engaging leading personalities.</li> <li>Provision of healthcare checks and screening facilities.</li> <li>Employee wellness programme</li> <li>Salary revision in-line with inflation and leading industries</li> </ul>	<ul style="list-style-type: none"> <li>Continuous implementation of talent strategy and initiative.</li> <li>Continue to prioritise employee safety and wellbeing.</li> </ul>

Strategic focus area	2022-23 initiatives and results	2023-24 priorities
<div data-bbox="142 365 207 428"></div> <div data-bbox="142 432 256 453">Diversification</div> <p>The business landscape is constantly evolving and is always going to feature a certain element of risk. LIOC has adopted a strategy of diversification that in turn expands its range of available markets, minimises risk and guarantees a more secure return. Despite the challenges associated with diversification it has proved to be an effective strategy to reinforce stability and lead to sustainable growth.</p> <ul style="list-style-type: none"> <li>Grease Manufacturing Plant in Trincomalee.</li> <li>Joint venture entered into with Ceylon Petroleum Corporation (CPC) in January 2022 to collectively develop the Trincomalee oil tank farm.</li> <li>Market the 'Propel' brand of petrochemicals.</li> <li>Direct fuel supply to the Ceylon Electricity Board for electricity generation.</li> </ul>	<ul style="list-style-type: none"> <li>Commissioning of the first grease plant in Sri Lanka and producing of grease to the local market.</li> <li>Renewed the agreement with DIMO for the supply of TATA genuine oil and grease across the island for a further period of 5 years.</li> </ul>	<p>Exploring more market development and continue to divert product portfolios and venture into new business- vehicles.</p>
<div data-bbox="142 932 207 995"></div> <div data-bbox="142 999 256 1020">Sustainability</div> <p>LIOC acknowledges that it has a vital role to play as an advocate of sustainability in Sri Lanka, in its capacity as the single largest private sector auto fuel retailer. Sustainable practices are entrenched across all facets of our business from the products that we market to our operations from sourcing, blending and 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 210 Mn investment in social sustainability initiatives.</li> <li>Tourists Fuel Pass to facilitate foreign tourists visiting Sri Lanka.</li> <li>Installation of new PV solar panels at our retail outlets.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement more climate friendly initiatives.</li> </ul>

# ENRICHING LIVES THROUGH SUSTAINABLE PRACTICES

Sustainability is critical to our purpose and we view it as a strategic mindset that seeks to create a resilient, purpose driven business by safeguarding three vital features: a resilient environment, a resilient community and a resilient balance sheet. LIOC's philosophy is to create a sustainable business that is positioned for long-term success and as a conscientious corporate citizen, we believe in taking accountability for the impact of our operations on our business ecosystem, society and the environment, as well as being held answerable for our actions. Thus, we focus on proactively managing our commitment to sustainable development on the value creation as well as Environmental, Social and Governance (ESG) spheres.

## Sustainability focus

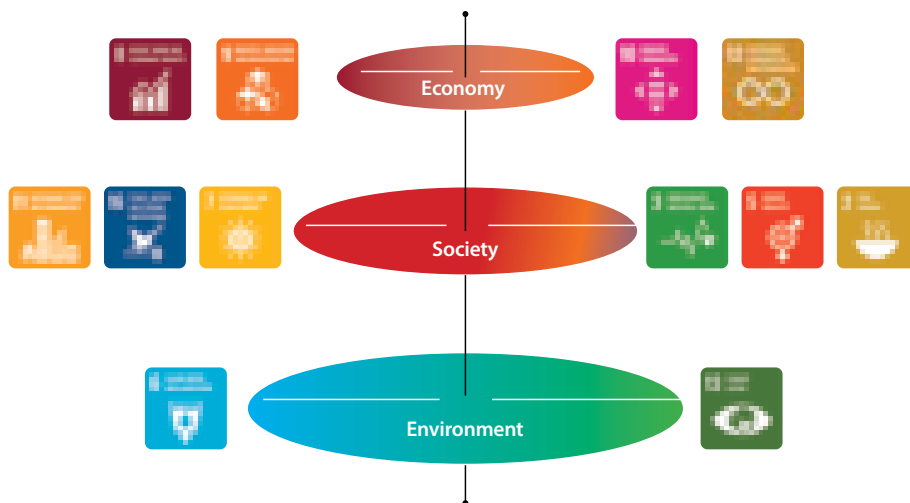



## Sustainability governance

Sustainability is steered by our corporate leadership team comprising of a group of senior managers representing various business segments and corporate functions. Our leadership understands that a robust sustainability framework is indispensable for the company as it has material impact on our performance and ability to create long-term value. Thus our commitment to sustainability is embedded through our purpose, vision, business model and strategy.





## Our approach to sustainability

LIOC's overall sustainability agenda aligns with the United Nations' 17 Sustainable Development Goals (SDGs) which serve as a blueprint to achieve a more sustainable future for all. We align our operations with 12 of the 17 SDGs which are most relevant to our sustainability agenda. This focused alignment with the SDGs helps us to better coordinate our support of the global sustainability agenda whilst strengthening our collaborative efforts with our stakeholders as we go about our business of creating sustainable value.







- ◆ Distribution of dry rations at S De S Jayasinghe Central College, Dehiwala
- ◆ Distribution of dry rations to Bhaktivedanta Children's Home, Wattala
- ◆ Distribution of dry rations on the Company's 20th anniversary celebration. Contribution of Rs 200 Mn to the President's Fund.


- ◆ Solarisation of our retail outlets
- ◆ Introduction of climate friendly fuels
- ◆ Rainwater harvesting plant at Trincomalee Terminal
- ◆ Planting 30 saplings at the Trincomalee Terminal in celebration of World Environment Day
- ◆ Signed an agreement with Marine Environment Protection Authority (MEPA) to undertake a beach cleaning project in Colombo (Dehiwala and Modera) by engaging beach caretakers for a period of one year





- ◆ Attractive remuneration and additional profit-linked variable bonus
- ◆ Opportunities for career progression and performance linked bonuses
- ◆ Continued training and development
- ◆ Uninterrupted round-the-clock operation at the Trincomalee oil terminal





- ◆ Board approved anti-corruption and whistle-blowing policies




- ◆ Strict adherence to health and safety regulations amidst the COVID-19 pandemic
- ◆ Introduction of the employee wellness programme series
- ◆ Strict quality control protocols
- ◆ Donation of Rs 2 Mn worth essential medicines to the Colombo South Teaching Hospital – Kalubowila
- ◆ Organising the 4th vaccination dose for COVID-19 for the senior management and all HO based employees
- ◆ Donation of sanitiser cans for the Kandy Police
- ◆ Preferential prioritised fuelling to 1990-Suwa Seriya emergency ambulance service

- ◆ Equal opportunity employer
- ◆ Donation of school bags and study materials to needy children who attend sunday school
- ◆ Aid given to the Home of Compassion, Madampitiya

- ◆ Efficient management of water and energy for production
- ◆ Proper waste segregation systems and management of water discharge
- ◆ Periodical water testing to ensure conformity to environmental standards
- ◆ Oil Spill Contingency Plan approved by the MEPA
- ◆ Special fuel arrangement for the fisheries industry which provides livelihood to thousands of households and generates foreign currency for the country



- ◆ Partnered with the Rotary Club, Trincomalee for biodiversity conservation initiatives
- ◆ Joint venture with the Ceylon Petroleum Corporation (CPC) to develop the Trincomalee oil tank farm
- ◆ Partnership with Stafford Group for the supply of co-branded SERVO ecoPLUS, environmentally friendly fuel

## Sustainability reporting practices

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

# ENGAGEMENT WITH STAKEHOLDERS


As an organisation with a wide socio-economic impact we value the role played by our diverse stakeholders in our value creation process. We are committed to nurturing meaningful and impactful relationships with them, which enable us to identify and respond to their concerns. When selecting stakeholders to engage with, the company considers parties which could potentially have the most significant impact on its ability to create value.

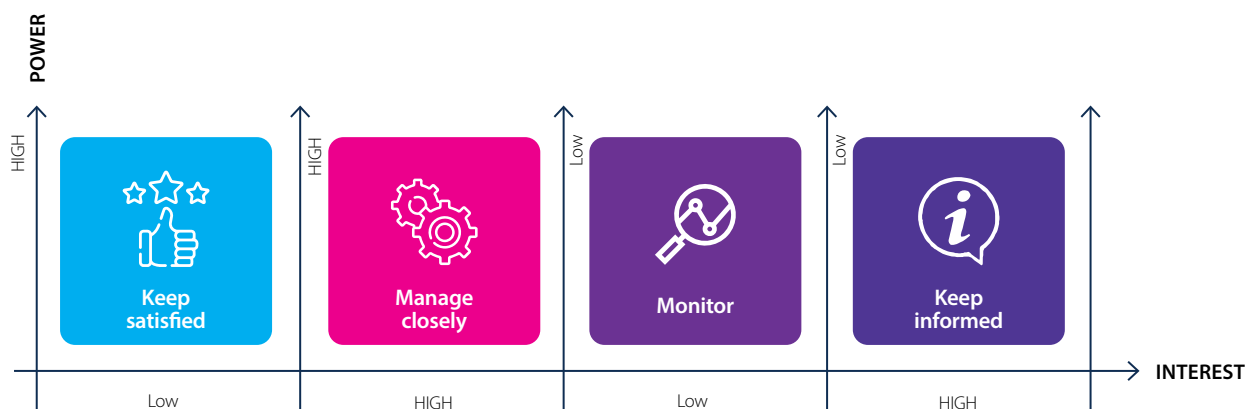
Our stakeholder groups are analysed on a periodic basis to determine the level of power and interest held by each segment. We use various engagement platforms appropriate to the needs of each stakeholder group throughout the year and value their feedback which helps us identify possible areas of improvement and changes changes required to our business models and potential market opportunities.





Balancing our stakeholder needs and building long-term positive relationships is vital towards ensuring usiness continuity and sustainable value creation. We maintain frequent dialogue with all our stakeholder groups to make sure their concerns are heard and addressed in our strategic planning process.

Stakeholder group	Level of priority and reason	Engagement strategy
 Shareholders	<b>H</b> - Providers of financial capital	 Manage closely
 Employees	<b>H</b> - Since they drive the strategic ambitions of LIOC	 Manage closely
 Customers	<b>H</b> - Sustainability of our business lies on how effectively their expectations are met	 Keep satisfied
 Channel partners	<b>L to M</b> - Since they facilitate the provision of reliable and high standards of service to customers	 Manage closely
 Suppliers and other service providers	<b>L to M</b> - they ensure smooth functionality of our supply chain functions	 Manage closely
 Regulators	<b>H</b> - Since they are the policymakers providing a conducive operating environment to conduct business	 Keep satisfied
 Community	<b>L to M</b> - Due to our obligation to act responsibly	 Keep informed



# ENGAGEMENT WITH STAKEHOLDERS

## Shareholders

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Annual Report and quarterly financial reports</li> <li>Annual General Meeting (AGM)</li> <li>Consultations with IOC, the major stakeholder on matters of policy and strategy at the Board level</li> <li>Press releases and digital channels (website and social media channels)</li> <li>Announcements to the Colombo Stock Exchange (Continuous Basis)</li> <li>One -on -one engagements</li> </ul>	<ul style="list-style-type: none"> <li>Profitability</li> <li>Business growth</li> <li>Brand value and brand reputation</li> <li>Sustainable product portfolio</li> <li>Sustainable business practices</li> <li>Dividend consistency</li> <li>Market price/capitalisation</li> <li>Good corporate governance</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>To deliver revenue growth and profitability with a sustainable portfolio of products</li> <li>To invest in nurturing brand value and growing the brand reputation</li> <li>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</li> </ul>
Strength of relationship: <b>Strong</b>		
<div>Capitals impacted</div> <div>FINANCIAL CAPITAL</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div>		

## Employees

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>LIOC Connect the internal monthly newsletter</li> <li>Periodical performance reviews</li> <li>Recognition mechanisms -Shining Star</li> <li>Grievance handling procedures</li> <li>Managing Director's Straight Talks with employees (open-door-policy)</li> <li>Meetings by Head of Divisions</li> <li>Training and development programs to upgrade skills for the 'Future of Work'</li> <li>Health talks channels (website and social media channels)</li> </ul>	<ul style="list-style-type: none"> <li>Market compatible remuneration and benefits packages. Continuity of employment</li> <li>Career development and progression</li> <li>Skills development opportunities</li> <li>Fair, just and engaging work environment</li> <li>Work-life balance</li> <li>Occupational health and safety</li> <li>Human rights at the workplace</li> </ul>	<ul style="list-style-type: none"> <li>Competitive pay rates (pay revision even during COVID-19)</li> <li>A safe, engaging and fair work environment that supports personal &amp; professional growth and career progression</li> <li>An empathetic, people first approach in managing human talent</li> <li>Effective communication and real-time engagement</li> <li>Preparing our people for the "New Workforce," providing access to new technologies and training, to be future-ready under the new normal</li> <li>Encouraging and providing the opportunities for continuous learning including mobile based learning</li> </ul>
Strength of relationship: <b>Strong</b>		
<div>Capitals impacted</div> <div>HUMAN CAPITAL</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div>		

## Channel Partners

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Dealer site visits</li> <li>Regular field sales visits</li> <li>Meeting with Auto Fuel dealers and Lubes distributors which includes SERVO shops and SERVO service stations</li> <li>Telephone, E-mail, SMS and WhatsApp official groups, SMS</li> <li>Review and feedback meetings by Managing Director and Heads of Departments</li> </ul>	<ul style="list-style-type: none"> <li>Continuing mutually beneficial relationships</li> <li>Competitive pricing</li> <li>Fair credit terms</li> <li>Ethical business practices</li> <li>Product, technical and safety support</li> <li>Reliability of suppliers</li> <li>Ease of transactions</li> <li>Rewards and recognition</li> </ul>	<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>
Strength of relationship: <b>Moderate</b>		
<div>Capitals impacted</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div>		

## Customers

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Continuous contact with customers</li> <li>One-on-one engagement at the Retail Outlets</li> <li>Advertising/Marketing communication campaigns in mainstream media (E-mails and SMS)</li> <li>Engagement through social media channels (Facebook page, Twitter)</li> <li>Corporate website</li> <li>Customer outline</li> </ul>	<ul style="list-style-type: none"> <li>Selling Price</li> <li>Timeliness of supply</li> <li>Credit facilities</li> <li>Correct volumes</li> <li>Quality and performance</li> <li>Environmental impacts</li> <li>Supply reliability</li> <li>Logistics</li> </ul>	<ul style="list-style-type: none"> <li>Competitive pricing</li> <li>Making our products available and accessible to our customers</li> <li>Quality and performance</li> <li>Timeliness and correct volumes</li> <li>Efficient and effective delivery</li> </ul>
Strength of relationship: <b>Strong</b>		
<div> <div>Capitals impacted</div> <div>MANUFACTURED CAPITAL</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div> </div>		

## Suppliers and other service providers

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Ongoing dialogue and routine business interactions</li> <li>Supplier appraisals</li> <li>International events/visits</li> <li>One-on-one meetings/site visits</li> <li>E-mail and correspondence</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Professionalism, ethical conduct and business best practices</li> <li>Continuing sustainable business relationships</li> <li>Prompt payment on agreed credit terms</li> <li>Potential for growth and profitability</li> </ul>	<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>
Strength of relationship: <b>Moderate</b>		
<div> <div>Capitals impacted</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div> </div>		

## Regulators

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Ongoing dialogue with policymakers, regulatory authorities and experts</li> <li>Collaboration and participation in technical, industry, sustainability and national events</li> <li>Submission of reports, returns and other financial and non-financial information</li> <li>Compliance reviews</li> <li>Corporate governance systems that adhere to laws, regulations and best practice</li> </ul>	<ul style="list-style-type: none"> <li>Energy security</li> <li>Regulatory compliances</li> <li>Employment generation</li> <li>Local manufacture to save foreign exchange</li> <li>Payment of taxes, duties levies and fees due to the Government/regulatory bodies</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>To be a partner in Sri Lanka's energy security goals</li> <li>We are committed to establishing and maintaining governance structures that meet standards of best practice and legal &amp; regulatory requirements relevant to our business operations</li> <li>We are also committed to create models of sustainable business practices that can be emulated across the nation</li> <li>Environmental consciousness</li> </ul>
Strength of relationship: <b>Strong</b>		
<div> <div>Capitals impacted</div> <div>FINANCIAL CAPITAL</div> </div>		

## Community

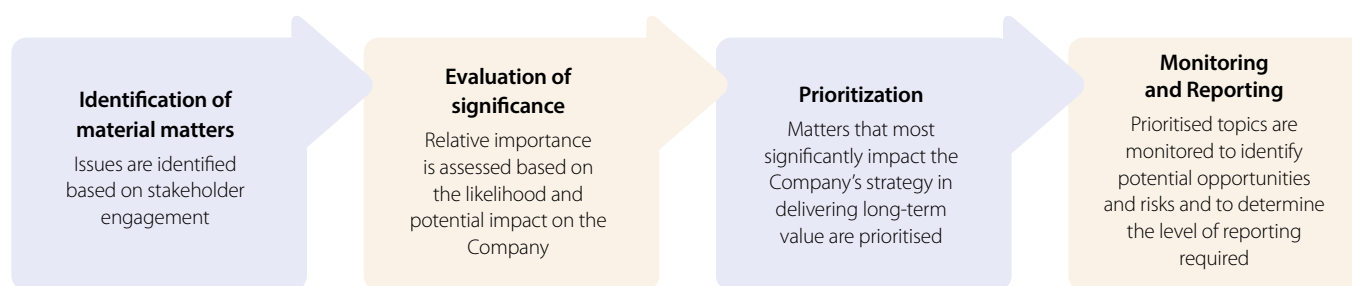
How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> <li>Direct contact with communities</li> <li>CSR activities</li> <li>Local events and sponsorships</li> <li>News media</li> <li>Annual Reports</li> </ul>	<ul style="list-style-type: none"> <li>Indirect economic benefits through employment generation and infrastructure projects</li> <li>Preservation of the environment</li> <li>Building and nurturing sustainable social relationships through community-based CSR activities</li> <li>Safety, health and welfare</li> </ul>	<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>
Strength of relationship: <b>Moderate</b>		
<div> <div>Capitals impacted</div> <div>NATURAL CAPITAL</div> <div>SOCIAL &amp; RELATIONSHIP CAPITAL</div> </div>		










# MATERIAL MATTERS












Our material topics represent the issues that matter most to our stakeholders and can have the most impact on LIOC's ability to create value. These topics may evolve over time as new dynamics shape the operating landscape and stakeholder expectations.

LIOC determines its material topics by continually assessing the operating landscape and by evaluating stakeholder feedback against its strategic agenda. As graphically illustrated below, topics are identified and subsequently prioritised based on the impact on stakeholder decisions and impact on the company. There were no material changes to the topic boundaries during the year.

The process adopted for determining materiality is presented below.



	Material Topic	Why we consider this material	Prioritisation		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
			Impact on LIOC	Impact on the Stakeholders				
1	<b>Profitability</b>	Profitability is seen as a key enabler in creating value for our stakeholders.	H	H	Shareholders Employees	Profitable Growth		Financial Capital - page 57
2	<b>Growth</b>	Ensuring sustainable business growth reflects LIOC's operational success, efficiency and productivity.	H	H	Employees Customers Shareholders	Profitable Growth	 	
3	<b>Dividend consistency</b>	Dividend consistency attracts potential investors and depicts the Company's ability to provide fair returns to shareholders.	M	H	Shareholders	Profitable Growth	 	
4	<b>Good corporate governance and ethical business conduct</b>	Good governance, legal and regulatory compliance and ethics provide the foundation for all business activities of LIOC, determining and shaping the organisational culture.	H	M	Employees Customers Regulators	Sustainability	   	Governance Report - page 85
5	<b>Sustaining brand value and reputation</b>	One of the most valuable indicators of LIOC's success as it determines our status quo is based on our ability to consistently honour our promises to our stakeholders.	H	H	Shareholders Employees Customers	Operational Excellence  Sustainability		Intellectual Capital - page 66

	Material Topic	Why we consider this material	Prioritisation		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
			Impact on LIOC	Impact on the Stakeholders				
6	<b>New and sustainable technologies</b>	Embracing the latest technological developments helps create a competitive advantage in today's ever evolving business environment and continues to be a vital focus area of LIOC.	H	H	Employees Customers	Operational Excellence	 	Intellectual Capital – page 66
7	<b>Business initiatives</b>	Recognising new opportunities and strategies for business growth is a key driver of business success in today's highly competitive business world.	M	M	Employees Customers	Operational Excellence		
8	<b>Competitive remuneration</b>	Safeguards LIOC's ability to retain the best talent in order to realize the corporate strategy and long-term vision.	M	H	Employees	People Development		Human Capital – page 70
9	<b>No pay cuts</b>	Keeping our staff motivated during the challenging times was a key priority and thus heavy focus was placed on maintaining benefits provided.	M	H	Employees	People Development	 	
10	<b>Job security</b>	In the post pandemic era where unemployment levels are rising LIOC places utmost importance in ensuring 100% job security.	L	H	Employees	People Development		
11	<b>Pricing</b>	Product price is a key consideration that determines the competitiveness of LIOC in each segment. Supplier pricing is also given high priority as this determines LIOC's potential for revenue growth.	H	H	Customers Suppliers	Operational Excellence		Social and Relationship Capital – page 75
12	<b>Undisrupted supply</b>	Undisrupted supplies and continuing operations, especially in Auto Fuel, Industrial Fuel and Bunkering are high priority considerations.	H	H	Customers	Operational Excellence	 	Social and Relationship Capital – page 75
13	<b>Ease of access</b>	One of the most important ways in which we can achieve sustainable growth is to expand our reach.	H	H	Customers	Operational Excellence		Social and Relationship Capital – page 75
14	<b>Quality performance</b>	Customers seek quality and performance of the product especially in Fuel and Lubricants. Thus, LIOC places high importance on maintaining quality standards.	H	H	Customers	Operational Excellence	  	Social and Relationship Capital – page 75
15	<b>Timeliness</b>	Commencement of 24-hour operations and expanding customer touchpoints to enhance access and timeliness of supply.	M	M	Customers	Operational Excellence		Social and Relationship Capital – page 75

# MATERIAL MATTERS

	Material Topic	Why we consider this material	Prioritisation		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
			Impact on LIOC	Impact on the Stakeholders				
16	<b>Continuing mutually beneficial relationships</b>	Mutually beneficial relationships help to maintain uninterrupted business operations and LIOC places high importance in nurturing and building sustainable relationships.	H	H	Channel partners Suppliers	Operational Excellence		Social and Relationship Capital - page 75
17	<b>Fair credit terms</b>	In difficult economic times, retaining the loyalty of channel partners depends to a large degree on the fairness of credit terms offered and promptness in payments due.	M	H	Channel partners	Operational Excellence		Social and Relationship Capital - page 75
18	<b>Energy stability</b>	Reducing the carbon footprint and energy costs of the Company thereby ensuring resource efficiency and sustainability.	H	H	Community	Sustainability	  	Natural Capital - page 81
19	<b>Compliance</b>	Our compliance with all applicable laws, regulations and standards, safeguards business continuity and the license to operate.	H	M	Regulators	Sustainability		Governance Report - page 85
20	<b>Foreign exchange outflow</b>	Managing foreign exchange outflows continued to be a critical focus area and LIOC's grease plant to be commissioned in July 2022 will reap great savings in terms of reduced import costs.	H	H	Community	Operational Excellence		Manufactured Capital - page 62
21	<b>Economic benefits</b>	The Company aims to continue its expansion and sustain jobs created by its operations.	L	H	Community	Sustainability	  	Social and Relationship Capital - page 75
22	<b>Social and Environmental consciousness</b>	The impact on the society and environment is closely monitored and reported to contribute positively towards uplifting the lives of the people and protecting the natural environment.	H	H	Community	Sustainability	     	Social and Relationship Capital - page 75
23	<b>CSR</b>	Contributes towards uplifting the lives of socially and economically disadvantaged communities across Sri Lanka.	M	M	Community	Sustainability	  	Social and Relationship Capital - page 75



# MANAGEMENT DISCUSSION AND ANALYSIS

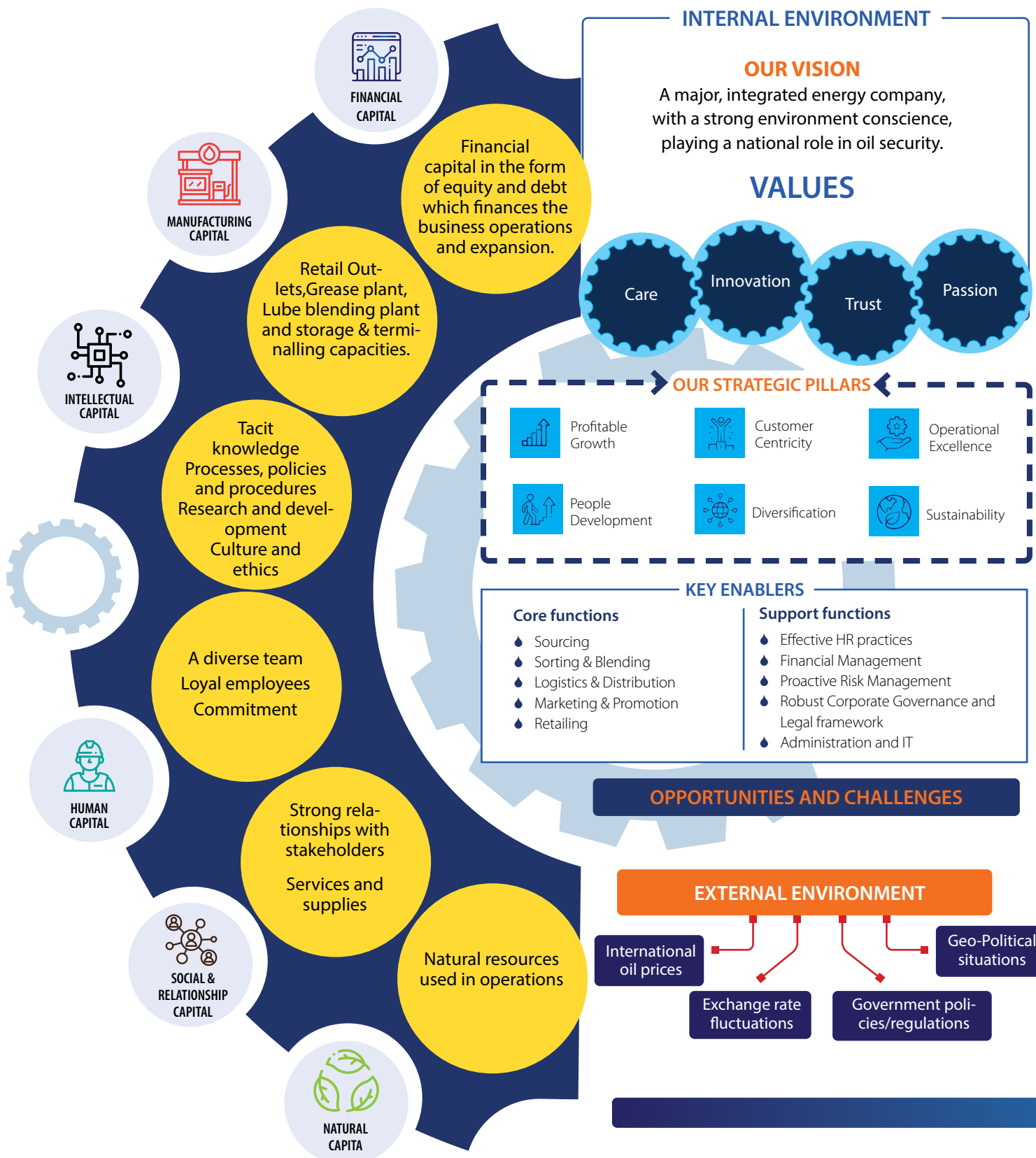
We at LIOC strive to transform our resources and relationships to deliver consistent value to our stakeholders. Our capitals consists of our resources and inherent capabilities which we leverage enabling us to gain a competitive edge which strengthens us to enrich lives beyond business.

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# OUR VALUE CREATION MODEL

## INPUTS

## VALUE ADDING BUSINESS ACTIVITIES



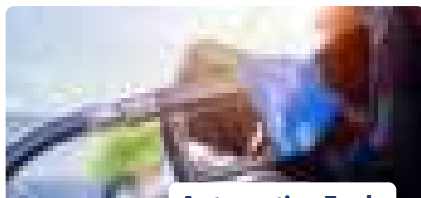


# OUTPUTS

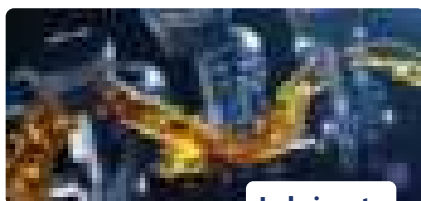
# OUTCOMES

# (SDG's)

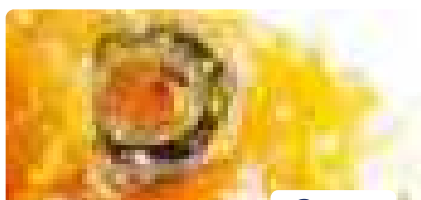
## OUR PRODUCTS



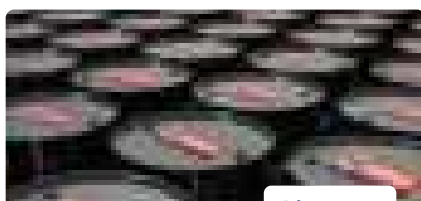
Automotive Fuels



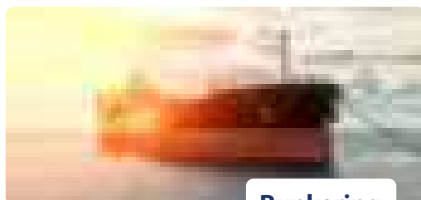
Lubricants



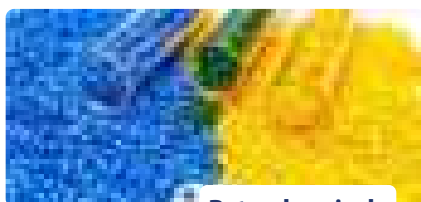
Grease



Bitumen



Bunkering



Petrochemicals



Revenue: Rs 281.49 Bn  
PAT: Rs 37.7 Bn  
Earning per Share : Rs 70.79  
ROE: 62%



Investment in revenue generated assets Rs 469 Mn  
Increased Lube capacity  
Completion of grease manufacturing plant



Brand Value: Rs 3,717 Mn  
29th place in LMD "Most Valuable Consumer Brands"  
Rating: **AA-**



Employee benefit and Remuneration: Rs 962 Mn  
Training hours: 1,129  
No of employees: 159  
New recruitments: 12  
No. of workplace injuries : Nil



Investment in CSR: Rs 210 Mn  
Exchequer Payment: Rs 40Bn  
No of touchpoints: 517  
Retail Outlets: 249  
Servo shops: 247  
Lube distributors: 31



Solar installation: 75  
Sludge disposal: 87 KL  
Electric charging stations: 5  
Investment in green initiatives: Rs 125 Mn  
No of Tank cleaned: 4

## 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

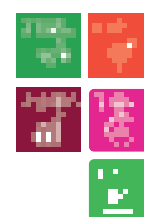
Compliance with all regulatory requirements

## Business partners and suppliers

Long-term relationships  
Transparency

## Community and environment

Improvements in the quality of life  
Environmental conservation



# SEGMENT PERFORMANCE OVERVIEW

## Automotive Fuels

Lanka IOC's automotive fuels segment is a significant player in Sri Lanka's fuel market with a wide retail network importing and distributing petrol and diesel, meeting approximately 20% of the country's retail fuel demand. It also offers premium and branded fuels that improve fuel efficiency and engine performance, catering to a range of customer preferences.



*Lanka IOC's commitment to quality and innovation solidifies its position as a trusted leader in the automotive fuels market.*



PETRO	DIESEL
LP92	Lanka Auto Diesel
Xtra Premium Euro3	Lanka Super Diesel
Xtra Premium 95	XtraMile

## Key Highlights of the year



LIOC expanded its presence by commissioning 36 new retail outlets during the year, bringing the total count to 249. These outlets are strategically located across the country, ensuring accessibility in every district and offering three different fuel variants.



Lanka IOC has enjoyed substantial profitability, with automotive fuels contributing a significant portion to the profits. The company has seen remarkable market share growth in Motor Spirit (MS) and High-Speed Diesel (HSD), due to the quality and superior customer service.



Demonstrated substantial growth in both volume and value for MS and HSD, further solidifying the position in the market.



The Ministry granted approval for the commissioning of 50 new fuel stations in August 2023. A corresponding advertisement has been released to create awareness and generate interest among customers.



Commissioned 36 new retail outlets, which have shown promising sales figures. We are committed to improving the facilities at these outlets to ensure sustained growth in the long term.



Additionally, there are 60 LOI issued for future retail outlet commissioning, which will be completed in the upcoming financial year.



In the pursuit of enhancing customer experience, LIOC revamped the visual identity of an additional 20 retail outlets, providing customers with a more enjoyable atmosphere.

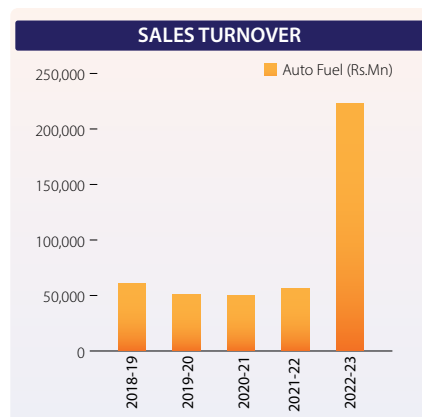


Installed 30 monoliths aiming to showcase our products, amplify brand visibility and attract new customers.

## Our Performance

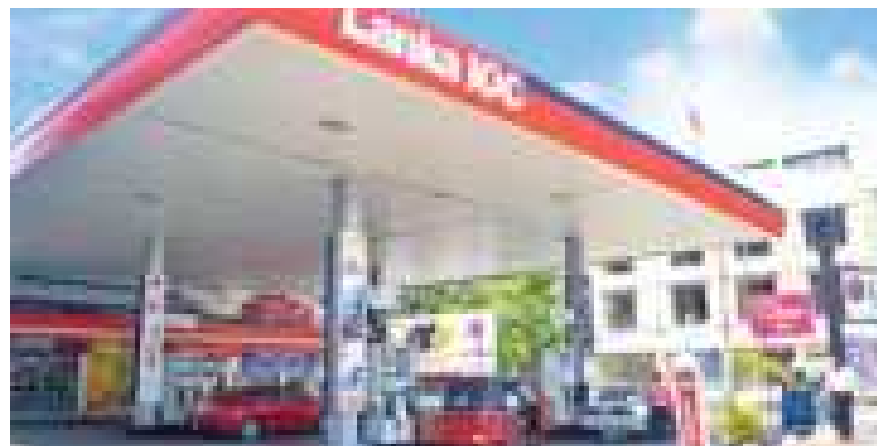
The automotive fuels segment of LIOC faced continued difficulties in the previous financial year, grappling with challenges such as the depreciation of the Sri Lankan Rupee and the impact of oil price fluctuations due to global geopolitical factors. However, despite these obstacles, the segment remained resilient, contributing around 79% of LIOC's total revenue, totaling Rs.222.76 Mn. Notably, the segment also achieved a significant 293% growth in total sales volume, showcasing its ability to navigate through challenging market conditions.

During the previous year, amidst a currency crisis, LIOC strategically adapted its approach by supplying industries in dollars. While dollar approvals are currently unavailable, the company has continued to meet the demand of various industries by supplying in rupee terms. This expansion into industries has yielded significantly higher volumes, especially during times of shortage, as LIOC successfully catered to consumer sales throughout the year. This diversification beyond retail operations has proven fruitful, resulting in increased volumes for the company.



## Automation

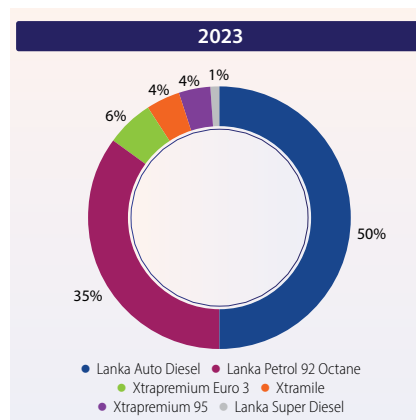
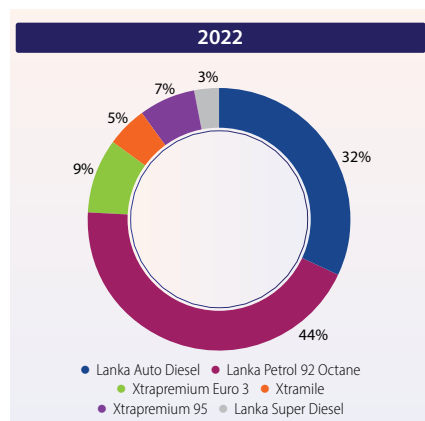
LIOC has taken proactive measures to enhance automation in its operations. As part of this initiative, the company has called for the procurement of approximately 200 new automatic dispensing units. These units will enable seamless communication and integration with the automation systems, allowing for efficient monitoring of the fuel stations from the head office. In line with this, LIOC is replacing the existing pumps with the new automated dispensing units. Once this phase is completed, the focus will shift towards



automating the outlets themselves. Currently, the company is actively engaged in the process of transitioning to the new dispensing units, thereby advancing its automation capabilities.

## Challenges

LIOC faces the challenge of liberalising automotive fuels segment, with the entry of international players expected to intensify competition in the upcoming year. However, competition is viewed positively by LIOC as it has already established a strong retail visual identity, implemented new dispensing units and expanded its infrastructure with the addition of new fuel stations to boost volumes. While the competition may impact CPC (Ceylon Petroleum Corporation) more significantly, as new private companies may acquire existing CPC sheds, LIOC acknowledges the presence of competition and welcomes it. It should be noted that the competition is still in the early stages, primarily existing on paper, with actual operations yet to commence.



## Outlook

LIOC anticipates positive outcomes from the increased number of newly added fuel stations, expecting significant sales growth in the retail segment. The existing fuel stations, which had previously underperformed due to supply constraints and currency issues, are also expected to benefit from improved conditions. With these factors in mind, LIOC foresees a promising growth trajectory in the retail segment for both Motor Spirit (MS) and High-Speed Diesel (HSD) in the upcoming year.

## SEGMENT PERFORMANCE OVERVIEW

### Bunkering

Lanka IOC PLC is the leading bunker fuel supplier at Sri Lankan ports, retaining a significant 33% market share. We provide compliant Low Sulfur Fuel Oil (0.5% S) and IFO 380cst (3.5% S) at ports including Colombo, Trincomalee, Galle and recently we have started operation in Hambantota. LSMGO (s <0.1%) is available at all Sri Lankan ports. Our bunker fuels meet ISO 8217:2005 specifications and are delivered through dedicated bunker barges under Lanka IOC's Time Charter. Additionally, independent surveyors supervise all our bunker deliveries, ensuring the utmost quality and accountability.



### Key Highlights of the year



Lanka IOC PLC successfully maintained a 33% market share, solidifying our position as a leading bunker supplier in Colombo and other ports. In the past year, we achieved impressive sales of approximately 150,000 metric tons.



We successfully expanded our operations to Hambantota, a new bunker position, where we became the exclusive supplier. Establishing a dedicated barge in Hambantota was a major accomplishment, meeting the increasing demand for bunkering services in the area. With three fully equipped barges across different locations, we are well-equipped to fulfill the bunker needs of our customers.



We successfully conducted a few bunker deliveries to our clients in Trincomalee through the pipeline, a notable achievement as bunkering traditionally occurred via barge in that area. Introducing pipeline deliveries was a significant improvement compared to previous years.



We have expanded our procurement network by partnering with SINOPEC, a prominent local supplier that has emerged in the market. This collaboration allows us to diversify our supply sources, enhancing our ability to meet the growing demand for bunker fuel.



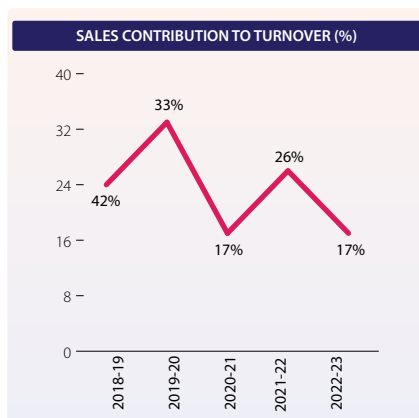
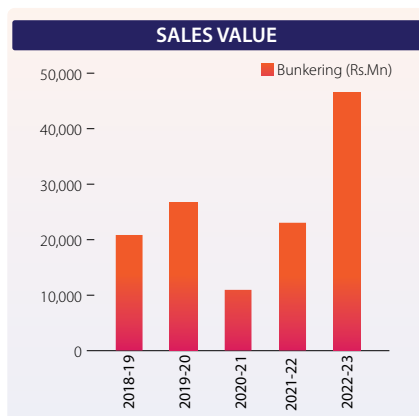
We partnered with SINOPEC as our local supplier, starting from last year. This collaboration allows us to strengthen our supply chain and enhance our ability to meet the growing demand for bunker fuel.

### Our Performance

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 of 150,000 metric tons further solidified our strong performance. Our achievements, including expanding operations in Hambantota and implementing the pipeline for deliveries in Trincomalee, highlight our unwavering dedication to creating value and optimising costs.

Our cost optimisation strategy involves utilising pipeline supplies, which consistently prove to be cost-effective. This approach allows us to avoid additional expenses related to barge usage, such as fuel costs and higher charges. By leveraging the pipeline, we have successfully completed two or three supplies in Trincomalee without the need for a barge, resulting in substantial cost savings.

Furthermore, in Hambantota, our decision to position a barge has proven to be strategically advantageous. This move has allowed us to capitalise on the opportunities available in the region, enabling us to secure more value and gain a competitive edge in the market.



## Challenges

During the October to December quarter, we encountered a significant challenge as the price of bunkering fuel experienced a drastic decline, resulting in a substantial deviation from our initial purchase price.

Recognising the need for proactive measures, our Management and department made the decision to discontinue bulk purchases, which previously involved storing them in Trincomalee and Colombo. This strategic shift was made possible with the support of a new local supplier, that emerged in Hambantota. We shifted our procurement approach by purchasing products locally in smaller quantities instead of bulk shipments and adopted a trigger pricing method, which helped us mitigate the risk associated with price fluctuations. This change allowed us to reduce our exposure to market fluctuations and mitigate risks. Although there were still losses incurred during the subsequent January to March quarter, they were relatively smaller compared to those experienced in the October to December period.

Through these proactive strategies, we sought to optimise our operations and minimize losses during challenging market conditions.

## Outlook

To mitigate losses and improve margins in the bunkering sector, we are actively monitoring price dynamics and implementing strategic pricing strategies. Our focus is on swift product sales to minimise stockpiling, considering the high fluctuations in bunkering prices. Our approach involves procuring products locally from Hambantota in smaller quantities, strategically pricing them and aiming for prompt sales. Maintaining minimal stock in our tanks is a key objective.

Within the bunkering sector, we offer two main products: gas oil and VLSFO (Very Low Sulfur Fuel Oil). Our gas oil prices are more competitive compared to neighbouring ports, enabling us to maximize sales and profit margins in this category. However, selling VLSFO poses challenges as our prices are relatively higher than other ports. To offset these challenges, our strategy involves maximising gas oil sales to generate robust profit margins that can compensate for any losses incurred from VLSFO sales.

# SEGMENT PERFORMANCE OVERVIEW

## Lubricants

At Lanka IOC, we take pride in offering a comprehensive range of exceptional Servo brand lubricants designed for automotive, industrial and marine applications. Our portfolio encompasses top-notch lubricants renowned for their high performance and reliability. These high-performance lubricants are blended at our advanced lube blending plant in Trincomalee, which is the first of its kind in Sri Lanka to receive ISO 9001:2015 certification. Our lubricants are distributed across the island through an extensive network of distributors, fuel stations and servo shops. We have recently introduced a cutting-edge grease manufacturing plant in Trincomalee, which is the first facility of its kind in Sri Lanka.



Our profitability has significantly increased, surpassing last year's profit by more than 3.5 times. We achieved a profit which recorded a substantial rise from the previous year's profit of Despite a decline in sales, our revenue generation has exceeded last year's figures.



We successfully introduced new SKUs and products in strategic partnerships with prominent companies such as TVS Lanka and Honda through Stafford Motor Company. These additions to our product portfolio have resulted in increased volume and revenue generation.

For two-wheelers, we introduced the following new products:

Servo Eco Plus - In collaboration with Stafford Motors.	Servo UCap - Developed in partnership with TVS Lanka
Servo Eco Plus 20w50	Servo Ucap 20w50
Servo Eco Plus 10w30	Servo Ucap 10w30



Introduced Servo Futura P 10w30, a lubricant designed for dual operation vehicles in the four-wheeler segment.



As part of our branding efforts, we have strategically placed 50 billboards to prominently display the Servo brand. These billboards serve as effective advertising medium, ensuring high visibility throughout the island.

We utilised electronic displays in selected locations to further promote Servo.

## SECTOR REVIEWS



We opened 64 new Servo shops, expanding our network. These exclusive outlets provide a dedicated platform for selling Servo products. Customers can now conveniently access a wide range of Servo products and experience the quality and reliability that our brand offers.



Successfully appointed two new distributors to strengthen our distribution network. These new partnerships enabled us to reach a wider customer base and ensure efficient delivery of our products.

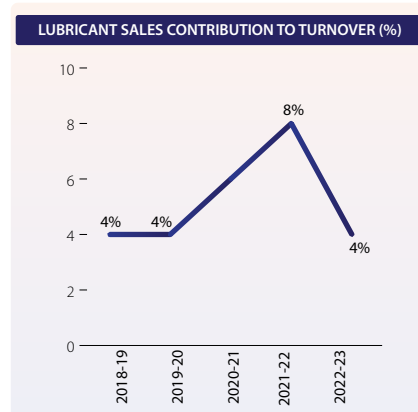
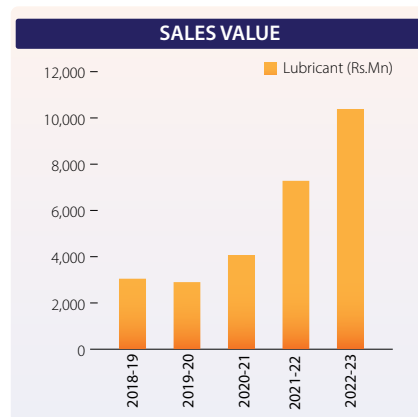
### Our Performance

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 evident in 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 remarkable profit increase of over 3.5 times. This financial success underscores our ability to adapt to market changes and optimise revenue generation.

In September, we successfully commissioned our grease plant, overcoming minor delays caused by COVID-19-related challenges. With the establishment of this plant, we no longer need to import grease from our parent company in India. Instead, we have achieved self-sufficiency in grease production at our Trincomalee facility. The plant is currently operating under a two-year contract, after which internal operations will be fully transferred to Lanka IOC.

The impact of this strategic move is evident in the financial performance of our lubricants division. Prior to the commissioning of the grease plant, the profit was at a minimum. However, with our own production of grease, this profit has increased significantly per liter.

This significant improvement in the profit line is attributed to local manufacturing and the shift away from import dependence.



### Outlook

As we look to the future, our main focus is on renewing our partnerships with important collaborators. Although our previous tie-up with Bajaj has concluded, we are actively engaged in the process of renewing the contract. On a positive note, we have already successfully renewed our partnership with DPMC.

In line with our growth strategy, we will be introducing a new product line in Sri Lanka - tractor oil. Recognising the significant agricultural sector in the country, we see great potential in catering to the specific lubrication needs of tractors. Our aim is to launch this product-line in 2023.

Expanding our reach in the industrial sector is another priority. Currently, we are present in approximately 280 out of over 500 industries in Sri Lanka, with varying levels of engagement. Due to factors such as pending approvals and other reasons, we are not yet operating at full capacity in these industries. To optimise our existing approvals, we are initiating a national drive to capture industrial volumes and maximize customer engagement. Our goal is to explore untapped opportunities across the entire country.

Additionally, we are actively expanding our business into the Maldives. Through advertisements, we are seeking new distributors in the Maldives to facilitate the export of our lubricant products to this market.

Overall, we are committed to driving growth, exploring new markets and Optimising our operations to maximize revenue and market presence.



## SEGMENT PERFORMANCE OVERVIEW

### Bitumen and Petrochemicals

As a prominent supplier in Sri Lanka, we hold a strong position in the bitumen market, offering four different variants of bitumen for industrial and road construction applications. In addition to serving the local market, we have expanded our operations to include the export of bitumen to neighbouring countries. Furthermore, our company has ventured into the petrochemical sector, recognising its promising potential for future growth. Under our petrochemical brand Propel, we aim to establish a presence in this evolving industry.



LIOC remains the market leader in bitumen despite economic challenges, thanks to its reputation for reliability and regulatory compliance.



Propel, our new brand was successfully introduced to the Sri Lankan market last year. Our extensive island-wide presence has ensured that customers are aware of the availability of Propel, an Indian brand known for its quality. We are pleased to note that we have not received any complaints regarding the product, further affirming its reliability and customer satisfaction.



We ventured into the Nepalese market and successfully exported approximately 500 metric tons of bitumen. The market conditions in Nepal were favorable, with a scarcity of bitumen, allowing us to achieve a good profit margin in our exports.

### Our Performance

We expanded our business portfolio by entering the petrochemical segment, leveraging our parent company's petrochemical brand, Propel. Last year, we successfully introduced the Propel brand to the Sri Lankan market, creating awareness among customers. Despite selling only 500 metric tons, we achieved a significant profit in the year under review. Through widespread distribution across the island, we ensured that customers

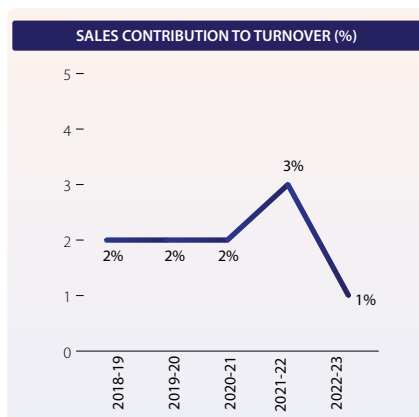
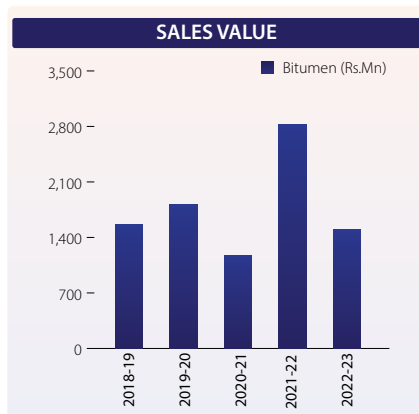
are aware of the availability of Propel, an Indian brand known for its quality. We are proud to mention that we have received no complaints regarding the product, further establishing its reputation as a reliable and satisfactory choice for customers.

Bitumen products	Petrochemical product
Bitumen grades 60/70	Low grade HDP
Bitumen grades 80/10	Injection moulding grade -PPCP, PPHP
Bitumen grades VG 30	

We have ventured into the Nepalese market and successfully exported approximately 500 metric tons of bitumen. The market conditions in Nepal are favorable, as there is a scarcity of bitumen in the country, allowing for favorable profit margins. To ensure secure transactions,

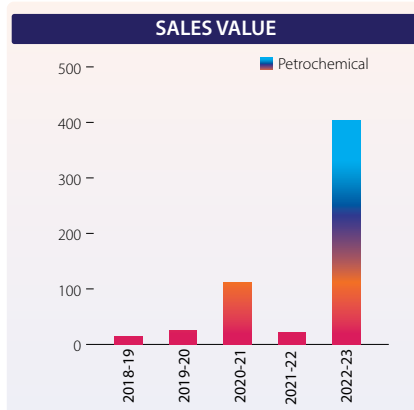


we have established a payment arrangement with our customers, where we accept Letters of Credit (LC). This guarantees payment security for both parties involved. Upon receiving payment from our customers, we proceed to make payments to our suppliers. Given the potential risks associated with operating in Nepal, we have maintained a cautious approach and secured a volume of 5,000 metric tons to mitigate any uncertainties.



## Challenges

Last year, the government initiated a significant highway project spanning 100,000 kilometers. However, this project was abruptly halted due to a circular issued, citing currency issues and a shortage of foreign exchange. As a result, we faced a major setback in our bitumen sales, experiencing a 70% decline in demand within the country. Our sales were primarily limited to small orders for road repairs, as the overall demand for bitumen diminished significantly.



## Outlook

In light of the current sluggish consumption in the bitumen and petrochemical segment, we are proceeding cautiously due to the volatile market conditions. With a decrease in demand and stable supply, we have adopted a slow approach to navigate these challenges. However, if the market conditions improve and demand rises in the future, we will actively expand our presence and promote the Propel brand on a larger scale.

Due to the halt of projects in Sri Lanka, we have shifted our focus to the neighbouring markets and are pursuing aggressive expansion. We have already secured consignments and anticipate receiving more orders in the future. Our aim is to achieve a 50% growth in the bitumen export market. Compared to last year's export, we have planned to export more bitumen this year and to mitigate risks, we have made back-to-back arrangements in transshipment.

# PERFORMANCE HIGHLIGHTS



	Metric	2022-23	2021-22	2020-21
<b>FINANCIAL PERFORMANCE</b>				
Revenue	Rs Mn	281,488	89,951	66,686
Operating profit	Rs Mn	44,177	5,410	161
Profit before tax	Rs Mn	44,702	5,612	988
Profit after tax	Rs Mn	37,696	4,818	882
Return on equity(%)	%	62%	20%	4%
Return on capital employed(%)	%	67.2%	10.8%	0.4%



<b>FINANCIAL STABILITY</b>				
Total Assets	Rs Mn	82,213	65,071	46,407
Total Liabilities	Rs Mn	20,980	40,785	26,483
Shareholders' Funds	Rs Mn	61,233	24,285	19,923
Cash and Cash Equivalent	Rs Mn	5,990	2,524	12,640
Total Debt	Rs Mn	4,468	25,778	20,590



<b>SHAREHOLDER INFORMATION</b>				
Earnings per share	Rs	70.79	9.05	1.66
Dividends per share	Rs	2.25	0.85	0.75
Net asset per share	Rs	115.00	45.61	37.42
MPS	Rs	171.5	38.8	19
Market Capitalisation	Rs Mn	91,318	20,660	10,117
P/E ratio	Times	2.42	4.29	11.45
Dividend pay out	%	25%	51%	95%
Economic Value Added	Rs Mn	36,498	4,366	477



<b>STRATEGIC PRIORITY : OPERATIONAL EXCELLENCE</b>				
Property, plant and equipment				
Retail Outlets	Nos	249	213	210
Capital expenditure	Rs Mn	469	265	310



<b>STRATEGIC PRIORITY : PEOPLE DEVELOPMENT</b>				
Total employees	Nos.	159	161	159
Female representation	Nos.	28	25	23
Payments to employees	Rs Mn	964	693	569
Employee attrition rate	%	10	3	2
Investment in training	Rs Mn	<1	<1	<1
Total training hours	Hours	1129	840	846
Average training hours/employee	Hours	7	1	3
Workplace injuries	Nos.	Nil	Nil	Nil
Revenue per employee	Rs Mn	1,770	555	419
Net profit (Loss) per employee	Rs Mn	237	30	6
Indirect employees (approx.)	Nos.	6,000	5,200	5,100
Customer touchpoints	Nos.	130	873	777
Investment in CSR	Rs Mn	210	3	6
No. of beneficiaries (approx.)	Nos.	10,000	2,500	5,000
Contribution to exchequer	Rs Mn	40,510	14,967	25,513



<b>STRATEGIC PRIORITY : SUSTAINABILITY</b>				
Energy consumption	Kwh	365,430	410,192	404,134
Water consumption	KL	44,987	53,961	43,857
Sludge disposal	KL	87	27	37

# FINANCIAL CAPITAL

## Delivering exceptional performance

Financial capital comprises of shareholders' funds and borrowings which are used to fund the company's sustainable growth and day-to-day operations. LIOC has demonstrated its strength and agility in the face of a volatile external environment by delivering an exceptional financial performance and a robust balance sheet. The company recorded a revenue of Rs 281.49 billion and profit after tax of Rs 37.69 billion in a year marked by black swans and economic headwinds, by leveraging the relationships developed over the years with stakeholders, its sound governance practices and innovation capabilities.



Value delivered in 2022-23

Rs Mn	2022-23	2021/22	Change	
Revenue	281,488	89,951	>100%	▲
Finance Income	3,454	1,364	>100%	▲
Other Income	116	116	0%	
	<b>285,057</b>	<b>91,431</b>	>100%	▲
Operating Costs	202,407	69,409	>100%	▼
Employee Wages and Benefits	883	650	>100%	▲
Payments to providers of funds	4,127	1,615	>100%	▼
Payments to Government	40,510	14,967	>100%	▼
Community Investments	210	3	>100%	▼
	<b>248,137</b>	<b>86,644</b>		
Depreciation and Amortisation	422	422	-	
Profit after Dividend	36,498	4,366	>100%	▲

Net asset value per share **Rs 115**

Earnings per share **Rs 70.79**

Dividend per share **Rs 2.25**

Market Capitalisation **Rs 91Bn**

### Capital connectivity and contribution



Human capital - Remuneration, rewards and benefits to employees



Intellectual capital - Drive efficiency across the Company through cost optimisation



Manufactured capital - Investment in infrastructure development



Social and relationship capital - Maintaining sufficient liquidity to provide and uninterrupted supply of products to customers and investment in CSR to uplift the community



Natural capital - Contribution towards environmental conservation

### Material issues addressed

- Profitability Growth
- Dividend Consistency
- Pricing
- Compliance

### Revenue

LIOC recorded its highest ever revenue of Rs 281.49 billion during the year under review against Rs 89.95 billion in year 2021-22 despite the challenging operating context. The main contributor to the topline was the auto fuel segment which counted 79% of the revenue of Rs 222.76 billion. With the regularity and continuity of the fuel supply specially during the period when CPC was out of fuel stock, LIOC earned the trust of people at large as all its retail outlets continued to

## FINANCIAL CAPITAL

### Delivering exceptional performance

fill requirements of all sections of the society thereby serving the entire country. This tremendously improved the market sentiments and along with the regular price adjustments undertaken by LIOC during the year under review in line with the common pricing formula introduced w.e.f May 2022 the segment revenue rose significantly as most of CPC fuel stations were dried up due to non-availability of fuel.

The Bunkering segment contributed only 16% to the topline because of the lack of vessel movements and economic unrest during the first half of the year.

Revenue from lubricants marked a significant growth, recording a historically high Rs 10.39 Bn in 2022- 23 showing an increase of 43% over the preceding year. However, the bitumen and petrochemical segments were the lower contributors to the top line because of the lack of infrastructural development due to the economic down fall.

Apr-March (Rs Mn)				
Segment	2022-23	% Share	2021-22	% Share
Auto Fuel	222,739	79%	56,725	63%
Bunker Fuel	46,461	16%	23,095	26%
Lubricants & Greases	10,390	4%	7,291	8%
Bitumen and Petrochemical	1,897	1%	2,840	3%
Total Sales Value	281,488	100%	89,951	100%

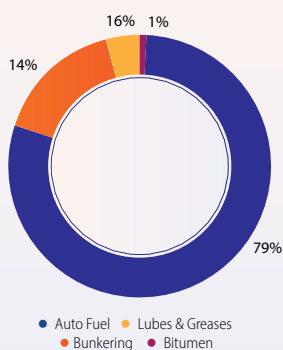
oil price. Such a mechanism shall go a long way in ensuring the sustainability and long-term progress of the company along with the country. The Lubricant and Bunkering segments also contributed positively to gross profit due to price adjustment in line with USD appreciation against the Sri Lankan rupee.

Item (Rs Mn)	2022-23	2021-22	Change
Revenue	281,488	89,951	213%
Cost of Sales	(227,306)	(81,107)	180%
Gross Profit/(loss)	54,182	8,845	513%
GP as a % of sales	19.25%	9.83%	

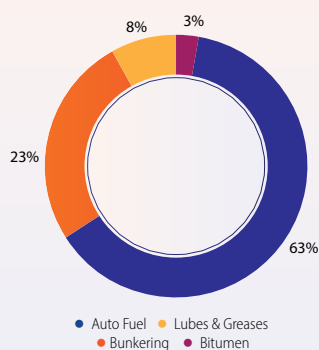
### Earnings Before Interest Expense, Tax, Depreciation and Amortisation

During the year under review, earnings before interest expense, tax, depreciation and amortisation (EBITDA) increased to Rs 44.60 billion against Rs 5.83 billion in year 2021-22. These extraordinary results were mainly a result of the positive gross margins from the auto fuel segment due to common pricing formula and availability of the product throughout the year despite the economic downturn. The Bunkering, Lubricant and Bitumen segments also contributed positively to EBITDA. The administrative and selling and distribution expenses increased to Rs 3.31 billion and Rs 6.81 billion respectively because of devaluation of Sri Lankan rupee and high inflation.

TURNOVER 2022-23 (%)



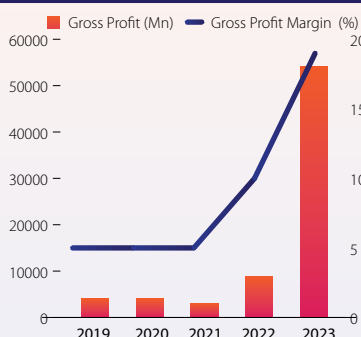
TURNOVER 2021-22 (%)



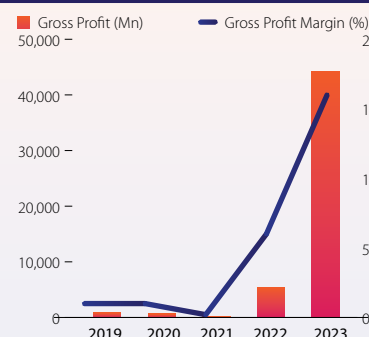
### Gross Profit

During the year under review LIOC's gross profit reached Rs.54.18 billion from Rs 8.84 billion reported in the previous year. The increase was more than 5 times against the preceding year mainly due to the GoSL implementing the much-needed Common Fuel Price Mechanism, which considers the fluctuations in world oil prices. The increase was also due to the rigorous and tireless efforts from LIOC. Under the mechanism, Retail prices of fuel are now revised periodically to ensure that they reflect the prevailing international

GROSS PROFIT VS GROSS PROFIT MARGIN



EBIT VS EBIT MARGIN



The company continued to monitor global oil prices on a consistent basis, optimise supply chain management in line with international market price and maintain optimum stock based on the movements. The Company manages its resources with a strong focus on maintaining the optimum procurement levels through tie-ups with suppliers and efficient inventory management. Efficient procedures and stringent inventory optimisation mechanisms largely contributed towards managing inventory at the optimum level. Reduction of the import parcel size, substitution of a large capacity barge with a lesser capacity barge due to reduced volumes reduced the fixed and operating costs and led to positive margins.

Segment (Rs.Mn)	2022-23	2021-22	Change
Gross Profit	54,182	8,845	100%<
Other Income	116	116	< 1%
Administration Cost	(3,314)	(1,639)	100%<
Selling and Distribution Cost	(6,807)	(1,912)	100%<
Operating Profit	44,177	5,410	100%<
Depreciation and Amortisation	422	422	< 1%
EBITDA	44,599	5,832	100%<

## FINANCE INCOME/EXPENSES

### Depleted Forex

Despite Sri Lanka successfully managing the spread of the COVID-19 pandemic with a well-executed vaccination programme and the effective timely lockdowns, the country was dealt a severe blow due to pandemic-led externalities which exposed the inherent macro-economic vulnerabilities of the economy. These impacts were compounded by the shortage of dollars within the banking system thereby curtailing the import of essential items including fuel, food and medicines. The free float of the Rupee against the USD in March 2022 led to the sharp unprecedented depreciation of the Sri Lankan currency.

Due to limited banking facilities beleaguered by continuous downgrading of the country's credit ratings, for the opening of a single shipment LC for Gasoil/Gasoline import, which were adversely affected by high international oil prices, we had to involve multiple first-class international banks from amongst the restricted options acceptable to suppliers, many of which were subjected to a second level of confirmation. Yet we successfully faced the challenges to ensure regular fuel imports through our rigorous and continuous interaction and requests with all licensed commercial banks in Sri Lanka

### Finance Income

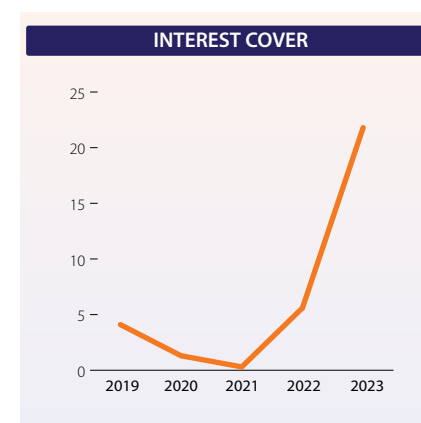
The finance income of the Company rose significantly to Rs 3.45 billion in line with rising market rates in the year under review against Rs 1.36 billion which counted 153% increase over the preceding year. The improved liquidity position enabled the Company to strengthen its investment capabilities amidst the economic and currency crisis. The composition of finance income is demonstrated below.

Finance Income (Rs.Mn)	2022-23	2021-22	Change
Interest Income on STI	3,287	1,335	146%
Interest on Others	167	29	100%<
Total (Rs.Mn)	3,454	1,364	153%

## FINANCE EXPENSES

Finance expenses for the financial year under review amounted to Rs 2.93 billion, recording an increase of 153% against Rs 1.16 billion reported in the preceding year. This increase was prompted by the country's currency crisis, as in order provide uninterrupted fuel supply, LIOC continuously increased its credit exposure by increasing borrowing despite higher interest rates. The finance cost further aggravated by exchange losses caused the depreciation of the Sri Lankan rupees against the USD. However, at the end of the financial year the exchange rate was marginally improved due to the improvement in banks USD liquidity in because of IMF bailout and debt restructure programmes.

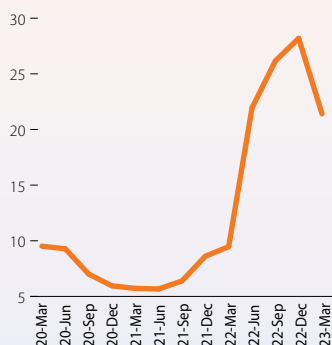
Finance Expenses (Rs.Mn)	2022-23	2021-22	Change
Interest	2,028	963	111%
Exchange (Income)/ Loss	901	200	100%<
Total (Rs. Mn)	2,929	1,162	152%



## FINANCIAL CAPITAL

### Delivering exceptional performance

#### INTEREST RATE



#### EXCHANGE RATE



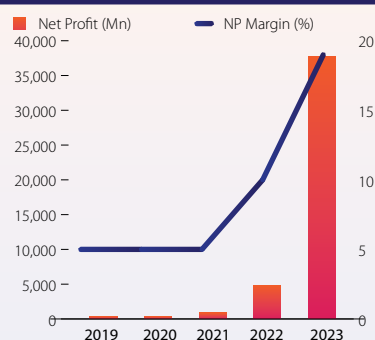
#### INCOME TAX

The Company recorded an income tax expense of Rs 7.01 billion which is a significant increase compared to Rs 793 million in the preceding year. The increase was due to high profit before tax which amounted to Rs 44.7 billion in the year under review. The income tax rates of the company is 15% for its business profit.

#### NET PROFIT

The Company's net profit after tax increased to historical high during the year to Rs 37.69 billion from Rs 4.82 billion recorded in 2021-22. The Government undertook a series of measures including import controls to preserve reserves and ease pressure on the currency, which made importing commodities rather difficult. These import restriction and devaluation of Sri Lankan Rupee are beyond the control of the Company. However, LIOC ensured that input materials were sourced by entering into contracts to avoid exposure to volatile prices and to reduce dependability on the country's USD reserves, LIOC adopted a strategy of invoicing in USD to leading exporters and designated/ specified industries. Since GoSL implemented the much-needed Common Fuel Price Mechanism, which considers the fluctuations in world oil prices, the retail prices of fuel are now revised periodically to ensure the price reflect prevailing international oil prices. The process helped LIOC to response positively and increased its market share during the year under review.

#### NET PROFIT VS NP MARGIN



#### BALANCE SHEET STRENGTH

	2022-23	2021-22
Non-Current Assets		
Property, Plant and Equipment	3,904	3,857
Investment	4,901	4,443
Intangible Assets	674	674
Right-of-use Assets	48	80
Other Receivables at Amortised Cost	148	142
Bank Deposits	-	1,462
	9,675	10,658
Current Assets		
Inventories	38,027	27,257
Trade Receivables	4,515	3,965
Other Receivables at Amortised Cost	806	667
Other Current Assets	2,154	108
Short Term Investments	21,046	19,892
Cash and Bank Balances	5,990	2,524
	72,538	54,413
Total Assets	82,213	65,071

Total assets of LIOC as at 31st March 2023 stood at Rs 82.21 billion in comparison to Rs 65.07 billion of the previous year. This increase of Rs 17.14 billion is mainly attributable to inventories and investments made for bank deposits. The inventories rose to Rs 38.02 billion from Rs 27.26 billion in the preceding year. Since Sri Lanka is going through an unprecedented currency crisis, as a proactive measures, LIOC has been building up its inventories to make product available across the island. The Company also invested Rs 469 million in revenue generating assets as capital expenditure with the expectation of future benefits that would flow in through its investments in the network infrastructure.

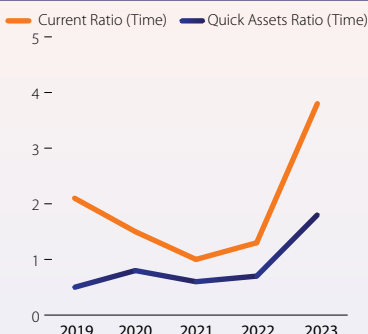
The Company expects to expand its capacity with a stronger emphasis on enhancing its brand and facilitating superior customer service and experience.

#### WORKING CAPITAL/LIQUIDITY

	2022-23	2021-22
(Rs Mn)	2022-23	2021-22
Current Assets	72,538	54,413
Current Liabilities	20,374	40,347
Working Capital	52,163	14,066
Current Ratio (times)	3.81	1.35
Quick Ratio (times)	1.81	0.67

Investments in working capital increased to Rs 52.16 billion from 14.07 billion in the preceding year. During the year under review the Company's current ratio and quick ratio stood at 3.81 times and 1.81 times against 1.35 times and 0.67 times reported in 2021-22. The increase in current and quick ratios was mainly due to the pursuit of a vibrant finance strategy aligned to the companies' business strategy directed to make 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.

### CURRENT VS QUICK ASSETS RATIO

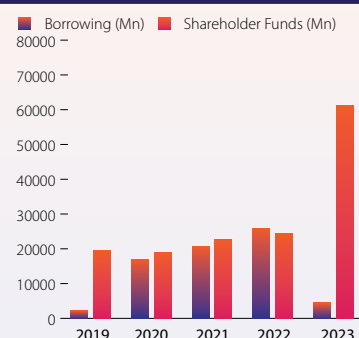


LIOC assets were funded via 93% equity and 7% short-term loans during the year under review. The Company's debt decreased by 83% to Rs 4.69 billion during the year due to drop in short-term borrowings in foreign currency. The volatility of the exchange rates because of the economic downturn caused to keep unhedged forex exposure at a bare minimum.

### DEBT AND CAPITAL STRUCTURE

Capital Structure (Rs Mn)	2022-23		2021-22	
Equity	61,233	93%	24,286	49%
Debt	4,468	7%	25,778	51%
Total	65,701		50,064	

### BORROWING VS SHAREHOLDERS FUND



### SHAREHOLDER VALUE CREATION

Item	2022-23	2021-22
Earnings per share	70.79	9.05
Net asset value per share(Rs)	115.00	45.61
Market Price per share(Rs)	171.5	38.8
P/E ratio (times)	2.42	4.29
Price to book value (times)	1.49	0.85
Dividend per share paid(Rs)	2.25	0.85
Market Capitalisation (Rs.Mn)	91,318	20,660

During the year under review, the Company paid a dividend of Rs 2.25 per share, which was the highest ever dividend in LIOC history. During the year under review the LIOC share rose to an all-time high of Rs 296, in line with the company's exponential performance. The liquidity of the LIOC share rose significantly during the year under review due to investor confidence in LIOC's growth perspective and resilience during the economic downturn.

The P/E ratio recorded a significant improvement from 4.29 times to 2.42 times in line with increased earnings. The company continued to deliver superior shareholder returns, underpinned by record profitability and highest dividend pay-out in the LIOC's history. Shareholder returns as measured by Earnings per share increased from Rs 9.05 to Rs 70.79 during the year, while the Company's net asset value per share rose significantly to Rs 115 per share from Rs 45.61. The Net Asset Value increased to Rs 61.23 bn by end-March 2023, depicting the growth of LIOC's market value.

### CASH FLOW GENERATION

LIOC accounted for an operating cash inflow of Rs 26.17 billion against the net outflow of Rs 3.62 billion of the preceding year. A heightened focus on rigorous working capital management endorsed efficient procedures of debt collection across all segments. The inflow was mainly contributed by operating profit.

The Company's cash flows from investments amounted to a net outflow of Rs 133 million against the net outflow of Rs.2.05 billion recorded in year 2021-22. The outflow was mainly due to investment made for revenue generating assets which accounted Rs 469 million the year under review.

Net cash outflow from financing activities was Rs 22.57 billion compared to the cash inflow of Rs 3.50 billion recorded in the previous year. The outflow reflected 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 3.47 billion during the year under review.

Rs Mn	2022-23	2021-22
Net Cash Flows from/(used in) Operating Activities	26,167	(3,622)
Net Cash Flows from/(used in) Investing Activities	(133)	2,050
Net Cash Flows from/(used in) Financing Activities	(22,568)	3,497
Net Increase/(Decrease)in Cash and Cash Equivalents	3,467	1,925



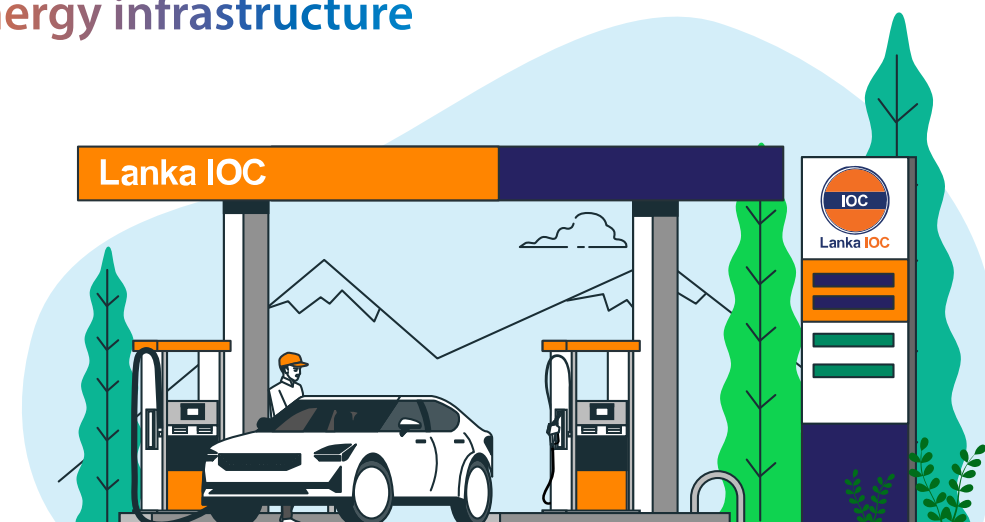
# MANUFACTURED CAPITAL

## Enhancing the energy infrastructure

At LIOC our robust performance is the outcome of our strong commitment to fulfil Sri Lanka's energy needs responsibly. Our manufactured capital comprises best-in-class, diverse assets and an integrated operating model that enables us to deliver sustainable and consistent performance, despite volatility in the operating environment experienced in Sri Lanka during 2022.

Our manufactured capital comprises of physical and digital infrastructure which are vital in sustaining operations and advancing value creation. These assets link our business with stakeholders, drive operational efficiency and facilitate the management of our performance. To strengthen the value of manufactured capital, we continue to make strategic and prudent investments in infrastructure, while carefully managing our physical assets and infrastructure to support sustained value creation.

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### Value delivered in 2022-23

**Rs 469 Mn** investment in Property Plant and Equipment (PPE)

Increased LBP storage capacity by Adding a **9KL** additive storage tank

Completion of **3,000MT** grease manufacturing plant in Trincomalee

Solarisation of **24 retail outlets**

New tanks and pipelines for LPGs and LSD

Automation of **20 retail outlets**

### Capital connectivity and contribution



Financial capital- Driving sales growth



Human capital- Generating employment opportunities with retail outlets across the country



Social and relationship capital- Enhanced customer experience



Natural capital- Energy efficiency through installation of renewable energy sources



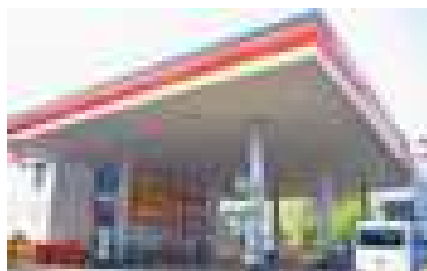
Intellectual capital- Increased brand visibility



## Enhancing our physical infrastructure

### Retail outlets

Backed by our unmatched excellence in customer service, our strong identity in retail fuel stations has shaped customer perception and created a strong impression through the visible elements of our brand.

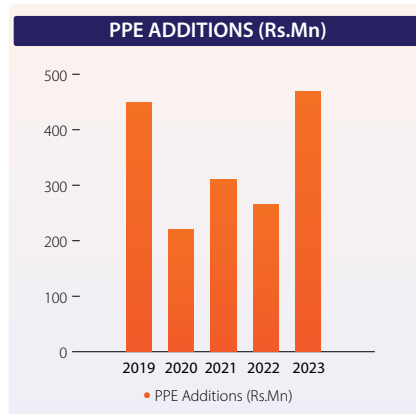


The facade of our retail outlets is an important and powerful form of communication as it expresses our brand identity, differentiating us from other industry competitors. Thus, LIOC continuously invests in enhancing the look and feel of the outlets and during 2022-23 upgraded the visual identity of a further 20 retail outlets to offer customers a more pleasant experience. Furthermore, 30 monoliths were also installed in order to display our products to increase brand awareness and attract new customers. In addition, repair and re-painting of 50 dispensing units was completed during the period.

Under the initiative to improve the appearance and visual identity of the retail LIOC fuel stations island-wide and achieve uniformity, we finalised a global tender and placed work orders for the provision of ACM (Aluminum Composite Materials) fascia for canopy for 20 fuel stations during the year under review.

As the RVI (Retail Visual Identity) fascia project was executed by a Sri Lankan vendor, we achieved a saving in cost as well as valuable forex. A total of 162 retail outlets have been completed with ACM Fascia with 93 'A' site retail outlets and 69 'B' site retail outlets completed.

Our retail outlets are equipped with modern facilities and efficient solutions to enhance customer experience. In addition, we ensure that the retail outlets and all amenities are well maintained and cleaned regularly to create more value to our esteemed customers.



### Solarisation initiative

With the objective of conserving resources and managing energy LIOC continued with the installation of PV solar systems at retail outlets during the year thereby increasing the number of solarised outlets augmenting our reputation as a socially and environmentally responsible corporate citizen. Accordingly, the retail outlets are self-sufficient in terms of meeting their energy needs and the excess generated is directed to the national grid under the Net Accounting energy metering scheme of the Ceylon Electricity Board (CEB) or Lanka Electricity Company Private Limited (LECO).

During the year retail outlets were equipped with highly efficient solar PV systems, cumulatively adding a total of 470 kWp (Kilowatts peak) to the solar network. In our quest towards a greener tomorrow the cumulative solar capacity now exceeds 1,890 kWp.

### New LIOC fuel stations

Advertisements were placed for the setting up of 96 new LIOC fuel stations. Of these, 36 new fuel stations were operational by March 2023.

With the further liberalisation of this sector by the Sri Lankan government and the imminent emergence of three or more competitors, LIOC will leverage its first mover advantage to consolidate its position as the market leader in this segment.

## Trincomalee Terminal

### Phase 1 - Development of tanks on the Upper Tank Farm (UTF) by Trinco Petroleum Terminals Ltd. (TPTL)

An important milestone for LIOC was the signing of an agreement with the Sri Lankan state owned oil company, Ceylon Petroleum Corporation (CPC). This agreement paved the way for the formation of the joint venture, Trinco Petroleum Terminals Ltd (TPTL). Under the agreement, CPC will develop 24 tanks and TPTL will develop the remaining 61 tanks of the Upper Tank Farm (UTF). 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.



In the first phase of the development, 10 existing storage tanks will be developed. Site clearing for the access to tanks to carry out the physical health assessment is the first activity of the development. The health assessment has been completed for 10 tanks now. TPTL has initiated the procurement process for the clearing of land around the selected 10 Nos. of storage tanks in UTF.

### Storage and distribution facility for Super Diesel and 95 Octane petrol

Although the storage and distribution facility for most products in our diverse portfolio is available at the Trincomalee Terminal, Lanka Super Diesel and Lanka 95 petrol were the exception. Hence, for the storage and distribution of Super Diesel and Lanka 95 petrol we were totally dependent on the CPSTL Kolonnawa Terminal.

A major process improvement in this regard was the conversion of the cone roof tank, T1 for storage and handling of Lanka Super Diesel, which was speedily handled by completing the entire process in three weeks as against the

## MANUFACTURED CAPITAL

### Enhancing the energy infrastructure

industry norm of 12 weeks. This was achieved by pre-planning with contractors participating in the tender, tentative pre-booking of materials, working extended hours and on holidays and the complete synchronisation of work with the operation & maintenance group of the terminal.

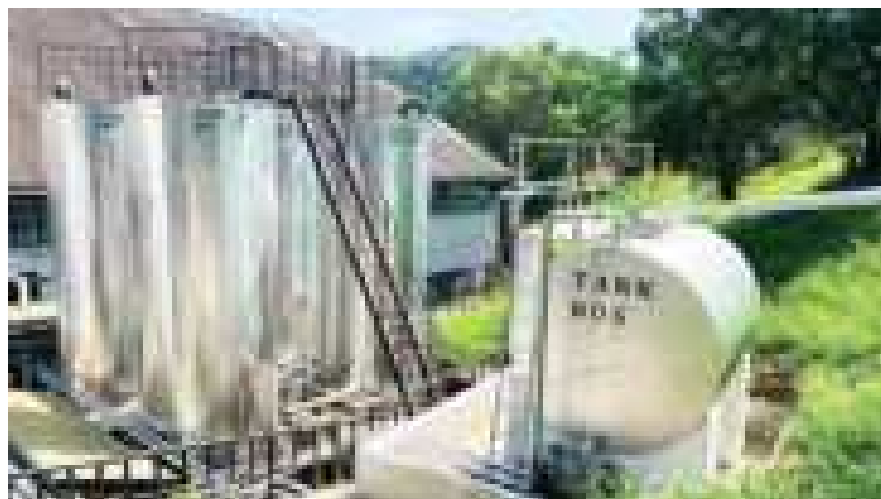
The conversion process began in August 2022 and completed in September 2022. The laying of the new delivery header involved critical hot-work in pipeline welding in an operating area. The work was completed without any accidents as all necessary precautions were taken.

With the completion of this facility the LIOC Trincomalee terminal is able to cater to the requirement of all three petrol grades and all three diesel grades for our retail network. LIOC is now totally self-reliant for storage and handling of all six grades including the high-end diesel and petrol grades for retail selling from the Trincomalee Terminal without having to rely on the CPSTL facility in Kolonnawa. This gives us the ability to ensure uninterrupted supply during periods of crisis without a problem as the production and supplying of all grades is now firmly under our control.

#### Repainting of External Floating Roof (EFR) Tanks

LIOC considers the maintenance and upkeep of our manufactured capital as important. Consequently, we identified from the data available that tanks No. 8 and 9 which were constructed in the year 2007, had not undergone regular maintenance on the shell of the tank. This could have caused serious damage to the tank shell, due to Trincomalee being in close proximity to the sea. Hence the Operations Team of Trincomalee Terminal together with the Engineering Team of Lanka IOC, decided to carry out the cleaning of shell surfaces and re-painting of both tanks No. 8 and 9.

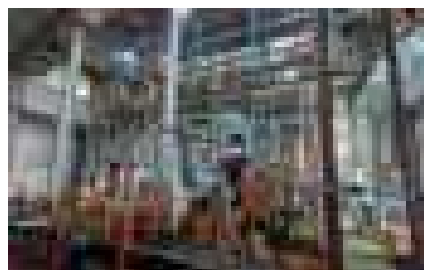
This entire work was executed on scaffolding along the shell at a height 14.5 meters. All safety precautions were taken and safety requirements were abided with completely. With the tireless efforts of our AM Engineering and total support from the Operations Team at Trincomalee the work was completed within a record period of 3 weeks with proper work procedures and total safety precautions.



#### Grease Manufacturing Plant

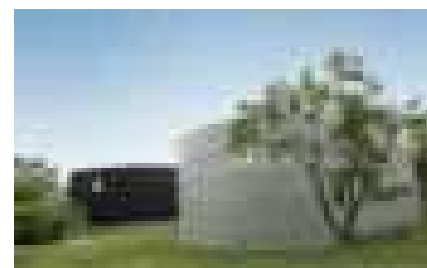
LIOC completed the construction and commissioning of its Grease Manufacturing Plant, the first of its kind in Sri Lanka, during the previous year. With a capacity of 3000 MT per annum the plant is equipped with state-of-the-art grease testing laboratory equipment which enables in-house testing of a wide variety of Lithium based grease to be produced. The equipment was successfully installed and commissioned in 2022 with the presence of OEM approved vendor representatives. The laboratory performed all the mandatory in-house tests as far as delivery of finished quality goods in the stipulated market is concerned to cater to the entire local market demand for grease, thereby eliminating the need for grease imports.

In the current financial year LIOC completed all testing and got all necessary approvals and selling approvals and started commercial production after obtaining the operational contract. The plant had been in production since September 2022.



#### Storage Infrastructure

To increase the storage capacity of fast-moving additives such as ST1694 (used for manufacturing of Pride ALT CH4), our redundant 9KL horizontal tank available in close proximity to the additive storage area was converted to an additive tank. The conversion of this 9KL tank into an additive storage facility has supplemented the production capability of the plant, by increasing the average available additive stock of fast-moving lube blends and reducing the instances of additive dry-out state. This ensures seamless production of major grades and somewhat insulates the production process from global supply chain issues or any such macro-economic factors.



#### Lube Blending Plant

With the lube blending plant at Trincomalee operating at record breaking levels, LIOC's ambition and determination to continuously increase its production intensified. Operating at higher capacity and with the advent of the grease manufacturing plant taking up around 100m<sup>2</sup> of the existing lube warehouse, the space available within the premises for storage of additives and packing materials has been utilised fully. To ensure continuous operation of

the plant during and after the global economic crisis it is necessary to maintain at least three months of raw materials and packing materials. Accordingly, a mezzanine floor at the existing lube plant warehouse was conceptualised for an area of 110m<sup>2</sup> as phase 1 to ease the space constraint and ensure unhindered access and operations.

### Quality control laboratory

We make sure that all equipment at our state-of-the-art quality control laboratory operates efficiently and regularly monitor the functionality to identify any required replacements.

### Hired barge for bunker customers

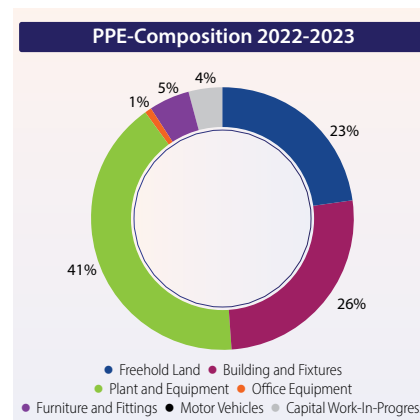
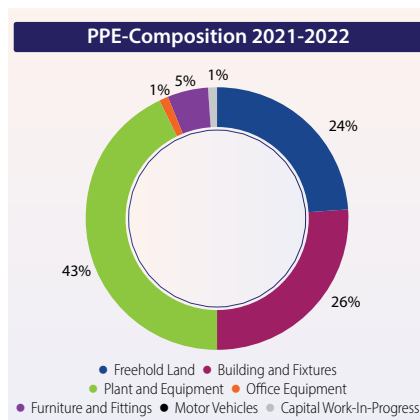
LIOC's Bunkering Department recently started bunker operations at the port of Hambantota, making a total of three operational bases with Colombo being the main and Trincomalee the other. In order to tap into the growing market and enhance business opportunities all around the island, LIOC stationed a hired barge as an attempt to exploit business opportunities at Hambantota.

### Strengthening our digital capabilities

Our digital infrastructure bears influence on many primary processes of the Company and enables us to provide a superior customer service while generating cost advantages and efficiently managing our resources, which are vital factors within this current agile business environment.

During the previous financial year LIOC invested substantially to scale up the IT infrastructure and capabilities for monitoring of retail outlets. Accordingly, 20 retail outlets were automated bringing the total to 37. However, we halted the island-wide rolling out process as the dispensing units encountered communication problems and did not function up to expectations. Hence, orders were placed in December 2022 for the latest state-of-the-art dispensing units which are in high demand globally. Currently we are in the process of installing the 150 units received in February 2023, out of which 50 will be used to replace the dispensing units of retail outlets which record high sales. The installing of a cumulative total of 200 units is targeted for this financial year.

The retail dashboard launched for the purpose of monitoring Retail Outlets sales, stocks and other details has proved to be a great asset. This dashboard was developed by the Retail Team of LIOC, to enable effective management of stocks, sales and indents and also help field officers to manage their time and energy in a more efficient manner.



### Way Forward

- ◆ 30 more retail outlets to expand market reach
- ◆ Enhancement of Production from the Grease Manufacturing Plant
- ◆ Rooftop solarisation in retail outlets
- ◆ Enhancement of infrastructure at existing ROs by setting up additional or replacing old tanks.
- ◆ Installation of 150 new dispensing units with the latest technology
- ◆ Expansion of RVI Fascia in retail outlets

# INTELLECTUAL CAPITAL

## Enriching the energy landscape

Our intellectual capital consists of the repository of brand value, corporate culture, systems, knowledge – based assets such as licenses, software, procedures, research and development prowess, sound governance and internal tacit knowledge. These factors contribute to drive the operational excellence of the Company which enables us to gain the competitive edge in the industry whilst generating healthy returns on investments to our stakeholders. The Company constantly keeps up with the latest developments by placing emphasis on new technology whilst honing the skills and expertise of our team to develop our intellectual capital.



Lanka IOC Honoured with **Bronze Award** by CA Sri Lanka

Lanka IOC conferred the **Best Integrated Report** - Power Sector

New Products introduced - **04**

Brand value – **Rs 3,713 Mn**

Ranked at 29th position in most valuable brand in Sri Lanka

Investment on brand development **Rs 224 Mn**

Commencement LP95 and LSD supply at Trincomalee

Development of a secondary billing application for Lube customers

Introduction of web/online registration for consumer business

### Capital connectivity and contribution



Financial capital- Leverage on a strong brand to drive business growth



Human capital- Culture of learning strengthens the quality of human capital



Social and relationship capital- Innovative products that suit the evolving needs of customers



Natural capital- Introduction of eco-friendly products

Manufactured capital- Upgrades to processes to facilitate better management of physical resources

### Material issues addressed

- Growth
- Good corporate governance and ethical business conduct
- Sustaining brand value and reputation
- New and sustainable technologies
- Business initiatives
- Competitive remuneration
- No pay cuts

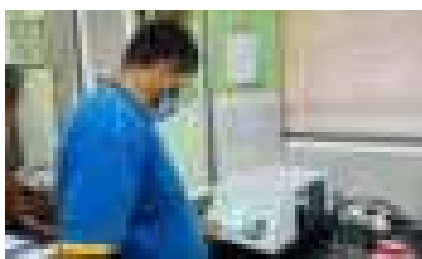
## A trusted brand

LIOC has benefited from the strength of the IOC brand of its parent company. Over the last 21 years the LIOC brand has been a trusted brand of Sri Lanka. The brand is closely aligned with the energy needs of all Sri Lankans and its relevance was amplified in the last year, with the energy crisis faced by the nation. As a steadfast and reliable energy solutions provider the Company lived up to its reputation by providing an unstinted and continuous service across the nation. Maintaining uninterrupted service, it ensured that individuals businesses and the export sector were served despite the multitude of challenges faced in meeting the demands. LIOC also ensured that the export sector was also served with Diesel requirements to power the generators during a power crisis creating the uninterrupted operations of the export sector was maintained ensuring and the remittances which was the need of the hour was met at the crucial hour of need.

The authenticity and uniqueness of the LIOC brand stems from our ethos of realising our vision to be "A major, integrated energy company, with a strong environment consciousness, playing a national role in oil security".

LIOC maintained its brand reputation ranking 29th among the top 100 Consumer Brands with a brand rating of AA- and a brand value of Rs 3.7 Bn during the year under review. Our products have strong credentials in the market and acceptability among consumers ranks high. During the year, significant investments were directed towards enhancing the brand value through targeted promotions, customer engagement initiatives, competitions and numerous publications which turned out to be quite fruitful as we were able to achieve the highest ever sales volumes in the Lubricant segment.

During the year despite the challenges faced in the external environment several brand building campaigns were conducted as follows:



## Tacit knowledge

We value the knowledge and skills of our employees and hence place great emphasis on continuously enhancing and upgrading the knowledge and skill of our employees and sales force through robust training and development programmes. Despite the external environmental challenges, we carried out a range of capability building training programmes to equip our staff with future-ready skills and aptitudes. We also instill in them the leadership skills and have over the year focused on several motivational sessions by respected business leaders and well-known successful personalities from several spheres to speak to the team on a wide range of topics.

These sessions help to enhance and broaden the perspectives of our staff.

## Sharing of industry insights

As the premier energy services provider our leadership team take the lead in sharing their deep industry insights with professional associations.

During the 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 2022. There was healthy participation at the

webinar on LIOC's future prospects to better serve Sri Lanka's energy needs.

## Innovation

New product development has been a key element of our corporate agenda and our Parent Company invests significantly on research and development efforts to develop innovative, environment-friendly, customer-centric products and process technologies to address energy-related issues of national importance to attain self-reliance in the field of energy and allied areas. Our dedicated Research and Development team is constantly engaged in developing solutions to dynamic business needs as well as potential solutions which are attuned to the emerging needs of our global customer base. Within the last 20 years the Company succeeded in introducing new products, enhancing the brand's reputation as an industry leader in innovation.

## Systems, structures and processes

In a climate of fast-growing disruptive technology and radically changing consumer expectations, the systems and processes that are in place at LIOC help us to deliver increasing value to our customers. We regularly upgrade our systems to streamline our operations and stay ahead of the curve. Most of our critical company operations that include finance and controlling, material management, sales and distribution, production planning, equipment and tool management run on SAP.

## Leveraging Information Technology

### Retail Dashboard

The retail dashboard launched for the purpose of monitoring Retail Outlets sales, stocks and other details has proved to be a great asset. This dashboard was developed by the Retail Team of LIOC, to enable 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

During the previous financial year LIOC invested substantially to scale up the IT infrastructure and capabilities for monitoring of retail outlets. Accordingly, 20 retail outlets were provided with automated dispensing units

However, we halted the island-wide rolling out process as the dispensing units encountered communication problems and did not function up to expectations. Hence, orders were placed in December 2022 for the latest state-of-the-art dispensing units which are in high demand globally. Currently we are in the process of installing the 150 units received in February 2023, out of which 50 will be used to replace the dispensing units of retail outlets which record high sales. The installing of a cumulative total of 200 units is targeted for this financial year.

### LIOC Touch POS in retail outlets support 'Tourist Fuel Pass' for foreign travelers

During the height of the fuel crisis in 2022 the country was faced with the challenge of providing foreign tourist with fuel as they were not eligible for the fuel quota system through the QR code system. Dialog Axiata PLC, the leading communications provider in Sri Lanka, together with Sampath Bank, launched the Tourists Fuel Pass to facilitate foreign tourists visiting Sri Lanka to carry out their tourism activities conveniently and without any hindrance.

Tourists were given the opportunity of visiting any Sampath Bank branch island-wide and purchasing tourists fuel passes in any foreign currency, as well as the convenience of getting fuel easily from over 300 island-wide filling stations out of which 111 are LIOC fuel stations having Touch POS.

## Culture and values

The corporate culture of LIOC is guided by our Vision, Mission and Values and we nurture a culture of accountability and transparency where we take responsibility for our impact on the community, environment and society. A strong customer -centric attitude and mindset is imbibed amongst our staff which was evident during the last year, as our team went above and beyond its call of duty to serve our customers amidst a multitude of challenges.

We comply with all the necessary regulations to provide the best possible service to our customers and all other stakeholders. In being accountable, we are committed to sustainability that is at the heart of all our operations and we have integrated

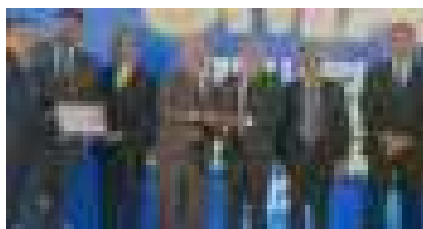
sustainability measures to all our operations including the introduction of environmentally friendly products and use of renewable energy.

LIOC adopts zero tolerance of corruption and unethical behaviour which is communicated to our employees through our Code of Ethics.

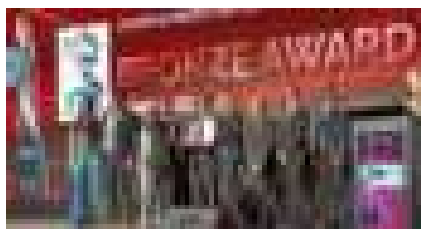
No incidents of non-compliance with respective laws and regulations governing the Company were reported during the year under review.

## Awards and accolades

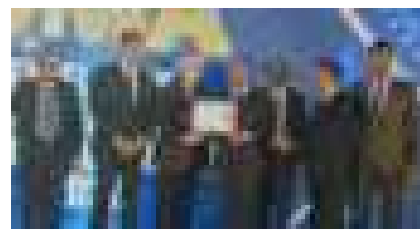
An integral part of our legacy is the continuous drive towards excellence. As a testament to this core ethos, we received several awards during the year as outlined below.



The Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka) awarded the "Best Integrated Report - Power Sector" Award to the Annual Report of Lanka IOC as well as the "Merit Award" to Lanka IOC during the CMA Excellence in Integrated Reporting Awards for the year 2022.



The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has accorded the prestigious "Bronze Award" to the Annual Report of Lanka IOC during TAGS award under the power and energy sector for the year 2021/22.



Lanka IOC was awarded "Gold Award" and Top 10 Best Management practices at Chartered Professional Management of Sri Lanka (CPM Sri Lanka).

### Way Forward



- ◆ Increased market development
- ◆ New product development
- ◆ Enhance digital infrastructures
- ◆ Expand brand value and brand positioning
- ◆ Continuous innovation in business verticals.



# HUMAN CAPITAL

## Enriching Employees – Beyond Business

At LIOC we are passionate about our people and strongly believe in nurturing the potential of our human capital. We embrace a 'people first' approach and strive to develop the skills and competencies of our people to rise to dynamic challenges of the operating landscape and create an enriched work experience with a strong value proposition. Management of human capital is underpinned by a comprehensive suite of HR policies and procedures.

We aim to create long-term value for our people by imbibing future ready skills while keeping diversity, inclusivity and employee well-being at core. We have created an exclusive employer brand for LIOC, which supports us to attract, retain and engage talent within our value creation process. As one of the key players in the energy industry, LIOC's people remain at the forefront delivering superior value amidst unprecedented challenges in the dynamic external environment.



### Value delivered in 2022-23

**Rs 883 Mn** payments to employees

**15** promotions

Increased pay scale to direct employees

Additional profit-link variable bounces to employees

**12** training programmes

Employee wellness Programme

**692%** increase in profit per employee

### Capital connectivity and contribution



Financial capital- Drivers of business growth



Intellectual capital- Strengthen organisational tacit knowledge



Social and relationship capital- Provide a superior customer experience



Natural capital- Drive environmental consciousness across the organisation

### Material issues addressed

- Growth
- Good corporate governance and ethical business conduct
- Sustaining brand value and reputation
- New and sustainable technologies
- Business initiatives
- Competitive remuneration
- No pay cuts

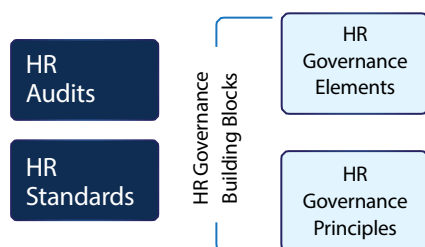


## Human capital governance

Human capital practices at LIOC are governed by a comprehensive policy framework backed by robust processes and procedures. These policies and procedures are reviewed and updated on a regular basis to reflect the requirements and dynamics of an evolving operating environment and workforce requirements thereby ensuring that our human resource management practices are relevant and up-to-date. The policy framework is aligned to that of our parent company, Indian Oil Corporation and is designed to comply with local and international regulations, standards and industry best practices and provide structure, consistency, transparency and fairness in managing our human capital.

We believe in a strong value system and strive to introduce best practices to enhance and improve our capabilities and achieve our organisational objectives. People processes/practices have been designed and executed to facilitate a conducive work environment. To create an engaging and interactive workplace, the human resource team has framed a well-defined HR policy, encompassing strategies for the healthy development of employees.

### HR Governance Framework



### Our team

Our dynamic team comprises of 159 individuals who serve with passion. With varying skills and expertise, they drive our value creation process to deliver superior value to our customers and other stakeholders. Our total staff cadre is employed on a permanent basis.

By designation	Male	Female	Total
Senior management	09	0	09
Executive and above	39	12	51
Non-executive	83	16	99

By age	Male	Female	Total
Below 30	14	07	21
30-50	75	19	94
Over 50	41	02	43

131



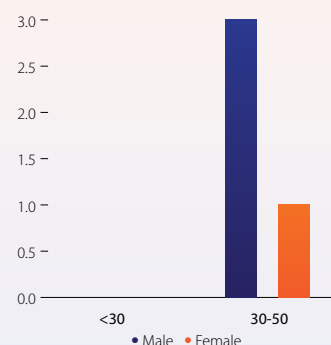
28

### Staff mobility

The Company has in place an equitable recruitment process to attract new talent and retain the best talent. During the year under review a total of 12 new employees were recruited in terms of replacements and new positions during the year under review.

The country's economic crisis spurred a significant movement in employee turnover with increased migration of skilled employees. However, LIOC successfully maintained a healthy employee retention ratio with 04 employees completing 60 years during the year. Our ability to retain and develop our team has been a key differentiator towards our commendable performance amidst challenging times. The comprehensive training and development programmes increased productivity whilst creating a future-ready team who is capable to rise to emerging challenges. This has enabled us to maintain our employee value proposition.

#### TURNOVER BY GENDER AND AGE

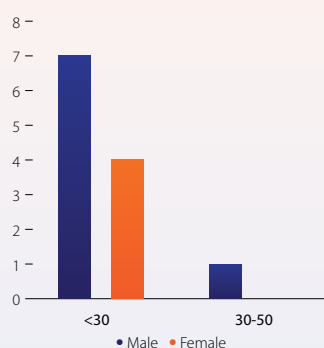


### Learning and development

The increased complexities in the operating environment, especially the challenges faced in the energy sector in particular has created a need to upskill and reskill our team to equip them with the necessary skills and aptitudes. We continue to upskill our talent pool by providing opportunities for training and development. Thus, learning and development is integral part of the talent management strategy of the company which aligns to support the achievement of individual goals and performance with LIOC's overall vision and goals.

While the pandemic posed many challenges in delivering and organising in-person physical training sessions the company was committed to maintain its momentum in training and developing its people in the year under review. Several training programmes focused on developing the team to the emerging challenges posed by the energy sector which necessitated the team to rise above and beyond their call of duty.

#### NEW RECRUITS BY GENDER AND AGE



## HUMAN CAPITAL

### Enriching Employees – Beyond Business

Accordingly, the Company initiated a range of innovative learning solutions during 2022-23 which are detailed below.

Occupational Health and Safety	Participants
<b>SENIOR MANAGEMENT</b>	0
<b>EXECUTIVES AND MANAGERS</b>	
Handling oil spill contingency equipment awareness programme	8
Awareness program on ISO 9001:2015 QMS and ISO 14001:2015 EMS	6
<b>NON-EXECUTIVES</b>	
Handling oil spill contingency equipment awareness programme	9
Handling and safe transportation of petroleum products	60
Training on fire fighting for bowser crews	50
Awareness programme for waste handling for contract workmen	40
Awareness programme on ISO 9001:2015 QMS and ISO 14001:2015 EMS	4
<b>Total</b>	<b>176</b>

Training Details	2022-23	2021/22
Total investment in training - Rs Mn	<1	.5
Total number of training hours	1129	840
% of employees received training	90%	80%

#### Rewards and recognition

A performance-based culture is nurtured within LIOC where our employees undergo an annual performance appraisal based on pre – defined key performance indicators. Individuals who meet targets are continuously recognised and rewarded thereby boosting employee morale and encouraging a high performing culture.

Recognising the increased inflation levels the company adjusted its remuneration scales and other benefits to reflect the increase in the cost-of-living expenses. Salary scales are revised every three years to be in line with industry standards.

We strive to align organisational goals with employee capabilities and their personal aspirations to maintain a high employee morale. Achievements are rewarded with variable pay schemes as well as opportunities for career progression and performance linked bonuses are given on time. This process allows the Company to distinguish between high performers and successors, whilst also providing the means to identify those individuals in need of support and require development in discharging their duties.

In each respective department a target-based reward programme is maintained and on a quarterly basis employees are rewarded based on their performance. The retail segment rewards its top performers through its 'Shining Star' recognition platform.

High volume achievers in the lubrication division are also rewarded for their contribution. This appreciation was extended to the lube distributors whereby LIOC rewarded all its top performers with a cash award, along with a trophy and a certificate of merit based on their performance during the prior year.

#### Rewards and benefits

##### Guaranteed Pay and Allowances

- Fuel allowance
- Payment for unutilised 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.
- Unlimited OPD cover

#### Welfare benefits

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

#### Other facilities

- Provision of uniforms
- Support to family members such as operating buses for school children. Residences for Trincomalee employees
- 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

## Strengthening bonds

As an empathetic employer, LIOC focuses on the psychological well-being of our staff members and keep them motivated and connected as given below.

- ◆ Straight talk with MD
- ◆ Annual picnic
- ◆ Monthly quiz competition
- ◆ Cake for employees and their spouse on their birthdays and wedding anniversaries
- ◆ Gift hampers for employees during the festival season

Extending our care and concern for employees was a vital element across all our operations considering the uncertainty and the volatility of the external environment. LIOC's open-door culture encourages all employees to come forward with their grievances, concerns and suggestions and the Management took necessary measures to make sure all employees felt safe and comfortable in their workspace and work functions. A suggestion box is maintained by the Company encouraging employees to forward their views and concerns. From time to time these suggestions are reviewed and the best suggestions are implemented and rewarded.

## Health and safety

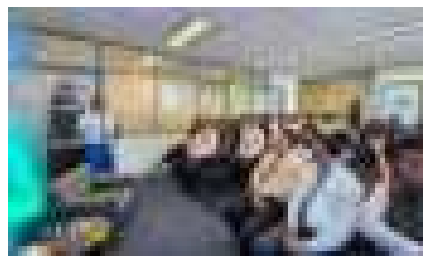
Creating a physically and psychologically safe working environment continued to be a top priority during the pandemic experienced. The Company ensured that safety protocols as well as development activity took place, to create a better and more conducive work environment. The committee met on a weekly basis and this transparent method of interaction gave the necessary impetus to ensure proper implementation of improved work practices.

Robust safety management systems are in place across all our premises to avoid any hazards or work-related accidents and regular fire and rescue training is carried out to keep our staff prepared and informed.

## Employee well-being and health

During the year under review, we created several health and well-being initiatives to drive greater awareness on maintaining one's health

through lifestyle changes and inculcating healthy practices. All our staff members were provided with health care checks and screening facilities to ensure that staff are conscious and practice healthy habits to ensure general health and well-being.



## Motivational sessions

Sustainable development of the human resources is the key mantra of LIOC and is embedded to the organisation's strategic objectives. We always make our best endeavour to add value to our human capital by facilitating exposure through offline / online learning and development programmes.

During the year the Company introduced a new initiative wherein regular motivational sessions being organised with leading personalities addressing the LIOC team. Leading personalities in sports, business and the government arena were invited to address the staff which enhanced the knowledge of the team. These engagements helped our staff members to build leadership potential and expand their scope of knowledge beyond business.

Some of the eminent personalities who were invited were cricketer Sanath Jayasuriya, veteran businessman Mr Mohan Pandithage, Chairman of Unillver Ms. Hajar Alafifi and the Minister of Petroleum and Energy Hon. Kanchana Wijesekera.

## 20th Anniversary celebrations of LIOC

The company marked its 20th anniversary by having a celebratory event which felicitated the long-standing employees of the Company with special recognitions. This event was graced by the Chairman of Lanka IOC PLC Mr Rajnan Kumar Mahaptra and the directors of the

company.

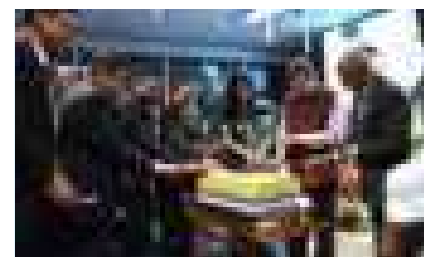


## Employee engagement activities

The Company organised several employee engagement activities to strengthen bonds amongst each team members and build a sense of camaraderie. Over the last two years, gatherings were restricted due to COVID-19 health protocols. Several of the customary annual events which have been held over the years were resumed creating a sense of fellowship and togetherness.

Some of the events which were held are as follows:

- ◆ 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



## Gender parity

LIOC considers itself as an equal opportunity employer and one of the top priorities has been creating an inclusive workplace that embraces the potential of a diverse workforce and supports their career growth and development. We believe that diversity and inclusion promote fair and equal opportunity

## HUMAN CAPITAL

### Enriching Employees – Beyond Business

for all employees. We emphasise diversity and inclusion throughout the entire employee lifecycle, from recruitment to retention.

We promote a work environment which is free from all forms of harassment and discrimination. LIOC ensures that all employees accept the responsibility of respecting the rights and differences of their fellow colleagues and treating each other with respect, despite differences in religion, race, opinion or belief, among others.

As an equal opportunity employer, LIOC adopts a gender inclusive recruitment policy and during the year we strengthened our commitment to encourage women to achieve their career aspirations while maintaining a healthy work-life-balance. We also do not engage in any form of gender-based discrimination when determining reward structures, providing opportunities for training or offering promotions.

#### 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
- Open-door-policy

#### Composition

- Gender ratio- M: F 4:1
- New recruits M: F 15:08
- Promotions M: F 04:01
- 0% of women in Senior Management

Our female employees are appreciated, respected and valued all year through. In celebration of International Women's Day 2022, LIOC organised several initiatives to recognize the ladies of the team.



#### Knowledge transfer opportunities with the parent company

Under the Arrodhi" women's leadership initiative of the Indian Oil Corporation (IOC) a batch of 14 ladies representative of the Arrodhi 4.0 programme, visited Sri Lanka. This created an opportunity to exchange knowledge and network with IOC staff members.

During their five - day visit, the group travelled across the country including a visit to the Trincomalee Terminals. At the Trincomalee Terminals the group visited various facilities including the lower and upper tank farms, the oil jetty and the lube blending and grease manufacturing plants. The purpose of understanding the operations of Lanka IOC (LIOC) and interacting with the entire team of LIOC which has been relentlessly pursuing the objective of meeting the energy needs of the Island nation. An industrial visit was organised to the Army School of Logistics (ASL), Clapenburg, Trincomalee.



#### 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.

#### Minimum notice period for operational changes

Employees are informed of any operational changes and generally notice is given prior to any changes are implemented.

#### Way Forward

- Continue to invest on our employees in terms of knowledge enrichment, work-life balance and empowerment.
- Maintain an employee-centric environment where employees can thrive and grow.
- Strengthen our collaborative, authentic and trustworthy employer-employee relationship.

# SOCIAL AND RELATIONSHIP CAPITAL

## Building Connections – Beyond Business

LIOC engages and connects with thousands of customers and stakeholders every day and their insights help us improve our operations and maintain our superlative performance. We energise their lives with our innovative energy solutions and together we build sustainable value for the nation.

Our relationships with external stakeholders such as customers, regulators, channel partners and the community contribute largely towards our sustainability and corporate reputation. Thus, we aim to continuously invest on building these relationships through the deliverance of unique value propositions which are aligned to our overall mission and strategy.



### Value delivered in 2022-23

Rewarded excellence of high performing lube distributors

Celebrated 20th year of operation in Sri Lanka

**36** new retail outlets

Lanka IOC in lube supply agreements with Dimo and spectrum trading

**02** new lubricant distributors

**Rs 210 Mn** investment in community development initiatives

### Capital connectivity and contribution



Financial capital- Improved customer satisfaction



Human capital- Facilitating superior customer experience



Natural capital- Engaging communities in environmental preservation initiatives

### Material issues addressed

- Pricing
- Quality performance
- Timeliness
- Continuing mutually beneficial relationships
- Fair credit terms
- Energy stability
- Compliance
- Social and Environmental consciousness
- CSR






## SOCIAL AND RELATIONSHIP CAPITAL

### Building Connections – Beyond Business

#### Customers

Sustainability of our business depends on our ability to create and sustain enduring relationships with our customers and the wider community. Our expanding product and service portfolio caters to a growing customer base and strengthening our bonds with customers enables us to maintain customer loyalty. Our dedicated research and development team leads the way and ensures that changing customer needs are identified and met as we maintain our position as a frontrunner in the energy industry.

#### Our products offering

Product segment					
	<b>Auto Fuel</b>	<b>Bunkering</b>	<b>Lubricant</b>	<b>Bitumen</b>	<b>Petrochemical</b>
<b>Products</b>	<b>DIESEL</b> <ul style="list-style-type: none"> <li>Lanka Auto Diesel</li> <li>Lanka Super Diesel (LSD)</li> <li>XtraMile Diesel</li> </ul> <b>PETROL</b> <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>Fuel Oil (0.5% S)</li> <li>Marine Gas Oil IFO 380 cst</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>HDPE BLOW PP</li> <li>Injection</li> </ul>
<b>Customer segment</b>	<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>Shipping line operators</li> <li>Bunker brokers and agents</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>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>Private and public sector customers</li> <li>Local and international construction agencies</li> <li>Industrial customers</li> </ul>
<b>Scan to view them online</b>					

#### Customer convenience

Any challenge and threat, however tough, can be converted into an opportunity by focussing on people, being adaptable and communicative and by being environmentally conscious. In the post pandemic era, in keeping with these focus areas we were able to place customer convenience at the heart of our strategy. With the unprecedented shift to digital transactions, LIOC too maintained its focus on enhancing customer experience via digital channels. Availability of a wide array of payment options is a vital factor that affects customer convenience and LIOC offers its customers the following contactless payment mechanisms.

#### Dialog Touch Card

LIOC has corporate customers currently using the Dialog Touch Card facility offered at 130 retail outlets. This provides convenience to customers in terms of fast and secure transactions, tap and go payments and monitoring of fuel costs. Customers can keep track of their fuel usage as they also receive an SMS immediately after each transaction, thus providing a competitive advantage to the Company.

#### Partnership with spectrum trading

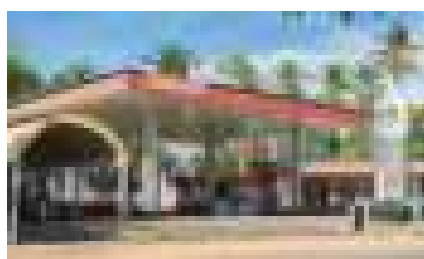
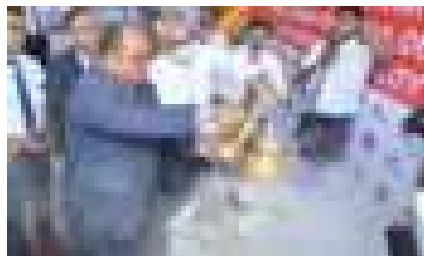
LIOC joined hands with the Stafferd Motors Group for supply of co-branded SERVO eco

PLUS a long life eco friendly product to lube customers for the first time in Sri Lanka.

LIOC also has introduced the Fuel Me Lanka IOC application which helps customers find the closest retail outlets or the closest stations offering the Nitrogen tyre inflation facility. Further it also keeps customers informed of the latest developments and offers of LIOC.

Our physical presence was also expanded during the year with the launch of 36 new retail outlets and addition of 02 new lube distributors to our network to enhance our accessibility.





LIOC tied up with reputed service station chains and commissioned service stations at LIOC fuel stations thereby enhancing customer convenience. We have also established ties with FMCG marketing companies who have set up mini convenience stores at our retail outlets for the ease of customers.

### Mobile lube shop

LIOC identified that many Sri Lankan vehicle owners purchase lubricant oils from non-reputed suppliers who mix used and drained-out lubricant oil with new oil and re-sell in the market. To provide the best experiences for vehicle owners, a campaign van was introduced and deployed by LIOC to educate the public on the genuine products. As an added benefit, mechanics accompanying the vehicle provide technical assistance and advise customers on the optimum use of SERVO lubricants. The main objectives of this initiative are to provide a more convenient service to the customers and build an awareness of the full product range of the SERVO brand which is a genuine lubricant in the market. In addition, the helpline responds to consumer enquiries on Servo lubricating oil and grease.

### LIOC support for Sri Lanka's 'Tourist Fuel Pass' for foreign travelers

During the height of the fuel crisis in 2022 the country was faced with the challenge of providing foreign tourist with fuel as they were not eligible for the fuel quota system through the QR code system. Dialog Axiata PLC, the leading communications provider in Sri Lanka, together with Sampath Bank, launched the

Tourists Fuel Pass to facilitate foreign tourists visiting Sri Lanka to carry out their tourism activities conveniently and without any hindrance.

Tourists were given the opportunity of visiting any Sampath Bank branch island-wide and purchasing tourists fuel passes in any foreign currency, as well as the convenience of getting fuel easily from over 200 island-wide filling stations out of which 130 are LIOC fuel stations having Touch POS.

### IOC enters in to lube supply agreement with DIMO

LIOC which is associated with DIMO since 2017 for the supply of lubricating oil, further renewed the agreement with DIMO for the supply of TATA genuine oil and grease across the island for a further period of 5 years.

### Engagement

Ongoing customer engagement enables us to create a stronger connection with our customers while gaining a better understanding of what our customers need. We engage with our customers through multiple channels as demonstrated below.



### Service excellence

Efficient and effective delivery of service enhances customer experiences, thereby fostering customer loyalty and enhancing our brand image. Accordingly, since the employees at our fuel stations including pump attendants are a critical element of augmenting service standards, we ensure that these teams are well trained, well attired and possess the right knowledge regarding our products. Our pump attendants are a main point of contact for our customers and play a critical role in educating the customers on the benefits of branded fuels.

### Safety and product 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

## SOCIAL AND RELATIONSHIP CAPITAL

### Building Connections – Beyond Business

safety related laws or regulations during the year under review.

#### Product Marketing and Labelling

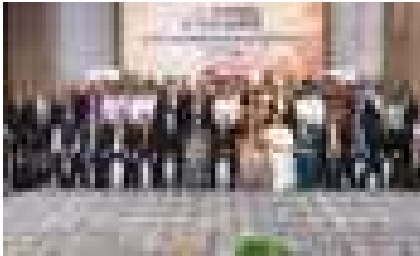
We also ensure that our product offerings conform to the applicable laws and regulations and meet the required ethical standards. Furthermore, we guarantee that our marketing communications are made in line with the required regulations and all business dealings are conducted in an ethical manner as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

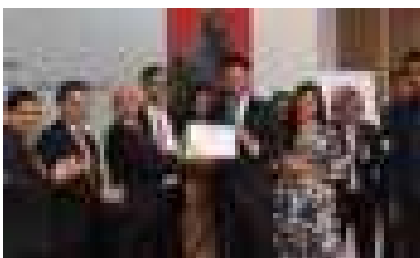
Our channel partners provide material data sheets to customers with necessary explanations and clarifications for appropriate use.

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.

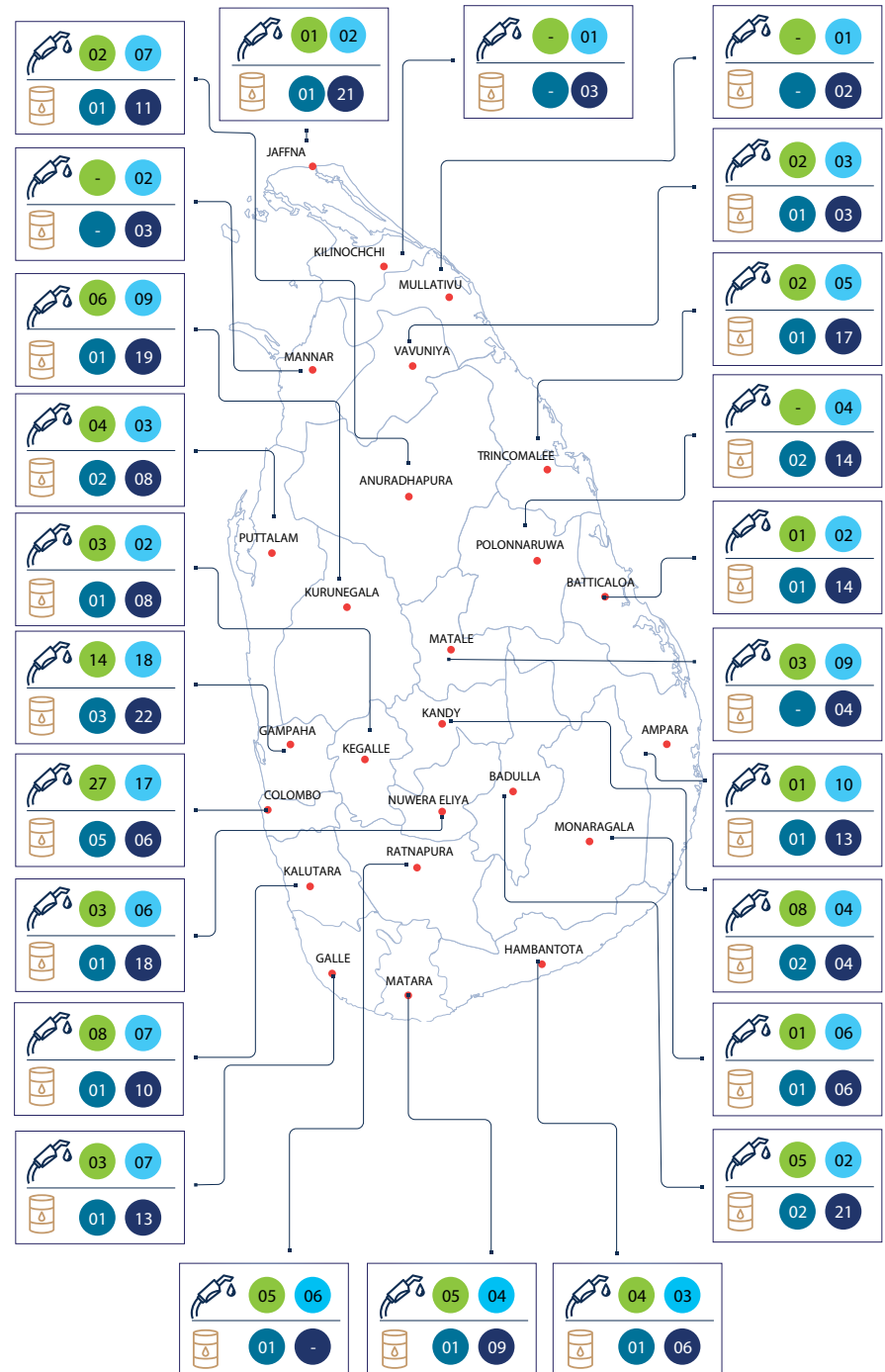


#### Managing complaints

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 — Company Owned — Dealer Owned — Distributor — SERVO Shop



## Suppliers

We are committed to ensuring a sustainable supply chain that is socially and environmentally responsible. Our suppliers are primarily global energy giants, including our parent company Indian Oil Corporation Limited (IOC), India and market intermediaries. Petroleum products are procured through a global tendering process according to Board approved procurement policies that clearly outline the process of supplier registration and tendering.

Our transactions with our 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. During the year, LIOC engaged with a variety of suppliers and potential suppliers in pursuance of its business strategies.

For the lubes business line, besides IOC, we procure barrels and additives from overseas suppliers through competitive tender, using suppliers impaneled by our parent company.

We purchase packing materials including labels, cartons, containers and stickers from established local suppliers who have the technical and manufacturing capacity to provide items as per our specifications.

There were no identified negative social or environmental impacts arising out of our supply chain during the year.

### Industry relationships

We have formed alliances with different business associations that contribute to knowledge sharing as well as building relationships with other business entities. These affiliations facilitate industry unity and networking, enhance industry standards and provide opportunities for employees to benefit from activities offered by the associations. Key associations LIOC is a part of are listed below:

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

### Supply of diesel to export businesses against payment in US\$

During the fuel scarcity in 2022, LIOC took the initiative to cater to the fuel requirements of the export businesses against receipt of payment in US\$ with the intention of supporting the export sector with adequate fuel supplies to enable uninterrupted business operations. The US\$ receipts enabled further fuel imports by LIOC for the export sector.

Subsequently permission was granted enabling of such assistance by LIOC to businesses other than export businesses such as hotels, telecommunication companies, hospitals / pharma companies which also require continuous diesel supplies to ensure the well-being of tourists as well as locals. We are confident that going forward this initiative shall prove to be sustainable option for regular supplies to exporters in the medium to long term and would go a long way in not only arranging sizable foreign exchange for LIOC but also enhancing LIOC's market base for Gasoil supplies in the country.

### Supply of 6000mt gasoil 500ppm to CPC for electricity generation

During the fuel supply shortage experienced in Sri Lanka in the first quarter of 2022, the country faced power cuts on the daily basis up to 13 hours per day. Subsequently, the Ministry of Power and the Ministry of Energy jointly approached LIOC requesting assistance in supplying 500 ppm Gasoil to CPC for the purpose of electricity generation (through CEB). Considering it as another opportunity to cater to the energy requirements of the country, LIOC agreed to supply 6000 MT of Gasoil 500ppm to CPC against an advance payment. In view of the forex crisis, LIOC submitted that payment with respect to the DAP (delivered at place) Landed Cost made in USD and other charges such as port levies, taxes, duties & handling charges be made in local currency (Rs). The transaction was carried out on a landed cost basis of 6000MT of Gasoil to LIOC. It is a matter of great pride that LIOC has been instrumental in the arrangement of Gasoil for electricity generation for the country. It is pertinent to mention that such transaction wherein sale of fuel is being made directly by LIOC to CPC at the landed cost of Gasoil, is first of its kind till date. LIOC remains committed to provide its best possible support in meeting the energy requirements of the country.

In planning the operation, the existing infrastructure at the LIOC, Trincomalee Oil Terminal was taken in to consideration to finalise the mode of supply. Accordingly, based on detailed discussion with CPC, it was decided to position the higher capacity bowsters (from 26.4KL to 33KL) for loading at the LIOC, Trincomalee Oil Terminal. The product from the loaded bowsters were to be transshipped into wagons on a continuous basis, not only to reduce transportation cost but also to position the enhanced quantity of products at the CEB end. The logistics of the operation was invariably a challenge to comply as far as the constraint in the facility and the necessity for continuous loading operation. However, the entire team of the Trincomalee Oil Terminal rose to the occasion. A continuous loading plan on a round-the-clock basis was mapped. As per requirement, around 230 No. of high-capacity bowsters were to be loaded in the shortest duration. Moreover, the existing LIOC supply was also to be made to meet the market demand from Trincomalee. As the need to meet the entire demand arose suddenly, the terminal operated continuously on a round-the-clock basis from 31st March to 9th April 2022, to supply the agreed demand of 6000 MT of Diesel to CPC/CEB.

A noteworthy aspect of the operation was that the loading of such high-capacity bowsters was the 1st instance since 2003 and carried out with utmost coordination. The operation of the TLF Terminal on a round-the-clock basis also was a first for the LIOC, Trincomalee Oil Terminal.

### Lanka IOC signs agreement with Spectrum Trading

Lanka IOC, Sri Lanka's No. 1 listed energy company joined hands with the prestigious Stafford Group, for supply of co-branded SERVO ecoPLUS a long life and eco-friendly lubricants to its dealers' network for the first time in Sri Lanka. LIOC manufactures automotive, industrial and marine SERVO lubricants at its state-of-the-art plant in Trincomalee. The entire ranges of SERVO Lubricants are locally manufactured, thus saving precious foreign exchange on imports. The company has been always at the fore front to offer best quality lubricants at competitive prices. LIOC is also the only company to set up a grease manufacturing plant in Sri Lanka. The first co-branded lubricant of LIOC has been launched as "SERVO ecoPLUS" meeting API SN the highest

## SOCIAL AND RELATIONSHIP CAPITAL

### Building Connections – Beyond Business

performance level specified by the American Petroleum Institute. SERVO ecoPLUS is an eco-friendly, fuel-efficient long-life lubricant which gives shield protection for the vehicle.

#### Community

We are committed to driving positive change in our communities not only by advocating sustainable and responsible business operations but also through strategic CSR initiatives targeted at addressing issues of national importance. LIOC's CSR focus is mainly directed towards education, healthcare, environment and community development.

#### Contributions to people in need to mark the 20th anniversary

In its endeavour to be a socially responsible organisation, Lanka IOC always takes step to be of assistance to people in need. On the occasion of 20th anniversary, LIOC contributed to assist 32 selected people in need who were adversely affected by the COVID-19 pandemic situation and the subsequent economic crisis.



#### LIOC provides dry rations to children at Bhaktivedanta children's home

Every child deserves to feel happy, healthy, safe and most importantly, loved. However, with the current price hikes in the country, many children's homes have been affected financially where they have no proper food to provide for the children. As a part of LIOC's efforts to mitigate the unprecedented challenge from the scarcity of essentials and economic meltdown experienced acutely in 2022, we further stepped-up our commitment in giving back to society through our CSR activities.

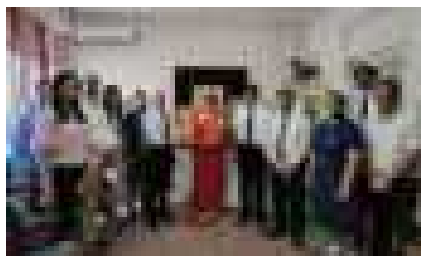
Identifying that nourishment of the children had become a top priority for the society, LIOC stepped in to distribute of dry ration items to Bhaktivedanta Children's Home, Wattala. The gesture was highly appreciated by the priest in charge of the home and the local community

who thanked LIOC profusely for coming forward during a very difficult period and taking care of very needy children.



#### Other initiatives

As a part of LIOC's CSR efforts to support the people affected by the scarcity of essentials and the economic meltdown, hygienic dry rations were distributed to numerous needy families of the society in the presence of Rev. Father Ronnie Wickramasinghe at St. Lucia's Cathedral, Kotahena. The gesture was highly appreciated by the reverend father as well as the local community.



LIOC has undertaken a range of activities for the upliftment of society such as donation of medicine and equipment to hospitals, distribution of sanitisers to the Police Department, stationery to school children etc. Through these CSR activities we endeavour to connect with society while being of service.



#### Way Forward

- ◆ Enriching market presence
- ◆ Market penetration through new value addition
- ◆ Extending CSR activities across the island to provide more finance to needy families.
- ◆ Continuous fuel supply despite of challenges
- ◆ New value addition to the customer services

# NATURAL CAPITAL

## Nurturing our Environment

We strive to preserve and protect our natural environment by reducing emissions / effluents from our operations. We take extra diligence and care in preserving our natural environment for future generations as a global priority as climate change remains a defining issue of our time.

LIOC, as the single largest private oil company in Sri Lanka and as a responsible corporate citizen, strives to utilise resources in a sustainable manner and aims to promote sustainable practices among its customers as well through its innovative eco-friendly product range, encouraging them to minimise their negative impact on the environment and society at large.

We are fully cognisant of the nature of our business and the ramifications our operations can have on the environment. Thus, we place great importance in reducing our environmental footprint through sustainable production, proper waste management, prudent resource allocation, energy saving initiatives and other such measures that contribute to minimising our impact.



### Value delivered in 2022-23

Lanka IOC PLC always promotes sustainable practice to eradicate the negative impact of the environmental aspect. The Company has invested in producing solar energy at the Trincomalee Oil Terminal & retail outlets across the country.

In addition to that the Company has contributed towards many environmental development projects including tree planting, cleaning the shore and coastline surrounding the Terminal as well as important tourist sites along the coastal area of the country.

Rainwater harvesting has also been implemented at the Trincomalee Terminal with substantial water accumulation for further utilisation inside Terminal premises.

### Capital connectivity and contribution



Financial capital- Driving sales growth



Human capital- Generating employment opportunities with retail outlets across the country



Social and relationship capital- Enhanced customer experience

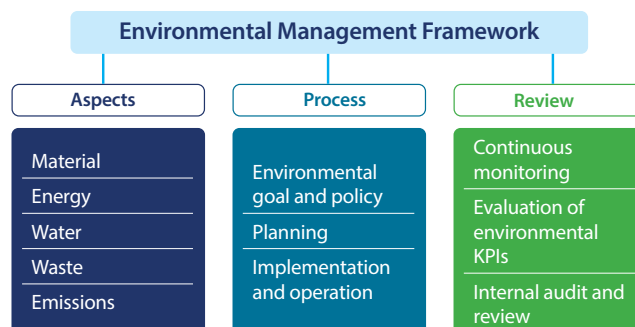


Natural capital- Energy efficiency through installation of renewable energy sources



Intellectual capital- Increased brand visibility

### Our Environmental Management Framework



### Material issues addressed

- Compliance
- Social and Environmental Consciousness

## NATURAL CAPITAL

### Nurturing our Environment

#### Measuring our footprint

##### Energy footprint

- ◆ Total energy consumption - 365,430 kWh
- ◆ Energy consumption per employee 2,298
- ◆ 20 kW rooftop PV solar meets 1,979 kWh average monthly energy need

##### Water footprint

- ◆ Total water consumption- 44,987 litres
- ◆ Water consumption per employee - 283 litres
- ◆ 2500 KL water recycled through the rain water harvesting plant

#### Energy management

The key sources of energy used within our operations are LIOC are diesel, furnace oil and electricity. The highest energy consumption occurs at our Trincomalee terminal, followed by the Company owned retail outlets, while the lowest consumption is recorded at our head office premises.

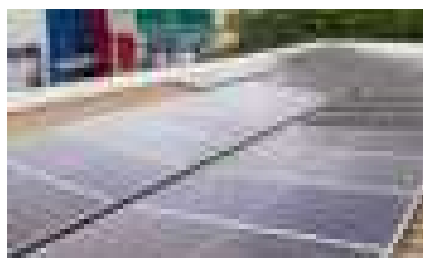
As a part of our ambition to reduce our carbon footprint, we maintained our focus on shifting towards renewable energy sources and the kW PV solar power installed at our retail outlets as well as the Trincomalee terminal generates an average of 25570 kWh of renewable energy per month. The Company's total energy consumption for the year decreased compared to the previous year, reflecting our ongoing commitment to drive energy efficiency across the organisation. Electrical audits are also carried out across all our premises on a regular basis to identify and monitor energy consumption and impending improvements.

The Company's energy consumption during the year by source is given below.

Source	Unit of measure	Consumption in 2022-23	Consumption in 2021/22	Consumption in 2020/21
Diesel	Litres	64,493	21,475	20,735
Furnace Oil	Litres	8,744	39,600	26,400 (Boiler Operation)
Electricity	kWh	365,430	410,192	404,134

#### Energy management initiatives

- ◆ Installation of new PV solar panels at 24 retail outlets
- ◆ Commissioned the 20kW solar energy facility at the Trincomalee terminal aimed towards achieving a 5% saving in electricity units consumed
- ◆ Installation of energy efficient lighting and cooling solutions
- ◆ Installation of higher capacity equipment capable of reducing energy consumption



#### Water management

The total water consumption of LIOC for 2022-23 amounted to 44,987 KL. Our operations are not water intensive and the main source of water consumption is employee use. Water from the municipality lines serves the majority of our annual water requirement and we also have rainwater harvesting plants which help manage our water usage in a more efficient manner.

Water consumption during the year is as follows:

Ground water withdrawn	Rainwater harvested	Pipe borne Municipal water
600 KL	2500 KL	44,987 KL

- ◆ Total water consumption 2022-23 Around 88,087 KL at Trincomalee Oil Terminal
- ◆ Water recycled and reused 2022-23 2,500KL at Trincomalee Oil Terminal
- ◆ Percentage of water recycled 2022-23 Approximately 5%



LIOC has in place strict protocols and guidelines which ensure prevention of water pollution. All planned water discharges from our tanks are carried out in strict compliance with the environmental laws in accordance with the Sea Dumping License issued by the Marine Environment Pollution Authority (MEPA). The key discharge from our operations consists of the oil water discharge flushed out of the terminal and retail outlets. Unplanned water discharges arise from 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, yet another main discharge from our operations collected after cleaning the black oil tanks, is considered hazardous in nature and thus is disposed according to CEA guidelines and stored in isolation in concealed containers.



Sludge	2022-23	2021-22
Sludge disposal	87KL	27 KL
No. of tanks cleaned	4	2
Electricity kWh	365,430	410,192

We carry our stringent monitoring activities out to ensure no accidents occur during operations and transport that may pollute the water resources and our Oil Spill Contingency

Plan approved by the MEPA is equipped with the appropriate resources to manage any such accidents and impacts of oil spills. During the year no incidents of oil spills were reported.

## Waste management

We have adapted efficient practices to reduce waste generation connected to our operations. These practices are integrated to our systems and processes in our effort to contribute to sustainable production.

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

Hazardous waste results from cleaning of tanks and volumes depend on the throughput of the tanks concerned. These are disposed through parties authorised by the Central Environmental Authority (CEA).



### Waste management initiatives

The Trincomalee Oil Terminal obtained 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.

## Material management

The main raw materials used in the operation are imported petroleum based non-renewable resources. We follow strict quality standards and thorough supplier screening to ensure that the products are sourced through sustainable means and cause no negative impacts to the environment. The Company 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.

The lube blending plant at Trincomalee has been developed to be one of the leanest manufacturing concerns in the country. The plant, capable of producing 18,000 KL of output per annum, is semi automated and runs with a minimum number of plant employees and lab technicians.

The Grease Manufacturing Plant, which was commissioned during the latter part of the preceding financial year end has a capacity of producing 3000 MT of output per annum. The plant will be mainly operated by specialised outsourced personnel with due back up from the Trincomalee Terminal.

## 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 our parent company's processes and standards in ensuring that vapours 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 provide 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.

## Conservation efforts

As mentioned under our Social and Relationship capital, our CSR activities come under several categories. The ensuing section elaborates our CSR initiatives directed towards the preservation of the environment.

## Compliance

We make every effort to comply with all environmental laws and regulations 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.

## Tree planting programme on World Environment Day

World Environment day was celebrated at the Trincomalee Oil Terminal under the theme "Only One Earth" on 5th June 2022 with the participation of employees and stakeholders.

A total number of 30 saplings were planted across identified places of the Terminal to reflect the significance of the day in letter and spirit.



### Way Forward

- ◆ Provision of further enhancement of PV solar panels at Trincomalee Oil Terminal from its existing Capacity of 20 kWh
- ◆ Enhancement of EV charging station
- ◆ Introduction of environment friendly products
- ◆ Better waste management
- ◆ Introduced more Solar Energy into National Grid



# CORPORATE GOVERNANCE AND RISK MANAGEMENT

Traversing through a period of uncertainty, our sound corporate governance framework ensured integrity whilst enabling us to maintain our reputation as a trusted player in the energy sector with a commitment to enrich lives beyond business.

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# CORPORATE GOVERNANCE



## Chairman's Message on Corporate Governance

The year under review was one in which the Company faced new and unprecedented challenges, testing the resilience of the Company while revealing the criticality of effective, ethical and adaptable leadership and governance. LIOC's strong corporate governance framework provided the necessary foundation to navigate the complexities of the year and guide the Company towards better performance and operational standards.

The Board holds the responsibility of delivering sustainable stakeholder value and the governance policies and procedures enable the Board to manage the Company for the benefit of all stakeholders, ensuring long-term value creation. The Company conducts internal and external reviews at regular intervals to ensure compliance with governance standards and where non-compliance is identified, immediate measures are initiated to achieve compliance. The framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements and international best practice.

## Board Focus Areas

The Board focused mainly on increasing its market share in all segments and prudent management of its investments and funds to ensure effective Utilisation of resources. Furthermore, the Board also reviewed and discussed possible improvements to cost control, credit control and controls on outstanding debtors to facilitate better business performance. Employee salary

revisions were also a key topic of discussion during the financial year 2022-23.

## Compliance

This Report sets out our approach to governance in practice, how the Board operated in 2022-23 and discharged its duties during the year. The Company has complied with the mandatory regulatory requirements and has voluntarily adopted the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017. I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the Directors of the Board.

**Mr. Sujoy Choudhury**  
Chairman

29th April 2023

## Our Approach to Corporate Governance

Strong and robust corporate governance is vital to traverse through periods of uncertainty as the Board needs to provide responsive leadership to anticipate issues that will be material to the Group's business model and guide strategy.

Regulatory Standards	Voluntary Standards	Internal Policies
<ul style="list-style-type: none"> <li>Companies Act No. 7 of 2007</li> <li>Continuing listing requirements of the Colombo Stock Exchange</li> <li>Sri Lanka Accounting and Auditing Standards Act No.15 of 1995</li> <li>Shop and Office Employees Act of 1954</li> <li>Inland Revenue Act No. 24 of 2017</li> </ul>	<ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance issued by the SEC and ICASL (2017)</li> <li>Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)</li> <li>GRI Standards for Sustainability reporting issued by the Global Reporting Initiative</li> <li>Board of Investment of Sri Lanka Law No. 4 of 1978</li> </ul>	<ul style="list-style-type: none"> <li>Articles of Association</li> <li>Terms of References of Board sub-committees</li> <li>Comprehensive Framework of Board approved policies</li> <li>Enterprise Risk Management Policy</li> <li>IOC Regulations</li> <li>Code of Conduct and Ethics</li> <li>Delegation of Authority</li> </ul>

The Board of LIOC, is the highest decision-making authority and has overall responsibility for determining the strategic direction of the Group, 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, LIOC adopts and embraces the sound governance procedures and policies stemming down from its parent company. The key elements of our governance framework comprise the governance structure and a compliance framework as set out above.

# CORPORATE GOVERNANCE

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 in December 2017 and the listing rules of the Colombo Stock Exchange.

## 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 corporate strategies whereas the Board assumes a supervisory role in overseeing the management and its performance. As drivers of corporate governance, the Board dedicates sufficient time to attend the Board and Board Committee meetings and provide independent judgement on matters relating to strategy, performance, risk management, governance and business conduct when discharging their duties.

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 Highlights of 2020-21

- Enhancing Employee benefits
- Commissioning of Grease Plant
- Investment in Unit Trusts
- Signing of Lease Agreements with GoSL
- Declaration of Dividend to shareholders
- Celebrating 20th Anniversary

### Directors

A1.	The Board
A2.	Chairman & Managing Director (MD)
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

The Board has appointed 04 board sub-committees to assist in the discharge of its duties as summarised below.

<b>Audit Committee</b>	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>
<b>Remuneration Committee</b>	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>
<b>Related Party Transaction Review Committee</b>	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>
<b>Risk Committee</b>	Managing Director and all Head of Divisions	<ul style="list-style-type: none"> <li>• Categorize and monitor risks</li> <li>• Analyze mitigating factors</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. Meeting agendas and Board papers are circulated to all Board members well in advance of each meeting to ensure adequate time is dedicated for preparation. Any Director can call for a resolution to be presented to the Board if deemed necessary. All proceedings of the Meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board Minutes. The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors on a need basis.

## Board and Sub-committees Meetings Attendance

Name of Director	Directorship Status	Board	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee
No of meetings held in year 2022-23		4	4	4	3
Mr. Ranjan Kumar Mohapatra	Chairman/Non-executive Director	4	-	-	-
Mr. Manoj Gupta	Executive Director	4	-	4	-
Prof. Lakshman R Watawala	Independent Non-executive Director	4	4	4	3
Mr. Amitha Gooneratne	Independent Non-executive Director	4	4	4	3
Mr. Vigyan Kumar	Non-executive Director	4	-	-	-
Mr. D R Paranjape	Ceased to be a Director w.e.f. 01.07.2023	1	1	1	1
Mr. Ruchir Agrawal	Non-executive Director- Appointed w.e.f. 01.07.2023	3	3	3	2

## 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

- 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, company charges, directors and secretary, directors' interests in shares and interests register 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
- Attending to CSR activities of the company

## 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

# CORPORATE GOVERNANCE

beneficial towards carrying out their duties as Directors.

All the Directors are members of professional bodies either in India or Sri Lanka and conform to continuous professional development requirements of their respective professional bodies. In addition to that, Directors appointed ex-officio by the Parent Company, Indian Oil Corporation Limited (IOC), India, attend training programs organised by the IOC. 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 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.
- To enter into property leases on behalf of the company within limits stipulated in the Articles and Association.

## 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. The Parent entity IOC 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 Non-executive Directors have been employed in LIOC prior to their appointment.
Material Business Relationship	None of the two Independent Non-executive 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 Non-executive Directors are a Director, CEO or a KMP.
Shareholding of more than ten percent	None of the Independent Non-executive Directors have more than ten percent shareholding of the Company

Criteria	Compliance
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 Non-executive 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

IOC 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 and Registrar of Companies within 20 working days. 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 Managing Director

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. Directors Remuneration

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

### B1. Remuneration Procedures

The Non-Executive Directors including Chairman do not draw remuneration or sitting fees from LIOC. Independent Non-executive Directors 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 both Executive and the 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 to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term interests of the Company.

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 97 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 151 Note 23.2 to the Financial Statements.

# CORPORATE GOVERNANCE

## C Relations with Shareholders

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

### C.1 Constructive use of the AGM

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 Year was 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 cast their vote prior to the AGM. Also, the shareholders were requested to send in their queries prior to the AGM. Directors of the Board, including Chairman of Audit, Remuneration and Related Party Transaction Review Committees were available to clarify any points sent 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 communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company welcomes any suggestions from the shareholders prior to the AGM and the Board of Directors is prepared to provide comprehensive explanations for queries of shareholders at the AGM.

### C.3 Major 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. 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

### D1. The Annual Report

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 96.

## 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 98.

## 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 84 to 86 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

### 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 SVP (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 Section 7.10 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange

Code Ref.	Applicable Requirements	Complied	Page Ref
<b>7.10.1</b>	<b>Non – Executive Directors</b>		
7.10.1(a)	Non-Executive Directors (NEDs) on the Board Two or one third of Directors should be NEDs		Board Composition -Pages 87
<b>7.10.2</b>	<b>Independent Directors</b>		
7.10.2(a)	Independent Directors Two or one-third of NEDs (whichever is higher) should be independent		Board Composition -Pages 87
7.10.2(b)	Declaration of Independence Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format		A Declaration of independence have been given by the Independent Directors
<b>7.10.3</b>	<b>Disclosures relating to Directors</b>		
7.10.3(a)	Names of Independent Directors should be disclosed in the Annual Report		Board of Directors -Page 87
7.10.3(b)	The basis for determining the independence of NEDs, if criteria for independence is not met  The Board has determined that criteria for independence is met for IDs		Corporate Governance -Page 88
7.10.3(c)	A brief resume of each Director should be included in the Annual Report, including his area of expertise		Board of Directors -Pages 24 - 26
7.10.3(d)	Upon appointment of a new Director a brief resume of the Director should be submitted to the Exchange		Corporate Governance -pages 24 - 26
7.10.4(a-h)	Determination of Independence  Requirements for meeting the criteria for an Independent Director		Corporate Governance -page 88

# CORPORATE GOVERNANCE

<b>7.10.5</b>	<b>Remuneration Committee</b>	
<b>7.10.5(a)</b>	<p>Composition of Remuneration Committee</p> <p>The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent</p> <p>The Chairman of the Committee shall be a Non-Executive Director</p>	<p>Corporate Governance Report of the Remuneration Committee - Page 97</p>
<b>7.10.5(b)</b>	<p>Functions of Remuneration Committee</p> <p>The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role</p>	<p>Report of the Remuneration Committee - Page 89</p>
<b>7.10.5(c)</b>	<p>Disclosure in the Annual Report relating to Remuneration Committee</p> <p>The Annual Report should set out the names of the members of the Committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors</p>	<p>Report of the Remuneration Committee - Page 151</p>
<b>7.10.6</b>	<b>Audit Committee</b>	
<b>7.10.6(a)</b>	<p>Composition of the Audit Committee</p> <ul style="list-style-type: none"> <li>The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent</li> <li>The Chairman of the Committee shall be a Non-Executive Director</li> <li>Unless otherwise determined by the Committee, the CEO and the CFO shall attend meetings</li> <li>Chairman or one member of the Committee should be a member of a recognized professional accounting body</li> </ul>	<p>Board of Directors - Page 96</p> <p>Corporate Governance - 96</p> <p>Report of the Audit Committee - Page 96</p>
<b>7.10.6(b)</b>	<p>Functions of the Audit Committee</p> <ul style="list-style-type: none"> <li>Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the LKASs and SLFRSs</li> <li>Overseeing compliance with financial reporting related regulations and requirements</li> <li>Overseeing the processes to ensure that internal controls and risk management are adequate</li> <li>Assessing the independence and performance of the external Auditors</li> <li>Recommending to the Board the appointment, re-appointment and removal of the external Auditors and approving their remuneration and terms of engagement</li> </ul>	<p>Corporate Governance - Pages 90</p> <p>Report of the Audit Committee - Page 90</p>
<b>7.10.6(c)</b>	<p>Disclosure in the Annual Report relating to the Audit Committee</p> <ul style="list-style-type: none"> <li>The names of the members of the Audit Committee</li> <li>The basis of determination of the independence of Auditors</li> <li>A report of the Audit Committee setting out the manner of compliance with their functions</li> </ul>	<p>Corporate Governance - Pages 87</p> <p>Report of the Audit Committee - Page 96</p>

Compliance with Section 9 of CSE Listing Rules and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka w.e.f 1st January 2016.

Rule No.	Applicable Requirements	Complied	Page Ref
9.3.2	<b>Disclosures in the Annual Report</b>		
9.3.2(a),(b)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower and 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 in the specified format.		Notes to the Financial Statements (Note 23)
9.3.2(c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:  -Names of the Directors comprising the Committee  -A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors  -The policies and procedures adopted by the Committee for reviewing the Related Party Transactions  -The number of times the Committee has met during the Financial Year		Report of the Related Party Transactions Review Committee - Page 98
9.3.2(d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.		Annual Report of the Board of Directors - Pages 106

Compliance with Section 7.6 - Continuing Listing Rules issued by the Colombo Stock Exchange (CSE)

Rule No.	Applicable Requirements	Complied	Section Ref
7.6.i	Names of persons who during the financial year were Directors of the entity		Board of Directors - Page 87
7.6.ii	Principal activities of the Company		Annual Report of the Board of Directors - Pages 106-109
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held		Share information - Pages 165
7.6.iv	The public holding percentage		Share information - Pages 164-166
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year		Share information - Pages 85-94
7.6.vi	Information pertaining to material foreseeable risk factors of the entity		Risk management - Pages 165
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity		Corporate Governance - Pages 85-94 Human Capital - Pages 70-75
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties		Pages 161-163
7.6.ix	Number of shares representing the entity's stated capital		Share information -Page 164
7.6.x	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings in the given categories		Share information - Pages 164



# CORPORATE GOVERNANCE

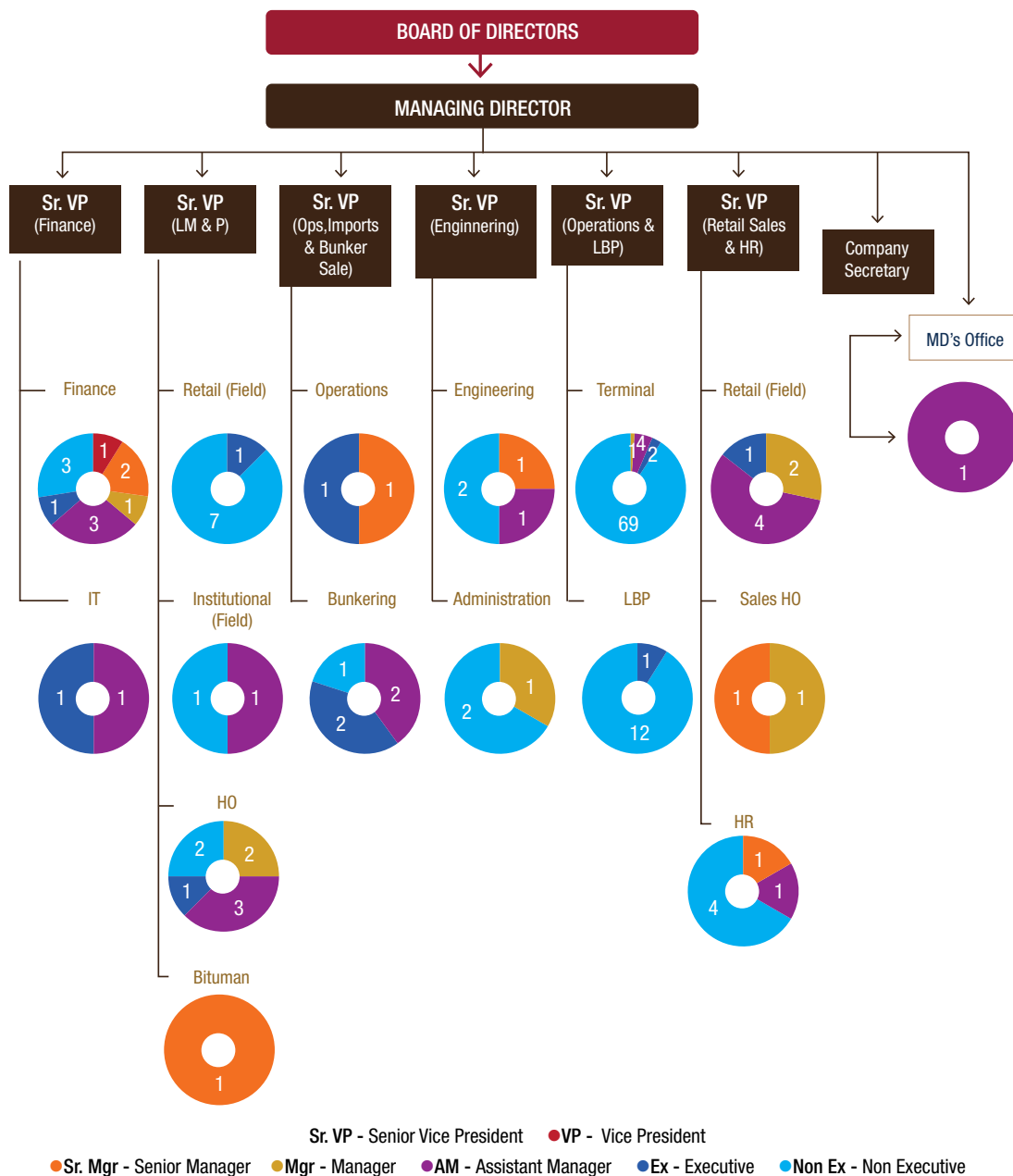
Rule No.	Applicable Requirements	Complied	Section Ref
7.6.xi	List of ratios and market price information		Financial Highlights Five Year Summary - Pages 13
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value		Notes to the financial statements (Note 11)
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue and private placement		No funds were raised in this manner
7.6.xiv	Employee Share Option Schemes and Employee Share Purchase Schemes		No of shares have been allocated in this manner
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules		Corporate Governance - Pages 85-94
7.6.xvi	Related Party transactions exceeding 10% of Equity or 5% of the total assets of the entity as per audited financial statements whichever is lower and details of investments in related party transactions		Notes to the Financial Statements (Note 23)

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

Section Reference	Disclosure Requirement	Page Ref.
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 - Pages 106-109
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Financial statements and Notes to the financial statements - Page 117
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Independent Auditors' Report - Page 113
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements - Pages 120-160
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors - Pages 106-109
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the financial statements - Note 23.2
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 - Page 106
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Board of Directors - Page 87
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 - Page 134
168 (1) (j)	Auditors' relationship or any interest with the Company	Annual Report of the Board of Directors - Pages 106-109
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Annual Report of the Board of Directors - Pages 106-109



## Governance structure



# AUDIT COMMITTEE REPORT

## Composition

Prof. L R Watawala\* Chairman

Mr. Amitha Gooneratne\*

Mr. Ruchir Agrawal\*\*

Appointed w.e.f. 01.07.2022

Mr. D R Paranjape\*\*

Ceased to be a member on 01.07.2022

\* Independent Non-Executive Director

\*\* Non-Executive Director

## Meetings

Name	No. of meetings attended
Prof. L R Watawala	04
Mr. Amitha Gooneratne	04
Mr. Ruchir Agrawal	03
Mr. D R Paranjape	01

Mr. Manoj Gupta - Managing Director

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

Mr. Sandeep Kumar - Vice President (Finance)

Ms. Amali Liyanapatabendi Secretary to the Committee

## 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 2022-23

### 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

29th April 2023

# REPORT OF THE REMUNERATION COMMITTEE

## Composition

Prof. L R Watawala\* Chairman

Mr. Amitha Gooneratne\*

Mr. Ruchir Agrawal\*\*

Appointed w.e.f. 01.07.2022

Mr. D R Paranjape\*\* Ceased to be a member on 01.07.2022

\* Independent Non-Executive Director

\*\* Non-Executive Director

## Meetings

Name	No. of meetings attended
Prof. L R Watawala	03
Mr. Amitha Gooneratne	03
Mr. Ruchir Agrawal	02
Mr. D R Paranjape	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 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, CEO 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

29th April 2023

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Composition

Mr. Amitha Gooneratne\* Chairman

Prof. L R Watawala\*

Mr. D R Paranjape\*\* Ceased to be a member on 01.07.2022

Mr. Ruchir Agrawal\*\* Appointed w.e.f. 01.07.2022

Mr. Manoj Gupta\* Managing Director  
Ceased to be a member w.e.f. 14.04.2023

Mr. Dipak Das\* Managing Director  
appointed w.e.f. 14.04.2023

\* Independent Non-Executive Director

\*\* Non-Executive Director

## Meetings

Name	No. of meetings attended
Prof. L R Watawala	04
Mr. Amitha Gooneratne	04
Mr. D R Paranjape	01
Mr. Ruchir Agrawal	03
Mr. Manoj Gupta	04

## Attendees by Invitation

Mr. Aseem Bhargava - Senior Vice President  
(Finance)

Mr. Sandeep Kumar - Vice President  
(Finance)

Ms. Amali Liyanapatabendi  
Secretary to the Committee

## 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

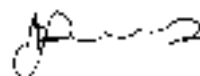
into related party transactions and to prevent Directors, Key Management Personnel or substantial Shareholders from taking advantage of their positions.

## 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

29th April 2023

# REPORT OF THE RISK COMMITTEE

## Composition

**Mr. Manoj Gupta - Managing Director-**  
Chairman Ceased to be the chairman w.e.f 14.04.2023

**Mr. Dipak Das\*** Managing Director-  
Chairman appointed w.e.f 14.04.2023

**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

Secretary to the Committee  
**Ms. Amali Liyanapatabendi**

## 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 01 meetings was held during the year

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.

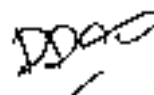
## Professional Advice

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 2022-23

- ◆ 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.



**Dipak Das**

Chairman – Risk Management Committee

29th April 2023

## 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,

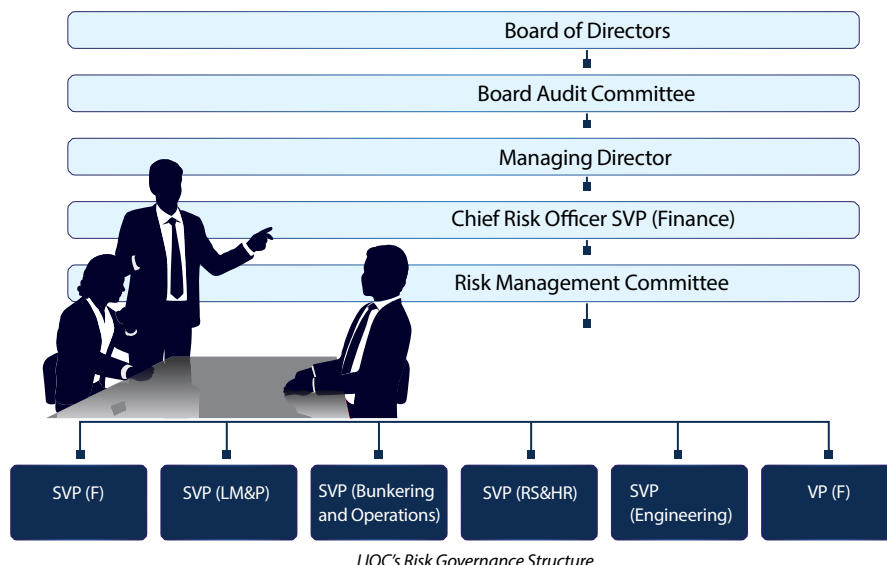
# RISK MANAGEMENT

A sound Enterprise Risk Management (ERM) system is essential for an entity to understand and manage risks in its strategic decision-making process. It is important to detect all potential risks at their initial stages to identify the impact, probability and velocity of those risks and to execute preventive and corrective mitigation actions to ease the impact of those identified risks.

Risk management is an integral component of the overall corporate governance framework and is a continuously evolving and developing process. A sound risk management mechanism helps the Company maintain sustainable growth and enhance value creation for all its stakeholders. Lanka IOC adopts an integrated governance, risk and compliance system to record and track risks and controls. We manage the risks and uncertainties inherent in the dynamic environment by reinventing our processes and systems in order to adapt to an ever changing complex and volatile landscape.

## Risk Landscape

The year 2022 was a tough year for the Sri Lankan economy which suffered from severe economic hardship, causing public concern and political turbulence. Instability on the economic environment and frequent changes in national policies affected the Company's operations during the year. In order to mitigate the impact of these challenges, the Company closely monitored the developments in the external economy and adapted its business strategies in line with these changes. Continuous dialogue was also maintained between the Board of Directors and senior management team to identify potential risks and actions to address such risks, to mitigate negative impacts on the Company.

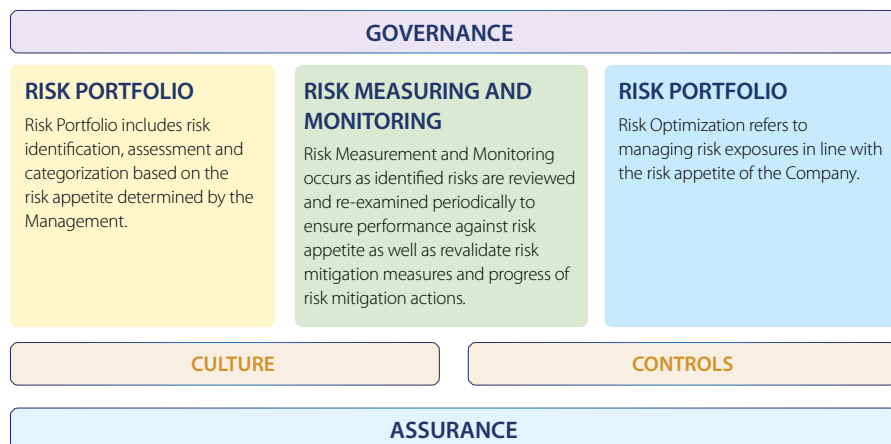


## Risk Governance

The Board of Directors holds ultimate responsibility for identifying and managing the Group's risk exposures and is assisted by the Board Audit Committee who has oversight responsibility for the same. Risk identification is an ongoing process involving continuous stakeholder engagement and persistent evaluation of the internal and external business environments and the risk grids are updated on an ongoing basis and presented to the Board for review.

## Risk Management Framework

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



## Embedding a Risk Culture

The Company strives to foster a culture where employees possess an overall awareness of risk to make proper judgements and take appropriate action.

Regular training and awareness programmes are also conducted to instill a risk ownership culture within the organisation by facilitating a clear understanding among employees of their individual roles and responsibilities in relation to risk management.

## Risk Appetite

The Board holds ultimate responsibility for setting the risk appetite of the business and the Management is responsible for implementation of the same. The risk appetite is determined based on the level of risk that the Company is willing to accept in reaching its business objectives and quantifiably expressed through risk tolerance limits. The risk appetite is reviewed by the Board regularly to ensure the relevance of each risk category and defined parameters.

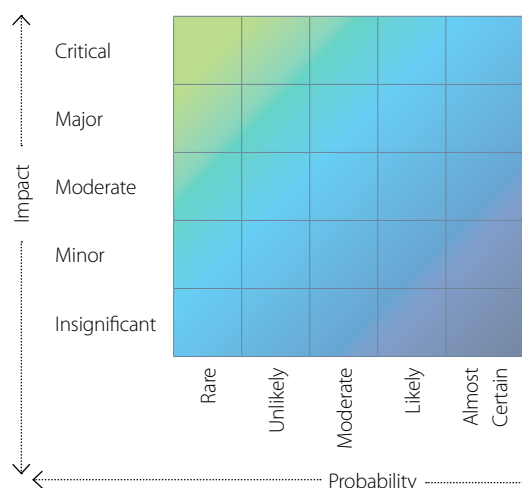
## Rating criteria – impact

		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

## 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

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



# RISK MANAGEMENT

## Principle Risks

The Company's principal risk exposures are set out below. Risks categorized in 'A' and 'B' categories are escalated to the Risk Management Committee on a quarterly basis while category 'A' risks are reviewed by the Board Audit Committee as well.

## Category A Risks

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2022-23	Risk Trend
<b>Financial Capital</b>	<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	<ul style="list-style-type: none"> <li>Monitoring global crude oil prices</li> <li>Supply chain optimization</li> </ul>	M	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	<ul style="list-style-type: none"> <li>Effective management of working capital</li> <li>Maintain a proper combination of fixed and floating rates</li> </ul>	MO	H	↑
	<b>Pricing of products</b> Pricing of Auto Fuels was pegged to a price ceiling.	The inability to revise the prices of Auto Fuels in line with global price levels has created losses in certain segments.	<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> <li>The introduction of the fuel price formula will mitigate the price differential between the cost of imports and the selling price</li> </ul>	H	M	↓
	<b>Foreign currency risk</b> Arises due to exposure to foreign currency positions	Auto Fuels, Lubricants and Bitumen are done in USD and sales are carried out in Sri Lankan Rupees. Thus, the company is exposed to exchange losses. With the sharp depreciation of the Rs the impact has been significant.	<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	↔
	<b>Change in competitive platform</b> New entrants entering the Bitumen and Bunkering space has changed the dynamics in this area	<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 are being 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>	L	M	↑



Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2022-23	Risk Trend
	<b>Credit risk</b> Occurs due to settlement default by credit customers	Results in direct losses due to bad debts and increase in finance cost due to delayed payments	<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>	MO	H	↑
	<b>Risk to stocks, property and equipment</b>	Due to the flammable nature of our products any inadequacy/ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies	<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	↔
	<b>Demurrage due to inadequate port infrastructures</b>	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	<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 CPSTL to create desired infrastructure at the port</li> <li>Lay time allocation is planned upon giving due consideration to the operational constraints</li> </ul>	M	H	↑
	<b>Government policy and regulatory changes</b>	Frequent changes to government policies and tax structures hampers the strategic planning process of the Company	<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	M	↔
<b>Natural Capital</b>	<b>Product Safety</b>	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	↔

# RISK MANAGEMENT

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2022-23	Risk Level in 2022-23	Risk Trend
<b>Social and Relationship Capital</b>	<b>Maintaining product quality and standard of service</b>	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>	M	H	↑
<b>Intellectual Capital</b>	<b>Reputation risk</b>	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 done with policy makers and our legal counsels</li> </ul>	M	M	↔

## Category B Risks

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Category
<b>Natural Capital</b>	<b>Product responsibility</b>	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	↔
	<b>Waste and effluents including oils spills</b>	<p>Effluents from our processes comprise oil sludge and discharges from the Trincomalee Terminal</p> <p>Any possible oil spills in or around Trincomalee oil jetty would have severe consequences for LIOC</p>	<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	M	↔
<b>Human Capital</b>	<b>Employee relations</b>	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	↔
	<b>Employee retention</b>	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	↔

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Category
<b>Human Capital</b>	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	↔
<b>Natural Capital</b>	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	<p>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</p> <p>Increasingly pronounced impacts of climate change including erratic weather</p>	<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	↔
<b>Social and Relationship Capital</b>	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	↔
<b>Human Capital / Intellectual Capital</b>	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	↔

## Future Outlook

The company's risk management capabilities have progressed from the being the responsibility of an individual unit to an organisation wide risk culture penetrating all business and support functions.

Unprecedented changes in the operating landscape have compelled us to consistently monitor emerging dynamics and strengthen our risk management framework to effectively drive strategic aspirations. We will strive to move beyond compliance to embrace

international best practices in risk management while proactively responding to emerging risks to navigate an increasingly complex risk landscape.

# 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 21st Annual Report of Lanka IOC PLC for the financial year ended 31st March 2023, 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 29th April 2023.

## REVIEW OF THE YEAR

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

## FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended 31st March 2023, which include the comprehensive Income Statement, Financial statement, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements, are given from page 116 onwards.

## PRINCIPAL ACTIVITIES OF THE COMPANY

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

## AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page No. 113

## 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 disclosures provided for in section 192(2) of the Companies Act No.07 of 2007.

Note No. 23.2 to the Financial Statements deals with 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 2022- 23 amounts to Rs 83.69 Mn.

## DIRECTORS

The Directors of the Company for the F/Y 2022-23 were;

Mr. Ranjan Kumar Mohapatra	(Chairman)
Mr. Manoj Gupta	(Managing Director)
Prof. Lakshman R Watawala	(Independent Non-Executive Director)
Mr.Amitha Gooneratne	(Independent Non-Executive Director)
Mr. Vigyan Kumar	(Non-Executive Director)
Mr. Ruchir Agrawal	(Non-Executive Director)

Indian Oil Corporation Ltd nominated Mr. Ruchir Agrawal as Non-Executive Director in place of Mr. D R Paranjape with effect from 1st July 2022 and 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. Sujoy Choudhury as Chairman Non-Executive Director in place of Mr. Ranjan Kumar Mohapatra and Mr. Saumitra P. Srivastava Non-Executive Director in place of Mr. Vigyan Kumar with effect from 5th April 2023. They will vacate their positions as Directors in terms of Article 27 (6) and offer themselves for re-election at the forthcoming Annual General Meeting.

Indian Oil Corporation Ltd nominated Mr. Dipak Das as Managing Director in place of Mr. Manoj Gupta with effect from 14th April 2023

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 as Director of the Company by shareholders under section 211 of the said Companies Act.

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 as Director of the Company by shareholders under section 211 of the said Companies Act.

Prof. Lakshman R Watawala completed Fifteen years as an Independent Non-Executive Director on 26th July 2022 and the Board at its meeting held on 29th April 2022, 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 2022-23, subject to his re-appointment at the AGM. Subsequently at the AGM held on 19th September 2022, he was re-appointed as a Director of the Company by the Shareholders.

Mr. Amitha Gooneratne completed Ten years as an Independent Non-Executive Director on 31st May 2022 and the Board at its meeting held on 29th April 2022, 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 2022-23, subject to his re-appointment at the AGM. Subsequently at the AGM held on 19th September 2022, he was re-appointed as a Director of the Company by the Shareholders.

## RELATED PARTY TRANSACTIONS

The Board of Directors declares as follows:

The related party transactions during the FY 2022-23 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2022-23 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, 2022 to March 31, 2023 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

A resolution to appoint Messrs, Ernst & Young Chartered Accountant as the Auditors of the Company will be proposed at the Annual General Meeting.

The Auditors' M/s Price Waterhouse Coopers fee for the year 2022-23 was fixed at Rs 1.68 Mn. (2021-22 Rs.1.5 Mn) as disclosed in Note 6 to the financial statements on page 134 thereof.

## 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 Price Waterhouse Coopers were also engaged as Transfer Pricing Consultants for the additional services for which the company incurred a sum of Rs.0.96 Mn

M/s.KPMG were engaged as Internal Auditors and a remuneration of Rs.1.1 Mn (2021-22

– Rs.1.15 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 2022 and 31st March 2023 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 2023 amounted to Rs.53,198 Mn (2021-22 – Rs16,710 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.40,510 Mn (2020-21 Rs.14,967 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 its highest ever revenue of Rs 281.49 billion during the year under review against Rs 89.95 billion in year 2021-22 despite the challenging operating context. The main contributor to the topline was the auto fuel segment which counted 79% of the revenue of Rs 222.76 billion. With the regularity and continuity of the fuel supply specially during the period when CPC was out of fuel stock, LIOC earned the trust of people at large as all

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

its retail outlets continued to fill requirements of all sections of the society thereby serving the entire country.

## EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to US \$ 205.45 Mn (2021-22 – US \$ 115.90 Mn) through its operations.

## RETAIL SALES

The automotive fuels segment of LIOC faced continued difficulties in the previous financial year, grappling with challenges such as the depreciation of the Sri Lankan Rupee and the impact of oil price fluctuations due to global geopolitical factors. However, despite these obstacles, the segment remained resilient, contributing around 79% of LIOC's total revenue, totaling Rs.222.76 Mn. Notably, the segment also achieved a significant 293% growth in total sales volume, showcasing its ability to navigate through challenging market conditions. During the previous year, amidst a currency crisis, LIOC strategically adapted its approach by supplying industries in dollars. While dollar approvals are currently unavailable, the company has continued to meet the demand of various industries by supplying in Rs terms. This expansion into industries has yielded significantly higher volumes, especially during times of shortage, as LIOC successfully catered to consumer sales throughout the year. This diversification beyond retail operations has proven fruitful, resulting in increased volumes for the company.

## 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 remarkable profit increase of over 3.5 times. This financial success underscores our ability to adapt to market changes and optimise revenue generation.

## BITUMEN

We expanded our business portfolio by entering the petrochemical segment, leveraging our parent company's petrochemical brand, Propel. Last year, we successfully introduced the Propel brand to the Sri Lankan market, creating awareness among customers. Despite selling only 500 metric tons, we achieved a significant profit in the year under review. Through widespread distribution across the island, we ensured that customers are aware of the availability of Propel, an Indian brand known for its quality. 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.

## 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 of 150,000 metric tons further solidified our strong performance. Our achievements, including expanding operations in Hambantota and implementing the pipeline for deliveries in Trincomalee, highlight our unwavering dedication to creating value and Optimising costs.

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## PETROCHEMICALS

Lanka IOC is a new entrant in the competitive petrochemical segment. Lanka IOC has customer oriented supply strategy in place and can now supply grades locally.

## 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 2022-23 as per the agreement with BOI.

## OTHER OPERATING INCOME

In continuous efforts to optimise its income from various sources, your company earned Rs.115.54Mn (2021-22 -Rs.115.81 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 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

The Company recognizes the pivotal roles it has to play in the community in which it transacts business and the requirement to give back to the community to uplift their lifestyle.

Projects covering environment, health, education etc., were carried out by the company and a detailed report on all activities is covered under Social and Relationship Capital Report in the annual report.

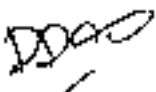
### GOING CONCERN

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

12 June 2023



# FINANCIAL STATEMENTS

## FINANCIAL CALENDAR

Interim Financial Statements are published as per rule 7.4 of the Colombo Stock Exchange

Period	Published on
<a href="#">April-June 2022</a>	05th August 2022
<a href="#">July-September 2022</a>	25th October 2022
<a href="#">October-December 2022</a>	24th January 2023
<a href="#">January-March 2023</a>	02nd May 2023
Period	Published on
<a href="#">2021-22 (Seventh Integrated Report)</a>	10th August 2022
<a href="#">2020-21 (Sixth Integrated Report)</a>	31st August 2021
<a href="#">2019-20 (Fifth Integrated Report)</a>	07th October 2020
<a href="#">2018-19 (Fourth Integrated Report)</a>	28th May 2019
<a href="#">2017-18 (Third Integrated Report)</a>	05th June 2018
Meeting	Date of meeting
<a href="#">20th Annual General Meeting</a>	19th September 2022
<a href="#">19th Annual General Meeting</a>	29th November 2021
<a href="#">18th Annual General Meeting</a>	03rd November 2020
<a href="#">17th Annual General Meeting</a>	19th June 2019



# STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditor's Statement of their responsibilities set out in their report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements contained in this Annual Report.

The Directors are required by Sections 150 (1) and 151 (1) of the Companies Act No.07 of 2007, to prepare financial statement for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss and of the cash flows of the company for the financial year. The Directors are required to prepare these financial statements on going concern basis, unless it is not appropriate. Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

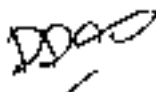
The Directors are also responsible, under Section 148 of the Companies Act No.07 of 2007, for ensuring that proper accounting records are kept to enable the determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements are being carried out in accordance with statutory guidelines.

The Directors confirm that in preparing the financial statements exhibited on pages 116 to 160 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Directors have taken action to safeguard the assets of the Company by having appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement and confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet Date, have been paid or where relevant, provided for.

By Order of the Board



**Dipak Das**

Managing Director

29th April 2023

# CHIEF EXECUTIVE OFFICER'S & CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The financial statements of Lanka IOC PLC as at March 31, 2023 are prepared and presented in conformity with the requirements of the following:

- ◆ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007,
- ◆ Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995,
- ◆ Listing Rules of the Colombo Stock Exchange,
- ◆ Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and Other applicable statutes.

The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied as revealed in the Notes to Financial Statements. There are no material deviations from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Company has adopted New Sri Lanka accounting standards which is effective from 01st January 2022, during the year. Application of Significant Accounting Policies and Estimate that involve a high degree of judgment and complexity were discussed with the Audit Committee and Independent Auditors.

The Board of Directors and Management of

our Company accept responsibility for the integrity and objectivity of these Financial Statements. The Estimates and Judgments relating to Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the company's state of affairs. We also confirm that the company has adequate resources to continue in operation and have applied the Going Concern basis in preparation of these Financial Statements.

To ensure this, the company has taken proper and sufficient care in putting in place an effective system of internal checks and controls, for ensuring the correctness of the Financial Transactions recorded in the books of accounts, safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Our Internal Auditors M/s.KPMG Chartered Accountants have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by M/s. Pricewaterhousecoopers Chartered Accountants, the Independent Auditors.

The Audit Committee of our company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent

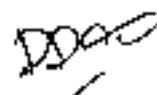
Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

## WE CONFIRM TO THE BEST OF OUR KNOWLEDGE;

The Company has complied with all applicable laws, regulations and prudential requirements and there are no material litigations that are pending against the Company other than disclose in note 25.2 under Contingencies.

## FINANCIAL STATEMENTS

All Taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Company as at the Statement of Financial Position date have been paid or where relevant provided for.



**Dipak Das**

Managing Director



**Aseem Bhargava**

Senior Vice President (Finance)

29th April 2023

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF LANKA IOC PLC

### OUR OPINION

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

### WHAT WE HAVE AUDITED

The Company's financial statements comprise:

- ◆ the statement of financial position as at 31 March 2023;
- ◆ the statement of comprehensive income for the year then ended;
- ◆ the statement of changes in equity for the year then ended;

- ◆ the statement of cash flows for the year then ended; and
- ◆ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of 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	How our audit addressed the Key audit matter
<p><b>REVENUE RECOGNITION</b></p> <p>Refer note 2.11.2 of the financial statements for disclosures of related significant accounting policies and 3 for the disclosure of revenue from contracts with customers.</p> <p>The Company's revenue consists of the sale of petroleum products. The Company's most significant revenue stream from petroleum products involve sales of automotive fuels.</p> <p>In line with IFRS 15, the Company should recognize revenue when a performance obligation is satisfied by transferring control over a promised good to the customer.</p> <p>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.</p> <p>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.</p> <p>Accordingly, the recognition and measurement of automotive fuel revenue was considered a Key Audit Matter.</p>	<p>Our audit procedures which included, amongst others, the following:</p> <ol style="list-style-type: none"> <li>Reviewed the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers.</li> <li>Tested the effectiveness of relevant controls over revenue recognition relating to sale of automotive fuels.</li> <li>Performed cut off procedures to ensure that the automotive fuel sales are recorded in proper accounting period.</li> <li>Performed test of details on the automotive fuel revenue generated through the period by checking source documents in the ERP.</li> <li>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.</li> <li>Reviewed the credit notes issued before and after the period end to ensure automotive fuel sales were recorded in the correct accounting period.</li> <li>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.</li> <li>Assessed the adequacy of related disclosures on revenue in the financial statements with reference to the disclosure requirements given in SLFRS 15.</li> </ol>

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T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, [www.pwc.com/lk](http://www.pwc.com/lk)

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, N R Gunasekera FCA, T U Jayasinghe FCA, H P V Lakdeva FCA,  
M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA, K M D R P Manatunga ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 March 2023 ("the Annual Report") (but does not include the financial statements and our auditor's report thereon). The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the 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 a 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. Independent auditor's report
  - 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, related safeguards.

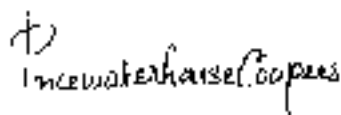
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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.

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#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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#### CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 2857  
Colombo

Sri Lanka  
29th April 2023

# STATEMENT OF COMPREHENSIVE INCOME

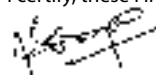
Year ended 31 March		2023	2022
	Note	Rs'000	Rs'000
Revenue from Contracts with Customers	3	281,487,600	89,951,223
Cost of Sales		(227,305,669)	(81,106,644)
<b>Gross Profit</b>		<b>54,181,931</b>	<b>8,844,579</b>
Other Operating Income	4	115,541	115,819
Administrative Expenses		(3,313,625)	(1,638,789)
Selling and Distribution Expenses		(6,806,931)	(1,911,931)
<b>Operating Profit</b>		<b>44,176,916</b>	<b>5,409,678</b>
Finance Income	5.1	3,453,888	1,364,149
Finance Expenses	5.2	(2,928,709)	(1,162,155)
Finance Income – Net		525,179	201,994
<b>Profit Before Tax</b>	6	<b>44,702,095</b>	<b>5,611,672</b>
Income Tax Expenses	7.1	(7,006,455)	(793,217)
<b>Profit for the Year</b>		<b>37,695,640</b>	<b>4,818,455</b>
<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	(10,541)	(4,224)
Changes in the Fair Value of Equity Investment at Fair Value Through Other Comprehensive Income		458,000	-
Income Tax on Other Comprehensive Income	9.2	1,581	634
Other Comprehensive Income / (loss) for the Year, Net of Tax		449,040	(3,590)
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>38,144,680</b>	<b>4,814,865</b>
<b>Earnings Per Share (Rs.)</b>	10	<b>70.79</b>	<b>9.05</b>

The accounting policies and notes on pages 120 through 160 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March		2023	2022
	Note	Rs '000	Rs '000
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	3,903,723	3,856,924
Financial Assets at Fair Value Through Other Comprehensive Income	12	4,901,000	4,443,000
Intangible Assets	13	673,876	673,876
Right -of-use Assets	14.1	47,881	80,146
Financial Assets at Amortised Cost	17.2	148,463	141,700
Bank Deposits	22.3	-	1,461,896
		<b>9,674,943</b>	<b>10,657,542</b>
<b>Current Assets</b>			
Inventories	15	38,027,406	27,257,032
Trade Receivables	16	4,514,979	3,965,382
Financial Assets at Amortised Cost	17.1	805,632	667,182
Other Current Assets	18	2,153,779	107,950
Short Term Investments	22.2	21,045,631	19,891,773
Cash and Bank Balances	19.1	5,990,257	2,523,749
		<b>72,537,684</b>	<b>54,413,068</b>
<b>Total Assets</b>		<b>82,212,627</b>	<b>65,070,610</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	20	7,576,574	7,576,574
Other Reserve	12	458,000	-
Retained Earnings		53,197,972	16,709,340
<b>Total Equity</b>		<b>61,232,546</b>	<b>24,285,914</b>
<b>Non Current Liabilities</b>			
Defined Benefit Obligation (Net)	8.2	15,171	11,532
Lease Liabilities	14.2	49,539	45,782
Deferred Tax Liability (Net)	9.1	541,161	380,489
		<b>605,871</b>	<b>437,803</b>
<b>Current Liabilities</b>			
Trade and Other Payables	21	14,826,759	14,504,470
Lease Liabilities	14.2	1,684	41,955
Interest Bearing Borrowings	22.1	4,468,346	25,778,225
Income Tax Payable		1,077,421	22,243
		<b>20,374,210</b>	<b>40,346,893</b>
<b>Total Equity and Liabilities</b>		<b>82,212,627</b>	<b>65,070,610</b>

I certify, these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

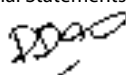


Senior Vice President (Finance)

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;



Director



Director

The accounting policies and notes on pages 120 through 160 form an integral part of the Financial Statements.

29 April 2023

Colombo

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023		Stated Capital	Other Reserve (Financial As- sets at FVOCI)	Retained Earnings	Total
	Note	Rs '000	Rs '000	Rs '000	Rs '000
<b>As at 1 April 2021</b>		7,576,574	-	12,347,070	19,923,644
Dividends Paid	27	-	-	(452,595)	(452,595)
Profit for the Year		-	-	4,818,455	4,818,455
Other Comprehensive Loss		-	-	(3,590)	(3,590)
<b>As at 31 March 2022</b>		7,576,574	-	16,709,340	24,285,914
Dividends Paid	27	-	-	(1,198,048)	(1,198,048)
Profit for the Year		-	-	37,695,640	37,695,640
<b>Other Comprehensive Income</b>		-	458,000	(8,960)	449,040
<b>As at 31 March 2023</b>		<b>7,576,574</b>	<b>458,000</b>	<b>53,197,972</b>	<b>61,232,546</b>

The accounting policies and notes on pages 120 through 160 form an integral part of the Financial Statements.



# STATEMENT OF CASH FLOWS

Year ended 31 March		2023	2022
	Note	Rs '000	Rs '000
<b>Cash Flows From Operating Activities</b>			
Profit Before Income Tax Expense		44,702,095	5,611,672
<b>Adjustments for</b>			
Finance Income	5.1	(3,453,888)	(1,364,149)
Finance Expenses	5.2	2,928,709	1,162,155
Increase in Allowances for Impairment	16.1	20,534	-
Gain in Disposal of Property, Plant And Equipment	4	(862)	(25,180)
Defined Benefit Plan Cost	8.3	4,551	5,480
Depreciation	11.2	421,531	421,509
Amortisation of Intangible Asset	13.2	-	500
Amortisation of Right-of- use Assets	14.1	32,265	31,528
Interest on Lease Liabilities	14.2	9,573	8,283
Exchange Loss on Borrowing		13,573	1,198,085
<b>Operating Profit before Working Capital Changes</b>		<b>44,678,081</b>	<b>7,049,883</b>
Increase in Inventories		(10,770,373)	(17,631,982)
Increase in Trade Receivable, Other Receivables and Other Current Assets		(2,761,174)	(392,390)
Increase in Trade and Other Payables		322,289	8,696,035
<b>Cash Generated From / (Used in) Operations</b>		<b>31,468,823</b>	<b>(2,278,454)</b>
Income Taxes Paid		(5,789,025)	(163,485)
Interest Received		3,453,888	1,364,149
Interest Paid	5.2	(2,928,709)	(1,162,155)
Defined Benefit Paid		(38,108)	(17,927)
<b>Net Cash Flows From / (Used in) Operating Activities</b>		<b>26,166,869</b>	<b>(2,257,872)</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of Property, Plant and Equipment	11.1	(468,595)	(265,308)
Proceeds from Property, Plant and Equipment		1,128	31,418
Net Withdrawal in Gratuity Fund		26,655	10,286
Withdrawal of Bank Deposits		5,731,000	8,760,581
Investments in Short Term Investments		(5,422,962)	(7,850,963)
<b>Net Cash Used in Investing Activities</b>		<b>(132,774)</b>	<b>(1,571,858)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds From Interest Bearing Borrowings	22.1.1	127,445,045	105,575,340
Repayments of Interest Bearing Borrowings	22.1.1	(148,768,497)	(101,584,753)
Dividends Paid	27	(1,198,048)	(452,595)
Payment of Lease Creditor	14.2	(46,087)	(41,335)
<b>Net Cash (Used in) / From Financing Activities</b>		<b>(22,567,587)</b>	<b>3,496,657</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>3,466,508</b>	<b>1,924,799</b>
Cash and Cash Equivalents at the Beginning of the Year		2,523,749	598,950
Cash and Cash Equivalents at the End of the Year	19.1	5,990,257	2,523,749
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		<b>5,990,257</b>	<b>2,523,749</b>
Cash in Hand and at Bank		5,990,257	2,523,749

The accounting policies and notes on pages 120 through 160 form an integral part of the Financial Statements.

# NOTES 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 distribution of 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 22 January 2004 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 Government of India.

### 1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 29th April 2023.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Company has 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 comprises of 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 present value of the obligation and investment in unit trust and equity instruments which are at fair value.

### 2.3 Changes in accounting policies and disclosure

#### (a) New Standards and Amendments – Applicable 1 January 2022

##### (i) Amendment to LKAS 16, Property, Plant and Equipment

Proceeds before intended use –this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

##### (ii) Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

##### (iii) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- ◆ SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- ◆ SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- ◆ SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

These Standard and amendments are effective for the annual periods beginning on or after 1 January 2022.

(b) **New standards and amendments issued but not effective or early adopted in 2022**

The following standards and interpretations had been issued by IASB, but not mandatory for annual reporting periods ending 31 December 2022. Further, the Company has not early adopted these new standards and/or amendments.

(i) ***Classification of Liabilities as Current or Non-current – Amendments to LKAS 1***

The narrow-scope amendments to LKAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the ‘settlement’ of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) ***Disclosure Initiative: Accounting Policies - Amendments to LKAS 1***

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iii) ***Definition of Accounting Estimates (Amendments to LKAS 8)***

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

(iv) ***Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction***

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 transfer of 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 is dealing only in the Petroleum products. There are no separate activities other than the petroleum segment in the Company.

## 2.8 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

## 2.9 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 recognized 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 includes:

- ◆ Capital risk management Note 28.5
- ◆ Financial instruments risk management and policies Note 28
- ◆ Sensitivity analyses disclosures Notes 8 and 28

## 2.9.1 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 has the most significant effect on the amounts recognized 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 reasonably certain to extend (or not terminate);
- ◆ If any leasehold improvements are expected to have a significant remaining value, the Company is typically 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 judgments 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.

**2.9.2. 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 realizable 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 '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 recognizes 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 historical observed default rates are updated and changes in the forward-looking estimates

# NOTES TO THE FINANCIAL STATEMENTS

are analysed. On that basis, the Company estimates provision on trade receivables at the reporting date. ECL impairment loss allowance (or reversal) recognized 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.

## 2.10 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.10.1 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 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.

### 2.10.2 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 maximises 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 executed 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 & 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.

### 2.10.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.10.4 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 recognized 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 recognized 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 recognized 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.

## 2.10.5 Financial Instruments

### 2.10.5.1 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, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 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 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 recognized 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 and
- ◆ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely 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 includes 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

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 recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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.

## 2.10.5.2 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 which 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.

## 2.10.5.3 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.

## 2.10.5.4 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.

#### 2.10.5.5 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.

#### 2.10.5.6 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 by 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.

#### 2.10.5.7 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 categorization (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.

#### 2.10.6 Inventories

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

The cost incurred in bringing inventories to its present location and conditions are 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

#### 2.10.7 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.

# NOTES TO THE FINANCIAL STATEMENTS

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 carrying amount and are included in the Statement of comprehensive income.

## 2.10.8 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 able to 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.

## 2.10.9 Intangible assets

### b) 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.

## 2.10.10 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.

## 2.10.11 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 subject to insignificant risk of changes in value.

For the purpose of 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.

## 2.10.12 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.10.13 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:

- ◆ Building - Lease Period 4 years
- ◆ 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).

### 2.10.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the

# NOTES TO THE FINANCIAL STATEMENTS

amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

## 2.10.15 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.

## 2.10.16 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 2023.

#### *Recognition of Actuarial Gains and Losses*

Actuarial gains and losses are recognized 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 recognized as an employee benefit expense in profit or loss when they are due.

### 3. REVENUE FROM CONTRACT WITH CUSTOMERS

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Lanka Auto Diesel	111,767,849	18,493,788
Lanka Petrol 92 Octane	78,420,041	24,793,759
IFO380/ LSFO	36,115,285	19,595,130
Xtrapremium Euro 3	14,406,891	5,231,756
Lubricants	10,390,408	7,291,454
Marine Gas Oil	10,328,614	3,500,004
Xtramile	7,856,804	2,781,728
Xtrapremium 95	7,843,015	3,910,973
Lanka Super Diesel	2,461,261	1,512,561
Bitumen	1,494,431	2,818,812
Petrochemical	403,000	21,258
<b>Total Sales of Petroleum Products</b>	<b>281,487,600</b>	<b>89,951,223</b>

#### 3.1 Segment Information

Company is dealing only in the Petroleum products. There are no separate activities other than the petroleum segment in the Company.

3.2 The Revenue from contracts with customers are recognised at a point in time upon satisfying the performance obligation.

#### 3.3 Contract balances

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Trade Receivables (Note 16)	4,514,979	3,965,382
Contract Liabilities (Note 21)	1,083,099	1,067,451

### 4. OTHER OPERATING INCOME

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Rental Income	63,086	60,223
Sundry Income	51,593	30,416
Gain on Disposal of Property, Plant and Equipment	862	25,180
	<b>115,541</b>	<b>115,819</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 5. FINANCE INCOME AND EXPENSES

### 5.1 Finance Income

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Income from Short term Investments & Deposits	3,286,542	1,335,349
Interest on Others	167,346	28,800
	3,453,888	1,364,149

### 5.2 Finance Expenses

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Interest Expenses	2,027,925	962,589
Exchange Loss	900,785	199,566
	2,928,709	1,162,155

## 6. PROFIT FROM OPERATING ACTIVITIES

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Stated after Charging /Crediting</b>		
Directors' Emoluments	83,686	45,832
Salaries and Wages	883,061	649,554
Defined Benefit Obligation : Charge for the year (Note 8)	6,142	6,388
Audit Fee - Current year	1,680	1,500
Rent	68,699	68,856
Depreciation Charge for the year (Note 11.2)	421,531	421,509
Depreciation of Right-of-Use Assets (Note 14.1)	32,265	31,528
Amortisation Charge for the year	-	500

## 7. INCOME TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are as follows :

### 7.1 Income Statement

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Current Income Tax:</b>		
Current Tax Expense	6,844,202	150,679
<b>Deferred Tax:</b>		
Deferred Taxation Charge (Note 9.2)	162,253	642,538
<b>Income Tax Expense Reported in the Income Statement</b>	<b>7,006,455</b>	<b>793,217</b>



## 7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2023 and 31 March 2022 are as follows :

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Accounting Profit Before Tax	44,702,095	5,611,672
Tax calculated at a statutory income tax rate of 15% (2022 - 15%)	6,705,314	841,751
Tax impact of expenses deductible/not deductible for tax purpose	184,364	(330,217)
Tax impact of income taxable at different rate	(346,545)	(94,175)
Tax impact of income not subject to tax	(312,069)	(109,591)
Adjustment due to the estimated deferred tax base in previous year	165,039	334,770
<b>Tax charge on profit from trade or business</b>	<b>6,396,103</b>	<b>642,538</b>
Taxable Interest Income	2,110,302	627,831
Tax calculated at a tax rate of 24%	90,956	150,679
Tax calculated at a tax rate of 30%	519,396	-
<b>Tax charge on Interest Income</b>	<b>610,352</b>	<b>150,679</b>
<b>Total tax charge for the year</b>	<b>7,006,455</b>	<b>793,217</b>

## 8. DEFINED BENEFIT OBLIGATION

As at 31 March	2023	2022
	Rs '000	Rs '000
Balance as at 01 April	114,138	111,657
Current Service Cost	5,541	5,620
Interest Cost	11,410	10,783
Actuarial (Gain) / Loss (8.4)	(268)	4,005
Benefits Paid	(38,108)	(17,927)
<b>Balance as at 31 March</b>	<b>92,713</b>	<b>114,138</b>

### 8.1 Reconciliation of Fair Value of Plan Assets

As at 31 March	2023	2022
	Rs '000	Rs '000
Balance as at 01 April	102,606	97,965
Contribution by Employer	10,611	12,772
Expected Return	10,809	10,015
Remeasurement	(10,809)	(219)
Benefit Paid	(35,674)	(17,927)
<b>Balance as at 31 March</b>	<b>77,543</b>	<b>102,606</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8.2 Reconciliation of Fair Value of the Plan Assets and Defined Benefit Obligation

<i>As at 31 March</i>	2023	2022
	Rs '000	Rs '000
Defined Benefit Obligation at the end of the year	92,713	114,138
Fair value of the plan assets at the end of the year	(77,543)	(102,606)
Amount recognised in statement of financial position	15,171	11,532

## 8.3 Expenses recognised on Defined Benefit Plan

<i>Year ended 31 March</i>	2023	2022
	Rs '000	Rs '000
<b>Income Statement</b>		
Current Service Cost for the year	5,541	5,708
Net Interest Cost for the year	601	767
Transfers	(1,591)	(995)
	4,551	5,480
<b>Other Comprehensive Income</b>		
Actuarial (Gain) / Loss (8.4)	(268)	4,005
Remeasurement	10,809	219
	10,541	4,224

## 8.4 Actuarial Loss during the year has resulted from the following:

Expected maturity analysis of undiscounted retirement benefit obligations:

<i>Year ended 31 March</i>	2023	2022
	Rs '000	Rs '000
Changes in Financial Assumptions	(8,726)	468
Changes in Demographic Assumptions	-	-
Experience Adjustments	8,458	3,537
	(268)	4,005

**8.5** Actuarial valuation of Retirement Benefit Obligation as at 31 March 2023 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:

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Discount Rate	15.0%	12.0%
Salary Incremental Rate	1-10%	1-7%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	15.00%	9.8%

Assumptions regarding future morality are based on 67/70 Mortality Table issued by Institute of Actuaries, London.

## 8.7 Maturity Profile of the Defined Benefit Obligation Plan

As at 31 March	2023	2022
	Rs '000	Rs '000
Less than 1 year	9,420	2,151
Between 2-5 years	50,336	61,757
Beyond 5 years	326,641	202,298

## 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 Obligations measurement as at 31 March 2023. 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%			5,438	(5,438)
-1%			(6,083)	6,083
	1%		(6,584)	6,584
	-1%		5,954	(5,954)
		25%	(1,130)	1,130
		-25%	1,226	(1,226)

# NOTES TO THE FINANCIAL STATEMENTS

## 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 categories of Plan assets is as follows :

Year ended 31 March	2023	2022
Insurer-managed funds	100%	100%

8.10 The weighted average duration of defined benefit Obligation is 8.91 years.

## 9. DEFERRED TAX ASSETS - NET

### 9.1 Deferred Tax

Deferred Tax Relates to the Following:

As at 31 March	2023	2022
	Rs '000	Rs '000
<b>Deferred Tax Assets Arising on:</b>		
Brought Forward Tax Losses	-	138,473
Retirement Benefit Obligation	13,907	17,121
ECL Provision	10,298	7,217
	24,205	162,811
<b>Deferred Tax Liability Arising on:</b>		
Property Plant & Equipment	(107,373)	(116,641)
Unrealized Exchange Loss	(457,992)	(426,659)
	(565,365)	(543,300)
<b>Net Deferred Tax Liability</b>	<b>(541,161)</b>	<b>(380,489)</b>

9.1.1 Deferred Tax asset of Rs.138Mn on taxable loss fully utilised in year 2022.

### 9.2 Deferred Tax Movement

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Balance brought forward</b>	<b>380,488</b>	<b>(261,416)</b>
Deferred Income Tax Charge- Income Statement	162,253	642,538
Deferred Income Tax Credit- Statement of Other Comprehensive Income	(1,581)	(634)
<b>Net Deferred Tax Liability</b>	<b>541,161</b>	<b>380,488</b>

## 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.

Year ended 31 March	2023	2022
<b>Amounts Used as the Numerator</b>		
Profit for the year Attributable to Ordinary Shareholders for Basic Earnings Per Share	37,695,640	4,818,455
<b>Number of Ordinary Shares used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share (Rs.)	70.79	9.05

## 11. PROPERTY, PLANT AND EQUIPMENT

### 11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2022	Additions	Transfers	Disposals	Balance as at 31.03.2023
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Freehold Land	1,953,857	-	-	-	1,953,857
Building and Fixtures	2,146,061	-	130,354	(3,188)	2,273,227
Plant and Equipment	3,480,283	543	31,628	-	3,512,454
Office Equipment	78,375	11,509	-	(4,695)	85,189
Furniture and Fittings	376,458	3,414	50,760	(8,732)	421,900
Motor Vehicles	20,902	-	-	-	20,902
Capital Work-In- Progress	63,107	453,129	(212,742)	-	303,494
	8,119,043	468,595	-	(16,615)	8,571,023

# NOTES TO THE FINANCIAL STATEMENTS

## 11.2 Depreciation

At Cost	Balance as at 01.04.2022	Charge for the year	Transfers	Disposals	Balance as at 31.03.2023
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Building and Fixtures	1,379,481	107,312	-	(2,990)	1,483,803
Plant and Equipment	2,597,969	239,307	-	-	2,837,276
Office Equipment	45,418	14,483	-	(4,628)	55,273
Furniture and Fittings	220,209	59,649	-	(8,732)	271,126
Motor Vehicles	19,042	780	-	-	19,822
Capital Work-In- Progress	-	-	-	-	-
	4,262,119	421,531	-	(16,350)	4,667,300

## 11.3 Net Book Value

As at 31 March	2023	2022
	Rs '000	Rs '000
Freehold Land	1,953,857	1,953,857
Building and Fixtures	789,424	766,580
Plant and Equipment	675,178	882,314
Office Equipment	29,915	32,957
Furniture and Fittings	150,774	156,249
Motor Vehicles	1,080	1,860
Capital Work-In- Progress	303,494	63,107
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<b>3,903,723</b>	<b>3,856,924</b>

**11.4** During the financial year, the Company acquired Property, Plant and Equipment to aggregate value of Rs 469 Mn (2022 - Rs 265 Mn).

**11.5** The Useful Lives of the Assets are Estimated as Follows:

Year ended 31 March	2023	2022
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March	2023	2022
	Rs '000	Rs '000
At the Beginning of the year	4,443,000	4,394,000
Add: Investment made in Trinco Petroleum Terminal (Private) Limited	-	49,000
Change in Fair value of CPSTL	458,000	-
Balance at the end of the year	4,901,000	4,443,000

### 12.1 INVESTMENT - CPSTL

As at 31 March	2023	2022
	Rs '000	Rs '000
At the Beginning and end of the year	4,394,000	4,394,000
Change in Fair value of CPSTL	458,000	-
At The End Of The Year	4,852,000	4,394,000

**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 USD 45 million to 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.

### 12.2 INVESTMENT -TPTL

As at 31 March	2023	2022
	Rs '000	Rs '000
At the beginning and end of the year	49,000	49,000

**12.2.2** LIOC PLC 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 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 Ceylon Petroleum Corporation owns 51% shares of TPTL and nominates four board members including Chairman out of the seven board members. Lanka IOC PLC 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

As at 31 March	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
At the Beginning of the Year	759,298	14,437	773,734
At the end of the Year	759,298	14,437	773,734

# NOTES TO THE FINANCIAL STATEMENTS

## 13.2 Amortisation

As at 31 March	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
Cost			
At the beginning of the Year	85,421	14,437	99,858
<b>At the end of the Year</b>	<b>85,421</b>	<b>14,437</b>	<b>99,858</b>
<b>13.3</b> Net Book Value as at 31.03.2022	673,876	-	674,876
<b>13.4</b> Net Book Value as at 31.03.2023	<b>673,876</b>	<b>-</b>	<b>673,876</b>

**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 include the amortization charge recognized 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 found the 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 contracts for the office building which has lease terms 4 years and a 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.



### 14.1 Right-of-use assets

Set out below are the carrying amount of Right-of-use Assets recognised and movements during the year.

<i>As at 31st March</i>	<b>2023</b>	<b>2022</b>
	<i>Rs '000</i>	<i>Rs '000</i>
<b>Cost</b>		
Balance As at 01 April	174,238	125,129
Addition and Improvement	-	49,109
Balance As at 31 March	174,238	174,238
<b>Accumulated Amortisation</b>		
Balance As at 01 April	94,092	62,564
Charge for the year	32,265	31,528
Balance As at 31 March	126,357	94,092
<b>Net Book Value As at 31st March</b>	<b>47,881</b>	<b>80,146</b>

### 14.2 Lease Liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year.

<i>As at 31 March</i>	<b>2023</b>	<b>2022</b>
	<i>Rs '000</i>	<i>Rs '000</i>
Balance As at 01st April	87,738	71,681
Addition	-	49,109
Accretion of Interest	9,573	8,283
Payments	(46,087)	(41,335)
<b>Balance As at 31st March</b>	<b>51,224</b>	<b>87,738</b>
<b>Current Liability</b>	<b>1,684</b>	<b>41,955</b>
<b>Non Current Liability</b>	<b>49,539</b>	<b>45,782</b>
	<b>51,224</b>	<b>87,737</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14.3 Maturity Analysis of Lease Liability

As at 31 March	2023	2022
	Rs '000	Rs '000
Not later than one month	365	3,496
Later than one months not later than three months	1,103	7,068
Later than three months not later than one year	4,533	31,804
Later than a year not later than five year	26,250	24,150
Later than a five year	427,770	438,500
	460,020	505,018

## 14.4 Following are the amounts recognised in profit or loss:

Year ended 31 March	2023	2022
	Rs '000	Rs '000
Depreciation expenses of right-of-use assets	32,265	31,528
Interest expenses on lease liability	9,573	8,283
Expenses relating to short term and low value leases included in administrative expenses	26,861	29,045
<b>Total amount recognised in profit or loss</b>	<b>68,699</b>	<b>68,856</b>

The total cashflows made with respect to leases is Rs. 46 Mn. (2022 - Rs. 41Mn).

## 15. INVENTORIES

As at 31 March	2023	2022
	Rs '000	Rs '000
Auto Fuel	28,393,872	21,780,522
Base oil and other raw materials	5,147,313	2,266,537
Bunker Fuel	2,766,274	2,015,864
Lubricants	947,397	295,252
Bitumen	438,584	203,299
Goods in Transit	333,965	695,558
	38,027,406	27,257,032

## 16. TRADE RECEIVABLES

As at 31 March	2023	2022
	Rs '000	Rs '000
Trade Receivable from third- party customers	4,646,152	4,076,022
Allowance for Impairment	(131,173)	(110,640)
	4,514,979	3,965,382

# 16.1 Set out below is the movement in the allowance for expected credit losses of trade receivables.

Year ended 31 March	2023	2022
	Rs '000	Rs '000
As at 01 April	110,640	110,640
Provision for the Expected Credit Losses	20,534	-
As at 31 March	131,174	110,640

# 16.2 As at 31 March, the age analysis of net - trade receivables is set out below.

	Total	Neither Past due nor Impaired	Past Due but not Impaired				
			Less than 30 days	31-90 days	91-180 days	181-365 days	>365 days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2023	4,514,979	4,353,083	106,704	46,502	2,299	5,912	479
2022	3,965,383	3,845,922	114,995	227	60	67	4,113

**16.3** Allowance for impairment Rs 131 Mn (2022 Rs 111 Mn) includes provision for Expected Credit Loss line with accounting policy applicable for trade receivable for which 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 following currencies:

As at 31 March	2023	2022
	Rs '000	Rs '000
US Dollars	3,863,111	2,827,728
Sri Lankan Rupees	651,868	1,137,654
	4,514,979	3,965,382

# 17. FINANCIAL ASSETS AT AMORTISED COST

## 17.1 Financial Assets At Amortised Cost - Current

As at 31 March	2023	2022
	Rs '000	Rs '000
Claims, Refunds, Staff loans and Others	17,875	11,327
VAT Receivables	669,314	526,043
Deposits	118,444	117,443
	805,632	654,813

# NOTES TO THE FINANCIAL STATEMENTS

## 17.2 Other Receivable At Amortised Cost - Non Current

As at 31 March	2023	2022
	Rs '000	Rs '000
Staff Loans	116,718	108,648
Prepaid-deferred employee benefit	31,745	33,052
	148,463	141,700

17.3 The carrying amounts of financial assets at amortised cost are denominated in Sri Lankan Rupees.

17.4 For the other receivable, the Company applies the three stage model approach permitted by SLFRS 9, which requires 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 31 March 2023 and 31 March 2022 were immaterial.

## 18. OTHER CURRENT ASSETS

As at 31 March	2023	2022
	Rs '000	Rs '000
Advance Payments [Note (a)]	2,110,693	79,582
Prepayments	43,086	28,368
	2,153,779	107,950

(a) Advance payments mainly consisted of payments made to Sri Lanka customs and port authority amounting to Rs 1,830,148,026 (2022 - Rs 20,119,909).

## 19. CASH AND CASH EQUIVALENTS

### 19.1 Cash & Cash Equivalent balances

As at 31 March	2023	2022
	Rs '000	Rs '000
Cash and Bank Balances	1,721,154	2,523,749
Short Term Bank Deposits	4,269,103	-
Total Cash & Cash Equivalent balances	5,990,257	2,523,749

## 20. STATED CAPITAL

As at 31 March	2023	2022
20.1 Stated Capital as at 31st March (Rs'000)	7,576,574	7,576,574
20.2 Number of Ordinary Shares	532,465,705	532,465,705

## 21. TRADE AND OTHER PAYABLES

As at 31 March		2023	2022
		Rs '000	Rs '000
Trade Payables	- Related Parties (21.2)	510,998	304,918
	- Others (21.1)	11,346,638	13,023,839
Other Payables	- Related Parties (21.3)	688,144	497,139
Sundry Creditors Including Accrued Expenses (21.4)		1,252,150	678,574
Provision for NBT Assessment (25.2)		1,028,830	-
		14,826,759	14,504,470

**21.1** Trade Payables - Others consist of Rs 1,083 Mn (2022- Rs 1,067 Mn) contract liability received from Customers.

### 21.2 Trade Payables- Related Parties

As at 31 March		2023	2022
	Relationship	Rs '000	Rs '000
Indian Oil Corporation Limited	Immediate Parent	510,998	304,918
		510,998	304,918

### 21.3 Other Payables- Related Parties

As at 31 March		2023	2022
	Relationship	Rs '000	Rs '000
Indian Oil Corporation Limited	Immediate Parent	410,195	227,384
Ceylon Petroleum Storage Terminal Limited	Affiliate	277,949	269,755
		688,144	497,139

**21.4** Sundry creditors including accrued expenses mainly consists of deposit payable amounting to Rs 854,094,676 (2022 - Rs 520,560,230) and social security contribution levy payables amounting to Rs 237,646,716 (2022 - Rs Nil).

## 22. OTHER FINANCIAL ASSETS AND LIABILITIES

### 22.1 Interest Bearing Borrowings

As at 31 March		2023	2022
	Relationship	Rs '000	Rs '000
Short Term Loans from Banks (Note 22.1.1)		4,468,346	25,778,225

The interest rates are as follows:

Short term loans SOFR+ Margin

The SOFR rate (monthly) at the date of statement of financial position was 4.80%

# NOTES TO THE FINANCIAL STATEMENTS

## 22.1.1 Short Term Loans from Banks Movement

As at 31 March	2023	2022
	Rs '000	Rs '000
Balance as at 01 April	25,778,224	20,589,553
Proceed from bank loans	127,445,045	105,575,340
Repayments of bank loans	(148,768,497)	(101,584,753)
Exchange Loss on bank loans	13,573	1,198,085
Balance as at 31st March	4,468,346	25,778,224

22.1.2 The short term loans from banks Rs 4,468 Mn (2022- Rs 25,778 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 1,191 Mn (2022- Rs 8,804 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

## 22.2 Short Term Investments

As at 31 March	2023	2022
	Rs '000	Rs '000
Investment in Unit Trust (Note 22.4)	2,654,504	2,447,539
Investment Through Portfolio Management Services	8,273,702	7,058,108
Short Term Bank (Note 22.3)	10,117,425	10,386,126
	21,045,631	19,891,773

## 22.3 Bank Deposits

As at 31 March	2023	2022
	Rs '000	Rs '000
Total Bank Deposits	14,386,528	11,848,022
Less: Short Term Bank Deposits	(14,386,528)	(10,386,126)
Long term Bank Deposits	-	1,461,896

The loan is repayable within 12 months after the reporting date

## 22.4 Investment in Unit Trust - Fair Value Through Profit or Loss

As at 31 March	2023	2022
	Rs '000	Rs '000
Balance as at 01 April	2,447,538	7,866,496
Withdrawals	(85,760)	(5,648,705)
Fair Value Gain	292,726	229,747
Balance as at 31 March	2,654,504	2,447,538

## 23. RELATED PARTY DISCLOSURES

### 23.1 Transactions with the Related Entities

#### 23.1.1 Transactions with Parent

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Nature of Transaction</b>		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(532,302)	(895,248)
Fund Transfers/Payment Made	441,866	762,722
Purchases of Goods/Services	(614,678)	(303,443)
Expenses Reimbursed	(216,079)	(96,333)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(921,193)	(532,302)
<b>Net Balance as at 31 March</b>	<b>(921,193)</b>	<b>(532,302)</b>

23.1.2 During the year, the Company paid a gross dividend of Rs 1,198 Mn with respect to the financial year ended 31 March 2023, out of which Rs 900Mn was paid to Indian Oil Corporation Limited.

#### 23.1.3 Transactions with Indian Oil (Mauritius) Ltd- Affiliated Company

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Nature of Transaction</b>		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Received	-	10,858
Sale of Goods	-	(10,858)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

#### 23.1.4 Transactions with Indian Oil Middle East- Affiliated Company

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Nature of Transaction</b>		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	(129,538)	-
Purchases of Goods/Services	129,538	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 23.1.5 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Affiliate

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Nature of Transaction</b>		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(269,755)	(796,788)
Fund Transfers/Payment Made	673,850	1,072,135
Services Rendered	(682,044)	(545,102)
Dividend	-	-
Sponsorship	-	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(277,948)	(269,755)

## 23.1.6 Transactions with Trinco Petroleum Terminal Limited (TPTL) - Affiliate

Year ended 31 March	2023	2022
	Rs '000	Rs '000
<b>Nature of Transaction</b>		
Amounts Receivable as at 01 April	12,369	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	-	(49,000)
Investments In Equity	-	49,000
Payment made on account of TPTL Tanks Lease Rental	-	(12,369)
Amounts Receivable as at 31 March	12,369	12,369
Amounts Payable as at 31 March	-	-

Lanka IOC PLC has invested Rs 49 Mn in the financial year 2021-22 in Equity of Trinco Petroleum Terminal Limited (TPTL) - Significant Investee to hold 49% of its equity value.

## 23.1.7 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	2023	2022
	Rs '000	Rs '000
Fees for Directors	2,850	2,800
Emoluments	75,419	39,913
Short Term Employment Benefits	5,417	3,119
	83,686	45,831

- 23.3 Apart from the transactions reported above, the Company has transactions with other Government of India related entities, which includes but not limited to Goods/services etc. These transactions are conducted in the ordinary course of the Company business on the 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 have been reported in follows.

Year ended 31 March	Nature of the transactions	2023	2022
		Rs '000	Rs '000
(a) Items in Statement of Comprehensive Income	Finance Expenses	72,377	57,459
	Purchases	1,156,559	353,623
(b) Items in Statement of Financial Position	Interest bearing Loans and Borrowings	1,331,553	8,803,505
	Investment in Gratuity Fund	77,543	102,606
	Trade Payable	140,511	82,369
(c) Off statement of financial position Items	Letters of credit	-	1,797

## 24. COMMITMENTS

There were no material commitments as at the reporting date except the following:

### 24.1 Capital Commitments

Capital expenditure contracted for at end of the period but not yet incurred amounts to Rs 1,202 Mn (2022- Rs 126 Mn)

### 24.2 Purchase Commitments

Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2023 amounted to Rs 23,784 Mn (2022 - Rs 3,594 Mn).

# NOTES TO THE FINANCIAL STATEMENTS

## 25. CONTINGENCIES

There were no material contingencies as at the reporting date except the following:

**25.1** Guarantees issued by Banks on behalf of the Company as at 31 March 2023 amounted to Rs 602 Mn (2022- Rs 557 Mn).

**25.2** There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case was determined by the Tax Appeal Commission in favour of IRD for the assessment period Jan 2012 to Sept 2012 amounting to Rs. 149.12 Mn including interest & penalty. Considering the merits of the case & expert opinion, LIOC filed the appeals in the Court of Appeal. The cases for the assessment period Oct 2012 to Dec 2015 & April 2016 to Mar 2017 is pending before the Tax Appeal Commission amounting to Rs. 1,052.18 Mn including interest & penalty. For the assessment period April 2017 to March 2018 amounting to Rs. 376.68 Mn including interest & penalty, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Jan 2016 to Mar 2016 & Apr 2018 to November 2019 is Rs. 410.28 Mn for which assessment orders have not yet been issued by 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 & 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 ground that the assessment from IRD has not been received and the management is unable to make a best estimate of the liability required to settle the present obligation at the end of the reporting period.

## 26. ASSETS PLEDGED

The short term loans from banks Rs 4,468 Mn (2022- Rs 25,778 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 1,192 Mn (2022- Rs 8,804 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

Except above no assets have been pledged as at the reporting date.

## 27. DIVIDEND

Year ended 31 March	2023	2023	2022	2022
Equity Dividend on Ordinary shares	Per Share Rs.	Rs '000	Per Share Rs.	Rs '000
Declared and Paid during the year	2.25	1,198,048	0.85	452,595

## 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 that the Company's financial risk-taking activities are 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 are as follows.

As at 31 March	Denominated in Rs	Denominated in USD
2023	Rs '000	Rs '000
Cash at bank and in hand	674,809	446,682
Interest Bearing Loans & Borrowings	2,539,900	1,328,788
Investment in Unit Trust	2,654,504	-
Investment Through Portfolio Management Services	8,273,702	-
Short Term Bank And REPO Deposits	6,082,527	8,304,001
Trade Receivables	651,868	3,863,111
Other Receivables at Amortised cost	954,095	-
Trade and Other Payables	3,407,980	11,418,780
2022		
Cash at bank and in hand	1,476,089	1,047,660
Interest Bearing Loans & Borrowings	8,806,438	16,971,787
Investment in Unit Trust	2,447,539	-
Investment Through Portfolio Management Services	7,058,108	-
Bank Deposits	-	11,848,022
Trade Receivables	1,137,654	2,827,933
Other Receivables at Amortised cost	808,882	-
Trade and Other Payables	3,085,684	11,418,780

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD...)

### 28.1 Market Risk (Contd...)

#### 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 31 March 2023	Increase/ decrease in interest rate	Effect on Profit Before Tax
		Rs '000
<b>Sensitivity only using borrowings</b>		
Increase	+1%	(38,687)
Decrease	-1%	38,687
<b>Sensitivity using Investment in deposits</b>		
Increase	+1%	192,322
Decrease	-1%	(192,322)

As at 31 March 2022	Increase/ decrease in interest rate	Effect on Profit Before Tax
		Rs '000
<b>Sensitivity only using borrowings</b>		
Increase	+1%	(257,782)
Decrease	-1%	257,782
<b>Sensitivity using Investment in deposits</b>		
Increase	+1%	213,537
Decrease	-1%	(213,537)

## 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 31 March	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
	Rs '000			Rs '000
<b>2023</b>				
Bank Deposits (USD)	8,304,001	326.57	+/- 1%	+/- 83,040
Interest Bearing Loans and Borrowings (USD)	1,328,788	326.57	+/- 1%	+/- 13,288
Trade and Other Receivables (USD)	3,863,111	326.57	+/- 1%	+/- 38,631
Trade and Other Payables (USD)	11,418,780	326.57	+/- 1%	+/- 114,188
<b>2022</b>				
Short Term Investments (USD)	11,848,022	293.87	+/- 1%	+/- 118,480
Interest Bearing Loans and Borrowings (USD)	16,971,787	293.87	+/- 1%	+/- 169,718
Trade and Other Receivables (USD)	2,827,728	293.87	+/- 1%	+/- 28,279
Trade and Other Payables (USD)	11,418,780	293.87	+/- 1%	+/- 114,188

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.

## 28.2 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 group 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 receivable using the provision matrix:

# NOTES TO THE FINANCIAL STATEMENTS

## 28.2 Credit risk (Contd...)

As at 31 March	2023		2022	
	Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
	Rs '000	Rs '000	Rs '000	Rs '000
<b>Current</b>	<b>4,388,061</b>	<b>28,917</b>	<b>3,872,910</b>	<b>26,988</b>
< 30 days	107,789	4,655	115,682	687
31-90 days	47,616	270	231	5
91-180 days	2,406	550	70	10
181-365 days	6,127	3,018	126	60
>365 days	94,151	93,761	87,003	82,890
	<b>4,646,150</b>	<b>131,171</b>	<b>4,076,022</b>	<b>110,640</b>

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 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 Amortised cost, bank deposits and cash and Bank balances the Company applies the three stage model approach permitted by SLFRS 9, which requires 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 31 March 2023 and 31 March 2022 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 project 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:

As at 31 March 2023	Less than 1 year	More than 1 year	Total
	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
	<b>19,296,789</b>	<b>49,539</b>	<b>19,346,328</b>

As at 31 March 2022	Less than 1 year	More than 1 year	Total
	Rs '000	Rs '000	Rs '000
Interest-Bearing Loans and Borrowings	25,778,224	-	25,778,224
Lease Liabilities	42,368	462,650	505,018
Trade and Other Payables	14,504,470	-	14,504,470
	40,325,063	45,782	40,787,713

#### 28.4 Price Risk

The Company is exposed to the commodity price risk of petroleum products.

The Company monitors price of petroleum products on a dynamic basis and adjust 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 31 March	2023	2022
	Rs '000	Rs '000
Total borrowings (Note 22.1)	4,468,346	25,778,225
Less :- Cash and Cash Equivalents (Note 19.1)	(5,990,257)	(2,523,749)
Net debt	(1,521,912)	23,254,476
Total Equity	61,232,546	24,285,914
Total Capital	65,700,892	50,064,139
Gearing ratio	7%	51%

# NOTES TO THE FINANCIAL STATEMENTS

## 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 31 March, the Company held the following financial instruments carried at fair value on the statement of financial position:

### b) Financial Assets measured at fair value

As at 31 March	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	8,273,702	-	-
As at 31 March	2022	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)	2,447,538	2,447,538	-	-
- Investment Through Portfolio Management Services (Note 22.2)	7,058,108	7,058,108	-	-

During the reporting period ended 31 March 2023, 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 31 March 2023		Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at FVOCI	Financial Assets and Liabilities at Amortised Cost	Total
	Notes	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
<b>Financial Assets At Fair Value Through</b>					
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
<b>Total Financial Assets</b>		<b>10,928,206</b>	<b>4,901,000</b>	<b>21,576,755</b>	<b>37,405,961</b>
<b>Financial Liabilities</b>					
Trade and Other Payables	21	-	-	14,826,759	14,826,759
Interest Bearing Loans and Borrowings	22.1	-	-	4,468,346	4,468,346
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>19,295,105</b>	<b>19,295,105</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTD...)

As at 31 March 2022	Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost	Total
Notes	Rs '000	Rs '000	Rs '000
<b>Financial Assets</b>			
Other Receivables at amortised cost	17	-	796,513
Trade Receivables	16	-	3,965,382
Bank Deposits	22.3	-	11,848,022
Investment in Unit Trust	22.4	2,447,538	-
Investment Through Portfolio Management Services	22.2	7,058,108	-
Cash and Bank Balances	19	-	2,523,749
<b>Total Financial Assets</b>		2,447,539	19,133,666
<b>Financial Liabilities</b>			
Trade and Other Payables	21	-	14,504,470
Interest Bearing Loans and Borrowings	22.1	-	25,778,225
<b>Total Financial Liabilities</b>		-	40,282,695

# EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2022	NO. OF CANOPIES
			Roots	%
1	102389	SAMPATH ENTERPRISES,	01R	00.03P
2	102432	CADILLAC IOC FILLING STATION PVT LTD	01R	27.44P
3	102320	HOMAGAMA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD		32.30P
4	102313	S.S. KOTALAWALA & CO		25.29P
5	102357	A.W. DAVITH APPUHAMY & SONS		30.70P
6	102362	PASSARA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD		24.32P
7	102334	SINHA ASSOCIATES		12.14P
8	102402	SINHA AUTO IOC SERVICES (PVT) LTD		28.70P
9	102351	GAMPOLA MPCs LTD		26.00P
10	102317	LANKA IOC SERVICE MART (PVT) LTD	01R	11.83P
11	102391	S & D ENTERPRISES		36.94P
12	102365	MRS. R.P. JAYASINGHE		21.98P
13	102350	DON DAMINDA JAYAMAL DIAS	02R	00.72P
14	102361	W. PALIHAWADANA & SONS		25.25P
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	01R	35.45P
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD		24.29P
17	102380	DERANIYAGALA PANAWELA MPCs LTD		27.84P
18	102431	MRS. WIMALA SIRISENA		34.11P
19	102424	DWM FERNANDO & SONS (PVT) LTD		36.94P
20	102449	M/S. THILAKA FILLING STATION		38.33P
21	102322	MAHARAGAMA MPCs LTD		36.67P
22	102324	KOLONNAWA MPCs LTD		29.73P
23	102383	HEWAGAM KORALE EAST MPCs LTD		20.00P
24	102390	HEWAGAM KORALE EAST MPCs LTD		34.76P
25	102406	MR. HARSHA D. WEERAKOON		38.56P
26	102436	A.H.M. HUSSAIN HADJIAR SONS	01R	10.74P
27	102318	MRS. SOMA ABEYWARDHANA		24.00P
28	102321	KOTTAWA LANKA FILLING STATION		21.73P
29	102381	EHELIYAGODA MPCs LTD		34.52
30	102410	W. CALISTUS PERERA & SONS	01R	19.34P
31	102434	TANGALLE MPCs LTD		24.00P
32	102412	KATANA MPCs LTD		37.68P
33	102425	AMBALANGODA MPCs LTD		19.00P
34	102409	MR. K.H. JAYASINGHE		22.44P
35	102445	RANGIRI DAMBULLA MPCs LTD		22.23P
36	102316	SLIPTO AGENCIES (PVT) LTD	01R	07.23P
37	102394	M/S. LIYANAGE ASSOCIATES		34.00P
38	102450	MRS. C.R. SAMARASINGHE	02R	00.05P
39	102429	MR. DUDLEY PARANAGAMA		23.48P

# EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2022	NO. OF CANOPIES
			Roots	%
40	102312	MINERAL SPRINGS (PVT) LTD	01R	12.94P
41	102314	MR. A.W. RANASINGHE		15.39P
42	102336	MR. C.J. ABEYRATNE		17.20P
43	102426	MRS. K.A.A.H. DE SILVA		20.1P
44	102341	MR. S.N. JAYASINGHE	01R	06.17P
45	102310	M/S. FELIX PEREIRA & SON	02R	01.15P
46	102353	G.K. SAMIE & SONS		15.41P
47	102319	M.G. SAMSON & SONS		36.78P
48	102444	MR. M. SELVARAJAH		33.97P
49	102411	SANDALANKAWA NEW MPCs LTD	01R	08.36P
50	102433	KOTAPOLA MPCs LTD		13.27P
51	102385	RAIGAM UDAGAHAPATTU MPCs LTD		22.23P
52	102384	B.D.P. GUNASEKERA & SON		27.36P
53	102358	MR. P.G.W. SAMARASEKERA	01R	03.66P
54	102335	S.R.B. ENTERPRISES		39.44P
55	105601	PULLENDRAN FUEL STATION		43.62P
56	102387	KALUTARA MPCs LTD		28.15P
57	102311	MR. H.K.S. RANASINGHE		38.83P
58	102395	MR. SARATH COLONNE		35.50P
59	102379	BALANGODA MPCs LTD		34.39P
60	102356	W.A. PERERA & SONS	01R	14.84P
61	102396	RATNAPURA MPCs LTD		34.9P
62	102451	MUTTUR AGA DIVISION MPCs LTD	01R	29.86P
63	102340	ATTANAGALLA MPCs LTD		12.10P
64	102342	LIANFIRM (PVT) LTD		36.89P
65	102352	HALIELA MPCs LTD		24.50P
66	102388	MR. S.P. GUNASINGHE	01R	02.02P
67	102354	M/S. HUNNASGIRIYA AGENCIES		12.57P
68	102447	GALGAMUWA MPCs LTD		13.00P
69	102386	KALAWANA MPCs LTD		12.89P
70	102343	POLGAHAWELA MPCs LTD		13.48P
71	102363	YATINUWARA MEDA PALATA MPCs LTD		31.04P
72	102323	WIJERAMA ENTERPRISE		24.62P
73	102339	MAWANELLA HEMMATHAGAMA MPCs LTD		24.24P
74	102423	A.H. WIMALATUNGE & SON (PVT) LTD		39.63P
75	102427	MRS H N W PRIYANGANI DE SILVA		29.91P
76	102435	TISSAMAHARAMA MPCs LTD	01R	00.00P
77	102401	BINGIRIYA MPCs LTD		10.46P
78	102430	WELDISI (PVT) LTD	01R	03.58P
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA		13.65P

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2022	NO. OF CANOPIES
			Roots	%
80	102408	MR. L.P.P. PATHIRATNE	01R	01.94P
81	102446	GALEWELA MPCs LTD		23.36P
82	102315	SWASTHIKA MILLS LTD	01R	03.96P
83	102364	A.V. HINNIAPPUHAMY & COMPANY		26.37P
84	102404	JOE PERERA & SONS		14.81P
85	102355	NOOHU MARIKAR		22.20P
86	102403	DIVULAPITIYA MPCs LTD		06.68P
87	102392	PELMADULLA MPCs LTD		24.41P
88	102407	MAWATHAGAMA MPCs LTD		11.93P
89	102337	KEGALLE MPCs LTD		14.44P
90	102448	KAHATAGASDIGILIYA MPCs LTD		39.77P
91	102378	D.H.J. JAYAKODY BROTHERS		25.62P
92	102393	MR. P.D.H.P. KARUNARATNE		18.67P
93	102360	SS BANDARA		37.81
		ACQUIRING A LAND ( 13.75 P @ RS 475,000/-)		
94	102338	E.P.B. DE SOYSA (PVT) LTD		13.00P
95	102359	MR. R.M. SENEVIRATNE		24.56P
96	102428	WIPULA DHARMADASA		15.06P
97	102333	M/S PERERA & CO & SONS		26.50P
98	102405	K.W. SUSIRIPALA ASSOCIATES		14.48P
99	102344	ATTANAGALLA MPCs LTD		22.30P

In Compliance with Section 7.6 (viii) and (xii) of the CSE Listing Rules, the Company's lands were revalued as at 31.03.2016 by Mr. Kumar Subramaniam, Chartered Valuation Surveyor as an independent Consultant empanelled by M/s SJMS Associates, Chartered Accountants, based on the current open Market Value of lands for their existing use as lands approved for the establishment of Fuel retail outlets, amounting to Rs. 6,766 Mn. However, this has not been adjusted in the Financial Statements to conform to the existing cost model being followed by the company as per its Accounting Policy as stated in Note 2.10.7 which is in line with Sri Lanka Accounting Standards LKAS -16

# SHAREHOLDER'S INFORMATION

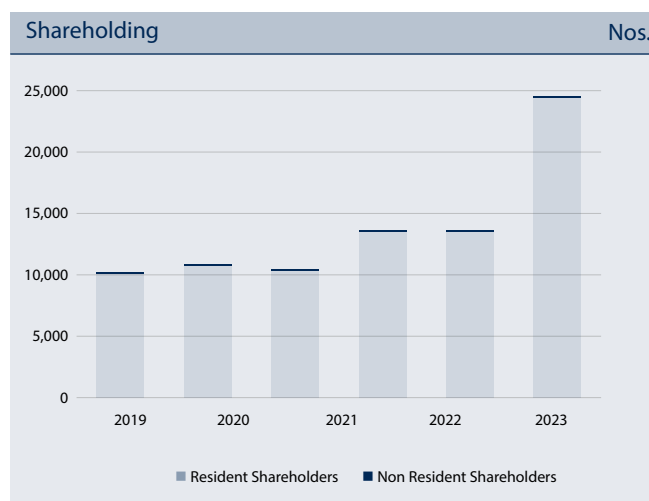
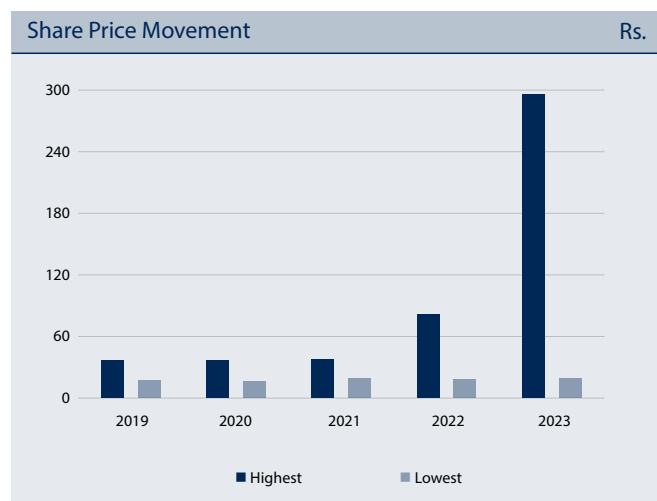
## AS AT 31 MARCH 2023

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	Total Share holding %
1-1000	9,111	2,928,074	0.550	21	12,472	0.002	9,132	0.552
1001-10000	4,241	12,299,183	2.310	42	178,502	0.034	4,283	2.343
10001-100000	650	20,014,118	3.759	16	653,026	0.123	666	3.881
100001-1000000	136	36,210,353	6.801	6	1,658,034	0.311	142	7.112
1000001-& Above	23	58,511,938	10.989	1	400,000,005	75.122	24	86.111
<b>TOTAL</b>	<b>14,161</b>	<b>129,963,666</b>	<b>24.408</b>	<b>86</b>	<b>402,502,039</b>	<b>75.592</b>	<b>14,247</b>	<b>100.000</b>

## AS AT 31 MARCH 2023

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	132	57,124	0.011	9,000	2,883,422	0.542	9,132	2,940,546	0.552
1001-10000	244	1,058,023	0.199	4,039	11,419,662	2.145	4,283	12,477,685	2.343
10001-100000	177	6,469,860	1.215	489	14,197,284	2.666	666	20,667,144	3.881
100001-1000000	75	20,206,548	3.795	67	17,661,839	3.317	142	37,868,387	7.112
1000001-& Above	22	452,357,424	84.955	2	6,154,519	1.156	24	458,511,943	86.111
<b>TOTAL</b>	<b>650</b>	<b>480,148,979</b>	<b>90.175</b>	<b>13,597</b>	<b>52,316,726</b>	<b>9.825</b>	<b>14,247</b>	<b>532,465,705</b>	<b>100.000</b>

FINANCIAL YEAR	RESIDENT SHAREHOLDERS	NON RESIDENT SHAREHOLDERS	INSTITUTIONAL SHAREHOLDERS
01.04.2018- 31.03.2019	10,110	109	376
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
<b>01.04.2021- 31.03.2023</b>	<b>24.408</b>	<b>86</b>	



**LANKA IOC PLC - TOP 20 SHAREHOLDERS AS AT 31.03.2023**

Year ended 31 March 2023		2023	
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.P.DISANAYAKE	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 SHAREHOLDING</b>		<b>532,465,705</b>	<b>100.00</b>

**Directors' Shareholding as on 31. 03. 2023**

Mr Ranjan Kumar Mohapatra	Nil
Mr Manoj Gupta	Nil
Prof. Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr Vigyan Kumar	Nil
Mr D R Paranjape	Nil

# SHAREHOLDER'S INFORMATION

LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE)		01.04.2022-31.03.2023
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
LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE)		01.04.2021-31.03.2022
No. of Share transactions for the year		105,645
No. of Shares traded		264,733,914
Value of Shares Traded (Rs)		13,243,762,918.30
<b>Price Movements (Rs)</b>		
Highest (Rs)		81.30
Lowest (Rs)		18.30
Closing Price (Rs)		38.80
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)		20,660
Float Adjusted Market Capitalisation (Rs Mn)		5,140



# GRI CONTEXT INDEX

Statement of use	LIOC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Oil and gas sector 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Inner back, 8-9				
	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	4-5	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	113-115				
	2-6 Activities, value chain and other business relationships	8-9				
	2-7 Employees	71				
	2-8 Workers who are not employees	71				
	2-9 Governance structure and composition	95				
	2-10 Nomination and selection of the highest governance body	89				
	2-11 Chair of the highest governance body	88				
	2-12 Role of the highest governance body in overseeing the management of impacts	88				
	2-13 Delegation of responsibility for managing impacts	86-88				
	2-14 Role of the highest governance body in sustainability reporting	5				
	2-15 Conflicts of interest	88				
	2-16 Communication of critical concerns					
	2-17 Collective knowledge of the highest governance body	88				
	2-18 Evaluation of the performance of the highest governance body	89				
	2-19 Remuneration policies	89				

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.

# GRI CONTEXT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-20 Process to determine remuneration	89, 97				
	2-21 Annual total compensation ratio	-	2-21 a., b. & c	Confidentiality constraints	Omitted due to sensitivity of the information	
	2-22 Statement on sustainable development strategy	17-19				
	2-23 Policy commitments	85-95				
	2-24 Embedding policy commitments	71, 77-79, 85-95,				
	2-25 Processes to remediate negative impacts	73, 77-78				
	2-26 Mechanisms for seeking advice and raising concerns	73, 77-78				
	2-27 Compliance with laws and regulations	73, 77-78				
	2-28 Membership associations	79				
	2-29 Approach to stakeholder engagement	38-41				
	2-30 Collective bargaining agreements	-	2-30 a,b	Not applicable	LIOC does not have any collective bargaining agreements with its employees	
Material topics						
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	42-44				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	57-61				11.14.1
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	57				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	
	201-3 Defined benefit plan obligations and other retirement plans	132, 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	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	62				11.14.1
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	62-65, 80				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	79				11.14.1
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	79				11.14.6
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	108,126				11.21.1
GRI 207: Tax 2019	207-1 Approach to tax	108,126				11.21.4
	207-2 Tax governance, control and risk management	99,103				11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	41				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	83				
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	82				11.1.1

# GRI CONTEXT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	82				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	82				
	302-5 Reductions in energy requirements of products and services		302-5a,b,c	Information unavailable	This information is not available at present	
<b>Water and effluents</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	82-83				11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	82-83				11.6.2
	303-2 Management of water discharge-related impacts	82-83				11.6.3
	303-3 Water withdrawal	82				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	82				11.6.6
<b>Waste</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	83				11.5.1
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	83				11.5.2
	306-2 Management of significant waste-related impacts	83				11.5.3
	306-3 Waste generated	82				11.5.4
	306-4 Waste diverted from disposal	-		Information unavailable	This information is not available at present	11.5.5
	306-5 Waste directed to disposal	-		Information unavailable	This information is not available at present	11.5.6
<b>Employment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	70				11.10.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
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	-		Information unavailable	This information is not available at present 11.10.4
<b>Labor/management relations</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	74			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	74			11.10.5
<b>Occupational health and safety</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	73			11.9.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	73			11.9.2
	403-2 Hazard identification, risk assessment and incident investigation	73			11.9.3
	403-3 Occupational health services	73			11.9.4
	403-4 Worker participation, consultation and communication on occupational health and safety	73			11.9.5
	403-5 Worker training on occupational health and safety	72, 73			11.9.6
	403-6 Promotion of worker health	73			11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	73			11.9.8
	403-8 Workers covered by an occupational health and safety management system	73			11.9.9
	403-9 Work-related injuries	- 403-9a		Information unavailable	This information is not available at present 11.9.10
	403-10 Work-related ill health	- 403-10a		Information unavailable	This information is not available at present 11.9.11

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	71-72				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	-	404-1a	Information unavailable	This information is not available at present	11.10.6
	404-2 Programs for upgrading employee skills and transition assistance programs	72				11.10.7
	404-3 Percentage of employees receiving regular performance and career development reviews	72				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	74				11.11.1
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	70-71				11.11.5
	405-2 Ratio of basic salary and remuneration of women to men	-	405-2a	Information unavailable	This information is not available at present	11.11.6
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	74				11.11.1
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	74				11.11.7
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	74				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	74				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	74				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	74				11.12.2
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	80				11.15.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programs	37,80			11.15.2
	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
<b>Customer health and safety</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	77-78			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	77-78			
	416-2 Incidents of non- compliance concerning the health and safety impacts of products and services	77-78			
<b>Marketing and labeling</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	78			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	78			
	417-2 Incidents of non- compliance concerning product and service information and labeling	78			
	417-3 Incidents of non- compliance concerning marketing communications	78			

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the 21st Annual General Meeting of the shareholders of Lanka IOC PLC will be held on 29th June 2023 at 10.30 a.m virtually for the following purposes;

1. To receive, consider and adopt 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 2023 with the Report of the Auditors thereon.
2. To declare a first & final dividend of Rs. 4.00 per share for the Financial Year 2022-2023
3. as recommended by the Board.
4. (i) To re-elect Mr Ruchir Agrawal 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 Sujoy Choudhury 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. Saumitra P Srivastava 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.
5. To re-appoint Prof.Lakshman R Watawala, who has reached the age of 75 (w.e.f 17th March 2023) and accordingly vacates his position in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act) and to propose the following Ordinary Resolution in compliance with Section 211 of the Act, 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 75 years (w.e.f 17th March 2023) and that Prof.Lakshman R Watawala, be re-appointed as a Director of the Company, in terms of Section 211 of Companies Act No.7 of 2007.

6. To re-appoint Mr. Amitha Gooneratne, who has reached the age of 71 (w.e.f 27th April 2023) and accordingly vacates his position in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act) and to propose the following Ordinary Resolution in compliance with Section 211 of the Act, 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 Mr. Amitha Gooneratne Independent Non-Executive Director who has reached the age of 71 years (w.e.f 17th April 2023) and that Mr. Amitha Gooneratne, be re-appointed as a Director of the Company, in terms of Section 211 of Companies Act No.7 of 2007.

7. To appoint Messrs, Ernst & Young Chartered Accountant, 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.

The Annual Report of Lanka IOC PLC for 2022-23 will be available via the below links, once the Financial Statements for the year ended 31 March 2023 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 Lanka IOC PLC  
[Ms] Amali Liyanapatabendi

**Company Secretary Lanka IOC PLC**

7th June 2023

Colombo

Note:

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 [agmlankaio.com@gmail.com](mailto:agmlankaio.com@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 .....  
 a member/s of Lanka IOC PLC, hereby appoint Mr/Mrs/Miss.....being a  
 [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 Ruchir Agrawal	whom failing
Mr Saumitra P Srivastava	

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 21st Annual General Meeting of the Company to be held on 29th June 2023 at 10.30 a.m 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 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To declare a first & final dividend of Rs. 4.00 per share for the Financial Year 2022-23.	<input type="checkbox"/>	<input type="checkbox"/>
3.	a) To re-elect, Mr Ruchir Agrawal 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 Sujoy Choudhury 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 Saumitra P Srivastava 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 75 and vacates the position of Director.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-appoint Mr Amitha Goonarantne, who has reached the age of 71 and vacates the position of Director.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To appoint Messrs, Ernst & Young Chartered Accountant, as Auditors of the Company for the ensuing year and authorize the Board of Directors to their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on this.....day of.....2023

.....

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 :	<a href="http://www.lankaioc.com">www.lankaioc.com</a>
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 Saumitra P Srivastava Ruchir Agrawal
Company Secretary :	(Ms) Amali Liyanapatabendi
Registrars :	Central Depository System (Pvt) Ltd Ground Floor, M & M Centre 341/5, Kotte Road, Rajagiriya
Auditors - Statutory :	M/s Pricewaterhousecoopers (PwC) 100, Braybrook Place, 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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