

50+ YEARS



*Industrial asphalts (ceylon) PLC*

# ANNUAL REPORT

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FORESIGHT | AUDACITY

Our INVESTMENT PHILOSOPHY is to move fast to capture opportunities as it presents itself; unencumbered by the weight of history, culture, bureaucracy, and politics. It means being **AUDOCIOUS**, armed with **FORESIGHT** of economic trends and the willing to take considerable risk for GREATER REWARDS.

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*our way of life*

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## FINANCIAL HIGHLIGHTS

	2022/23	2021/22	Change (%)
<b>Operating Results and Ratios</b>			
Revenue	55,031,025	43,692,428	25.95%
Results from Operating Activities	213,696,343	230,899,244	-7.45%
Profit before Tax	153,607,922	230,847,745	-33.46%
Profit after Tax - Continuing Operations	147,787,820	235,356,778	-37.21%
Profit after Tax - Discontinued Operations	-	(6,348,677)	-100.00%
Net Profit	147,787,820	229,008,101	-35.47%
Total Comprehensive Income	147,453,327	229,626,630	-35.79%
<b>Statement of Financial Position</b>			
<b>Highlights and Ratios</b>			
Total Assets	1,449,968,257	1,256,255,568	15.42%
Stated Capital	156,642,070	156,642,070	-
Retained Earnings	1,193,697,621	1,046,244,294	14.09%
Total Equity	1,365,480,990	1,218,027,663	12.11%
Total Liabilities	84,487,267	38,227,905	121.01%
Current Ratio (Times)	2.53	4.52	(1.99)
Debt to Equity Ratio (Times)	0.06	0.03	0.03
<b>Investor Information and Ratios</b>			
Earnings per Share - Rs.	0.04	0.06	(0.02)
Net Assets per Share - Rs.	0.36	0.32	0.04
Market Value per Share (end) - Rs.	0.30	0.40	(0.10)
Return on Equity (ROE) - %	11%	19%	-8%
Number of shares issued	3,749,411,250	3,749,411,250	-
Market Capitalization	1,124,823,375	1,499,764,500	(374,941,125)
Float Adjusted Market Capitalization	582,255,972	776,341,296	(194,085,324)

\* Certain comparative figures have been restated to conform to the classification and presentation as at 31<sup>st</sup> March 2023.

## CORPORATE INFORMATION

### Name of Company

Industrial Asphalts (Ceylon) PLC

### Legal Form

Quoted Public Company with limited liability listed on the Colombo Stock Exchange since 1978.

### Date of Incorporation

30 June 1964

### Date of Re-registration

1 August 2008

### New Registration Number

PQ185

Colombo 10

### Registered Office

MMBL Pathfinder Office Complex  
No.345/D, Negombo Road, Peliyagoda.

Tel : 011 5 289 850

Fax : 011 5 289 849

Email : info@iac.lk

### Corporate Website

www.iac.lk

### Board of Directors

Mr. G. Ramanan (Executive Director)

Mr. N.K. Dahanayake (Non-Executive Independent Director)

Mr. R. Kishore Ignatius (Non-Executive Independent Director)

Mr. S. Marimuthu (Non-Executive Independent Director)

Mr. R. Raguneethan (Non-Executive Independent Director)

### Board Sub-Committees

#### Board Audit Committee

Mr. R. Kishore Ignatius - Chairman

Mr. S. Marimuthu

#### Related Party Transactions Review Committee

Mr. N.K. Dahanayake - Chairman

Mr. R. Kishore Ignatius

### Accounting year end

31 March

### Auditors

A. I. Macan Markar & Co.

Chartered Accountants

46-2/1, 2nd Floor, Lauries Road, Colombo 4

### Bankers

Commercial Bank of Ceylon PLC

Bank of Ceylon

Hatton National Bank PLC

### Company Secretaries

Ninecap Corporate Solutions (Pvt) Ltd.

No.55, Vinayalankara Mawatha,

### Registrars

Central Depository Systems (Pvt) Ltd.

Ground Floor, M & M Center,

341/5, Kotte Road, Rajagiriya

### Investment Committee

Mr. S. Marimuthu - Chairman

Mr. R. Kishore Ignatius

Mr. N.K. Dahanayake

### Remuneration Committee

Mr. N.K. Dahanayake - Chairman

Mr. S. Marimuthu

## EXECUTIVE DIRECTOR'S REPORT

I would like to welcome you'll to the 59th Annual General Meeting of the members of Industrial Asphalts (Ceylon) PLC.

The Company's financial performance and analysis of the same is given in the Management Discussion and Analysis section of the Annual Report from pages 7 to 9.

History was rewritten in 2022 and again rewritten in 2023. 2022 was a year when the most powerful was humbled by the masses and the country was humbled by the sins of the past. Whilst the mighty fell and traditional institutions of the country crumbled, at the moment of least hope the country pulled itself from the abyss by stellar leadership from Central Bank of Sri Lanka, the Ministry of Finance and most importantly the Executive President of the Country.

The macro-economic environment has turned positive globally, and Sri Lanka has one of the best economic outlooks for the next 2 years. The Company has been able to position itself to capture great opportunity that is being presented to itself.

The Balance Sheet of the company consists of our real estate exposure as the primary asset and the liquid funds which are primarily deployed in listed equities. Our property at Peliyagoda devolved on to us due to the 1983 ethnic violence, where Company's production facilities situated in freehold properties at Sapukaskanda and Rajagiriya were destroyed by raging mobs, damage was both to property and personnel. Both these properties were acquired by the Government, whilst the company only receiving compensation for the Rajagiriya

property in the form of the perpetual lease at New Nuge Road, Peliyagoda.

The Company completed the transformation into an Investment Holding Company during the last financial year, unfortunately were not able to capture upside potential of this strategic redirection due to the calamity in the financial markets and real estate sector. Whilst the performance for current financial year was disappointing the on-going prospects looks very promising as the country is now fully recovered from the crisis. The Company is in the process of ascertaining various ways of optimising its real estate exposure on balance sheet.

The Domestic Debt Restructuring undertaken by the country is similar in nature to the historical share split carried out by the Company. It gives an opportunity to rebound from an economic dilemma and build a far more stable and profitable future.

The Company's initiative on the Bitumen Terminal at Hambantota awaits the port authority's clearance for the requested land and operational clearances, we are hopeful that an economic decision is taken by the operator in the near future for us to initiate the project. The Company is also exploring other more viable ventures in areas outside the bitumen space.

In 1983, rights were violated, and the future was bleak. The Country eventually set itself in the exact opposite, as today we are becoming a beacon of reconciliation and hope, a role model for others in the region and beyond. In 2022, the country in all its prospects was set to become an economically

## EXECUTIVE DIRECTOR'S REPORT

failed state, but today we are considered as a role model for economic revival. Combining these two factors, the Country indeed is a miracle. We at IAC are taking this to heart and setting ourselves to capture the economic opportunities unfolding in front of us.

I would like to take this opportunity to place on record the support provided by the management team, our outsource partner MMBL Pathfinder and my fellow Directors for enabling the Company to navigate a challenging year and to position ourselves to capture the unfolding opportunities.

(Sgd.)

**G.Ramanan**

Executive Director

## MANAGEMENT DISCUSSION & ANALYSIS

### Investment Holding Company

The company's business operations were fully shifted to investment activities during the financial year 2022/23 with the disposal of Paint & Coatings business segment in 2021/22. During the financial year under review the investment activities were mainly focused on rental from investment property, investments in fixed income generating Government Securities and investments in the equity market. In addition to these operations the Company is actively perusing the proposed Bitumen Terminal Project in Hambantota.

Hence Industrial Asphalts (Ceylon) PLC is an investment holding company with interest in

various ventures and investments including but not limited to the Bitumen space.

### Financial Results

The revenue grew by 26% from Rs.43.6Mn to Rs.55Mn. However, the net profit dropped by 35% from Rs.229Mn to Rs.148Mn as a result of the contraction of the country's economy which led to strategic asset allocation decisions taken during the period by the Management of the Company. Overall, the Company's total assets, investment property valuation and equity grew by considerable value indicating the Company's growth potential amidst the current economic situation.

	2022/23	2021/22	Change (%)
Revenue	55,031,025	43,692,428	25.95%
Results from Operating Activities	213,696,343	230,899,244	-7.45%
Profit before Tax	153,607,922	230,847,745	-33.46%
Net Profit	147,787,820	229,008,101	-35.47%
Total Assets	1,449,968,257	1,256,255,568	15.42%
Investment Property	1,246,313,000	1,048,761,000	18.84%
Total Equity	1,365,480,990	1,218,027,663	12.11%
Liabilities	84,487,267	38,227,905	121.01%
Earnings per Share - Rs.	0.04	0.06	(0.02)
Net Assets per Share - Rs.	0.36	0.32	0.04

### Revenue and Profitability

During the FY 2022/23 the revenue increased by 25% to Rs.55Mn compared to Rs.43Mn in FY 2021/22. The increase in revenue is mainly attributable to gains derived from the equity investments. The main revenue source for the period under review has been the rent income derived from the Investment Property located at 28/1, New Nuge Road, Peliyagoda. The rental income for the period remained unchanged during FY 2022/23.

### Sale of Treasury Bills

At the beginning of FY 2022/23, 100% of the company's liquid assets were held in fixed income generating Government Securities which amounted to Rs.168Mn. With the country leading into social unrest and the weakened macro-economic factors prevailing in the country persuaded the Management to shift the liquid assets from fixed income securities to equity investments. The rationale behind this is due to the increased risk projected by fixed income securities stemming



## MANAGEMENT DISCUSSION & ANALYSIS

from the domestic debt restructuring (DDR) process. The Management was of the view that the fixed income securities carry a higher risk in comparison to equity investments and real estate. Accordingly, during the second quarter of FY 2022/23 the Management disposed Treasury Bill investments amounting to Rs.128Mn at premature which resulted in a loss of Rs.7.7Mn.

### Equity Investments

With the shift in investment strategies, over 90% of company's liquid assets are held in equity investments by the year ended 31st March 2023, which amounted to Rs.140Mn. During FY 2022/23 the Company derived disposal gains amounting to Rs.13.9Mn from equity investments. The Company entered the equity market at the correct time when the share prices were at very low levels due to the weakened macro-economic factors which were prevailing in the country. As at the balance sheet date the share prices continued to remain at very low levels, which resulted in an unrealized loss on financial assets at fair value through profit or loss amounting to Rs.57Mn. The Management is of the view that the equity market would thrive over the FY 2023/24 with the DDR process coming into effect and the country's economic recovery.

### Fair Value Gain on Investment Property

Company's primary value driver is the investment property located at No.28/1, New Nuge Road, Peliyagoda. The fair value of Investment Property increased to Rs.1,246Mn as of 31st March 2023 compared to Rs.1,048Mn in 2021/2022. During the financial year, subsequent expenditure on buildings which were incurred in previous financial years were transferred to investment property. Accordingly, the company recorded a fair value gain of Rs.183.9Mn in 2022/2023 compared to the fair value gain of Rs.205Mn recorded in 2021/2022 financial year. As a result, IAC achieved an Operating Profit of Rs.213Mn for 31st March 2023.

### Administrative Expenses

Administrative expenses rose by 40% to Rs.25.2Mn in comparison to Rs.18Mn in FY 2021/22 mainly due to significant rise in inflation which affected fuel cost, travelling expenses, utility expenses and other administrative expenses of the Company.

### Profitability

The Company's profit before tax dropped by 33% to Rs.153Mn when compared to Rs.230Mn in FY 2021/22. The reduction in profitability is mainly due to the unrealized loss on fair value of equity investments which amounted to Rs.57Mn.

During FY 2022/23 the Company utilized the overdraft facility for equity investments, which resulted in interest cost of Rs.2.7Mn when compared to very low interest cost of Rs.51,499 in FY 2021/22. As of the balance sheet date the Company had fully settled the interest-bearing borrowings.

The Company incurred a deferred tax expense of Rs.5.8Mn in FY 2022/23 due to increase in deferred tax liabilities stemming from the revaluation gain of investment property. The Company's brought forward tax losses set-off the taxable business income and investment income during the year, which eliminated income tax expenses for the period under review.

The Company recorded an overall profit after tax of Rs.147Mn in 2022/2023 compared to the profit after tax of Rs.229Mn in 2021/2022.

### Financial Position

#### Asset Base

The value of the Company's total assets base as of 31st March 2023 has substantially increased by 15% to Rs.1,449Mn from Rs.1,256Mn on 31st March 2022. The enhancement of the total assets base is mainly attributable to the increase in fair value of investment property and the increase in liquid assets base held in equity investments. The strategic investment decisions made during

## MANAGEMENT DISCUSSION & ANALYSIS

the financial year resulted in reduction in liquid assets held in fixed income Government Securities to Rs.32Mn in comparison to Rs.168Mn in FY 2021/22.

### Capital Structure

Managing the Company's capital by way of a methodical strategy is a cornerstone of the Company's consistent success. The goal of the Company's capital management is to secure robust capital to boost its business. Therefore, the Company systematically manages its capital

structure and is conscious of the prevailing economic conditions.

The Company's total equity base increased by 12% from Rs.1,218Mn in 2021/22 to Rs.1,365Mn in 2022/23 financial year. Similarly, the Company's total liabilities increased significantly by 121% to Rs.84Mn in comparison to Rs.38Mn in 2021/22. The significant increase in total liabilities is mainly due to the increase in payables relating to equity investments amounting to Rs.32Mn, which is short-term and has been settled in full subsequent to the balance sheet date.

### Financial Performance and Way Forward

	2022/23	2021/22	Change (%)
Earnings per Share - Rs.	0.04	0.06	(0.02)
Net Assets per Share - Rs.	0.36	0.32	0.04
Return on Equity (ROE) - %	11%	19%	-8%
Current Ratio (Times)	2.53	4.52	(1.99)
Debt to Equity Ratio (Times)	0.06	0.03	0.03

The Company's Return on Equity (ROE) which measures the profitability of the Company in relation to shareholders' equity dropped to 11% for 2022/2023 financial year when compared to 19% ROE in 2021/2022. Similarly, the Earnings per share (EPS) dropped to Rs.0.04 for FY 2022/23 in comparison to 0.06 in FY 2021/22. These reductions are mainly stemming from the unrealized loss on fair value of equity investments which reduced the overall profitability of the Company during FY 2022/23. The Management is of the view that the equity market would boom during FY 2023/24 resulting from the DDR process under progress and the economic recovery coming into effect in the near future. This would eradicate the unrealized loss on fair value of equity investments and enable the Company to increase the gains on equity investments.

Moreover, the Company's lower debt levels and zero interest-bearing liabilities position has led to low leverage which is reflected by a low debt to equity ratio of 0.06 in FY 2022/23.

At present more than 90% of the assets in the balance sheet of the Company are held for investment purposes. As an Investment Holding company IAC is continuously exploring new frontiers to take strategic stakes where the targeted ROIs on those investments would be in line with the internal expectations. The Company is overall in a stronger position to develop and expand the business, while being able to stay resilient in the face of an increasingly challenging operating environment.

## BOARD OF DIRECTORS

### Mr. Govindasamy Ramanan

CFA | MBA (University of Chicago, Booth School of Business)

#### **Executive Director**

(Appointed to the Board on 30th May 2014)

Mr. Ramanan is an investor and entrepreneur who has wide expertise in financial markets, emerging technology, and corporate value creation. He draws from his stellar corporate life of more than 20 years at CXO level which propelled him to work closely with industry leaders to venture outside the confines of the corporate world to establish a pioneering private equity practice in Sri Lanka.

Mr. Ramanan is a CFA Charter Holder, a Chartered Management Accountant, and obtained his MBA from University of Chicago Booth School of Business.

### Mr. Nanda Kumara Dahanayake

#### **Non-Executive Independent Director**

(Appointed to the Board on 13th February 2020)

Mr. Dahanayake is an accomplished professional with vast experience in Bank Treasury Management and at present is a Management Committee Member of the BOC Pensioners' Association and a Trustee of the BOC, Pension Trust Fund and the Investment Committee. He worked as the Chief Executive Officer of the Primary Dealer subsidiary of NSB during the period 2006 to 2015 and as the CEO, he was instrumental in transforming the NSB Fund Management Company into a leading Primary Dealer from its very backward position. He has 25 years of experience in Bank Treasuries in the fields of Foreign Exchange, Money Market, Fixed Income Securities, managing FI portfolios and Treasury Back Office Operations. He has held positions of the Chief Dealer of Bank of Ceylon, the Head of Treasury/Chief Dealer at Nepal Bank of Ceylon and the Manager/Principal Dealer of Ceybank Securities Ltd., the Primary dealer arm of BOC. Mr. Dahanayake was instrumental in the setting up of the Treasury Division of Nepal Bank of Ceylon as its Head of Treasury.

Mr. Dahanayake has the Post Graduate Executive Diploma in Bank Management of the Institute of Bankers of Sri Lanka (2002) and has received the Prize for outstanding performance in International Banking & Treasury Management.

### Mr. Rienzie Kishore Ignatius

#### **Non-Executive Independent Director**

(Appointed to the Board on 29th July 2021)

Mr. Kishore Ignatius counts over 30 years of experience in the field of Financial Accounting, Management Accounting, Auditing, Risk and Compliance and has a proven track record, holding several senior management positions in large private sector entities in Sri Lanka, including John Keells Office Automation. He currently serves as the Chief Financial Officer for Printcare PLC, a Company listed on the Colombo Stock Exchange (CSE), possessing an established status for adhering to high ethical standards and integrity. Printcare PLC is the holding company of Printcare Group of Companies.

## BOARD OF DIRECTORS

Mr. Kishore is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Chartered Global Management Accountant (CGMA -USA) and holds a Master's degree in Business Administration (MBA) from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka (PIM).

### Mr. Sivanandan Marimuthu

#### Non-Executive Independent Director

(Appointed to the Board on 29th July 2021)

Mr. Sivanandan Marimuthu is a career banker with over 25 years of experience having served international banks in senior leadership capacities. He holds a Masters in Business Administration (MBA) from the University of Wollongong - Australia, a Bachelor of Commerce from Loyola College - Chennai and he is also a Management Accountant.

Mr. Sivanandan's experience in the banking sector is extensive, being a part of the country management team for Standard Chartered Bank Sri Lanka. He has contributed across all key functions such as Retail Banking, Banking Operations, Operational Risk Management, Compliance and Assurance, Project Implementations, Administration and Audit. He also has headed the Country Audit and Operational Risk Function for Standard Chartered Bank and has conducted audits for the banking group in other country offices too.

Current Directorships held

Equity One Ltd - Independent Non-Executive Director

Equity Two Ltd - Independent Non-Executive Director

Knightsbridge Technologies Pvt Ltd

### Mr. Rajeepan Raguneethan

#### Non-Executive Independent Director

(Appointed to the Board on 30th September 2021)

Raj Raguneethan (Raj) is a seasoned leader with over 30 years of experience in the Information Technology sector. He possesses a strong focus on driving business growth, implementing go-to-market strategies, and leading sales and solutions teams in the Business Applications, Digital Commerce, and Cloud Platform domains across the Asia Pacific and Japan (APJ) region.

Raj is deeply committed to advocating for customers and ensuring their success in their digital transformation efforts. He consistently fosters a winning growth mindset within his teams, resulting in a strong track record of scaling businesses and achieving remarkable results in the APJ market. With extensive experience in the Technology sector, Raj has gained a comprehensive understanding of business opportunities, challenges, and effective solutions.

In his most recent role, Raj served as the regional leader of Microsoft's Retail and Consumer Goods strategic and enterprise business for the Asia region. He was an integral part of Microsoft's extended

## BOARD OF DIRECTORS

leadership team in Asia and the worldwide retail and consumer goods leadership team. Prior to this role, Raj held the position of Business Applications(D365) leader for the Asia TZ region at Microsoft. During this tenure, he led the launch of Microsoft's Business Applications Dynamics-365 (D365) Service Cloud and Power Platform in the Asia region.

Before joining Microsoft, Raj served as the Senior Regional Director at Oracle, where he was part of the core leadership team responsible for the Oracle Commercial Applications Business in the APJ region. He played a key role in the development of a go-to-market strategy that led to the establishment of a new Commercial business in 2007. Prior to that, he led Oracle Supply Chain applications products for the Asia Pacific region, collaborating with the Oracle development and sales team to ensure the product direction met the current and future needs of global customers.

Raj holds a Post Graduate degree from the University of Macquarie, Sydney, and a Technology Degree from UK. He is also a member of the Singapore Institute of Directors. Currently, he is completing his Executive Director course from Singapore Management University (SMU).

Raj belongs to the global tech community and now coming back to his roots by leading the trend towards investing back in his homeland of Sri Lanka.

# ENTERPRISE RISK MANAGEMENT

## ENTERPRISE RISK MANAGEMENT PROCESS

**At IAC, the focus of the risk management process is the identification and mitigation of risks impacting the Company and its business objectives.** Moreover, the objective of our risk management is to add maximum sustainable value to all the activities of the organization. It marshals the understanding of the potential benefits and threats of all those factors which can affect the organization. Further it increases the probability of success and reduces both the probability of failure and uncertainty of achieving the organization's overall objectives. As the Company is exposed to a wider range of risks arising from a dynamic business environment which it operates, it must address the risks based on its risk appetite and risk tolerance.

## RISK IDENTIFICATION

**Systematically and continuously identify risks faced in meeting corporate objectives**

Risk identification is the process of determining risks that could potentially prevent the Company from achieving its strategic objectives. The Board continuously evaluate the Risk profile of the Company. As the Company is exposed to a wider range of risks arising from a dynamic business environment which it operates, it must address the risks based on its risk appetite and risk tolerance.

Risk appetite is the level of risk the Company is willing to accept and has been set in the framework of collaboration between risk assessment processes and its ability to mitigate and control existing and emerging risks.

## RISK ASSESSMENT

**Assess the significance of risks to enable the development of Risk Responses**

Once the risks have been identified, the likelihood of the risk occurring and the potential impact if the risk does occur are assessed using following risk matrix.

Impact	Major	Short Term Measures (Mitigate or Transfer)	Immediate Actions (Mitigate or Exploit)	Immediate Actions (Mitigate or Exploit)
	Moderate	Routine Procedures (Accept or Avoid)	Short Term Measures (Mitigate or Transfer)	Immediate Actions (Mitigate or Exploit)
	Minor	Routine Procedures (Accept)	Routine Procedures (Accept)	Short Term Measures (Mitigate or Transfer)
		Low	Medium	High
		Likelihood		

**Risk Likelihood:** An assessment of the likelihood of the risk occurring after taking into consideration of the key controls in place.

**Risk Impact:** An assessment of the potential financial or non-financial impact of the risk, if it were to materialize, after taking account of the controls in place.

## ENTERPRISE RISK MANAGEMENT

### RISK MANAGEMENT AND MONITORING

At IAC monitoring and review of the risk profile and the risk response plans are carried out as a continuous process. Such continuous monitoring provides assurance that the risks are being managed as expected and enables to assess whether the risk response plans remain relevant for the Company.

Risks monitoring consists of regular communication, regular review and audits of internal control systems and evaluation by key executives at appropriate levels of IAC.

While everyone at IAC is responsible for enterprise risk management in their respective areas, certain staff categories have specific responsibilities. The policy, design and framework for enterprise risk management is driven by the Board and managed by the Senior Management team.

The Board of Directors is responsible for the Company's corporate governance and to ensure to maintain a sound risk management framework coupled with sound internal control systems within the organization. The Directors are responsible to the Shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. Therefore, at IAC the responsibility for setting an effective risk management framework rests with the Board of Directors.

The Board has delegated authority to the Audit Committee to oversee the development and implementation of policies relevant for identification of risks and monitoring the effectiveness of procedures in place to mitigate such risks.

The following table in brief highlights the risks encountered by the Company the measures taken by the Company to manage potential risks.

	Risk Description	Risk Description	Implication	Risk mitigating Strategy
1	Macroeconomic and Political Risk	Risk arising from uncertain macroeconomic and political factors	<ul style="list-style-type: none"> <li>Loss of Projects due to instability in macroeconomic and political environment</li> <li>Weakening of the local currency directly affects the budgetary control systems and profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Conducting feasibility studies to prevent potential risk of investing in new projects</li> <li>Strengthening the relationships with existing business partners to secure existing and potential projects</li> <li>Including contingency plans for projects</li> </ul>

## ENTERPRISE RISK MANAGEMENT

	Risk De- scription	Risk Description	Implication	Risk mitigating Strategy
2	Operational Risk	Risk of losses resulting from inadequate internal processes and systems	<ul style="list-style-type: none"> <li>• Delay in overall Project deliverables</li> <li>• Could affect the project quality</li> </ul>	<ul style="list-style-type: none"> <li>• Effective and efficient planning and implementation of Projects</li> <li>• Continuous project quality checks</li> <li>• Carrying out frequent Project progress review meetings to monitor whether the targets are met and to take necessary action if required</li> </ul>
3	Compliance Risk	Risk arising from failure to comply with regulations imposed by various Regulatory Bodies	<ul style="list-style-type: none"> <li>• Regulatory Bodies could impose penalties</li> <li>• May lead to reputational damage of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic evaluation and upgrade of regulations and policies</li> <li>• Seeking independent professional advise as necessary</li> </ul>
4	Human Capital and Labour Risk	Risk of losses resulting from human errors, low productivity, weak internal control systems and fraud	<ul style="list-style-type: none"> <li>• Weak systems and internal controls could affect the decision making process at the Management and Board Level</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous monitoring of adequacy and accuracy of internal control systems</li> <li>• Continuous training and development of employees</li> <li>• Involving external expertises to monitor the internal system assurance function on a periodic basis</li> </ul>



## ENTERPRISE RISK MANAGEMENT

	Risk Description	Risk Description	Implication	Risk mitigating Strategy
5	Finance Risk	Risk of poor Treasury Management could affect the profit margins of the Company	<ul style="list-style-type: none"> <li>Return on surplus funds would be affected if funds are not invested with the most suitable financing institution and most interest yielding investment options</li> <li>Negative impact on cost of funding due to change in interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing monitoring of the Treasury Management function to ensure surplus funds yield the best return to the Company</li> <li>Continuous monitoring of interest rates and exchange rates; and negotiating with the existing financial institutions on the banking facilities when required</li> <li>Maintaining an appropriate combination of investments</li> </ul>
6	IT Related Risk	Risk of failures in IT systems could affect the smooth functioning of day-to-day operations of the Company	<ul style="list-style-type: none"> <li>Breakdown of daily operational functions.</li> <li>Inability to meet regulatory deadlines due to system breakdowns.</li> <li>Could affect the reputation and credibility of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining proper back-up systems to avoid data loss. Installation of proper software protection systems to ensure data security</li> <li>Maintaining a disaster recovery plan</li> </ul>

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

## For the financial year ended 31 March 2023

The Directors of Industrial Asphalts (Ceylon) PLC have pleasure in presenting their Annual Report on the affairs of the Company together with the audited Financial Statements for the year ended 31 March 2023 which were approved by the Board on 1st of August 2023.

The details set out herein provide information required by the Companies Act No. 7 of 2007, Listing Rules issued by the Colombo Stock Exchange and are guided by recommended best practices.

## Principal Activities

The principal activities of the Company are carrying out investment activities. Industrial Asphalts (Ceylon) PLC is an investment holding company with interest in various ventures and investments including but not limited to the Bitumen space.

## Review of Operations

The Company reported a net profit after tax of Rs.147Mn for 2022/2023 financial year against a net profit after tax of Rs.229Mn for comparative period 2021/2022. A more comprehensive review of the operations of the Company during the financial year and the results of those operations are contained in the Executive Director's Review and Management Discussion & Analysis on pages 5 to 9 of the Annual Report. These reports, together with the Financial Statements reflect the state of affairs of the Company.

## Legal Status

Industrial Asphalts (Ceylon) PLC was incorporated on 30 June 1964 under the provisions of the Companies Ordinance (Cap 145) and re-registered under the Companies Act, No.7 of 2007. The Company was listed on the Main Board of the Colombo Stock Exchange on 1st January 1978.

## Shares

### Stated Capital

The Stated Capital of the Company as at 31 March 2023 was Rs.156.6Mn consisting of 3,749,411,250 ordinary shares. Please refer Note 20 to the Financial Statements.

### Share Information and Substantial Shareholdings

As at 31 March 2023, there were 5863 registered Shareholders of the Company (5,695 Shareholders as at 31 March 2022).

Information on the distribution of shareholding, twenty largest shareholders of the Company, percentage of shares held by the public, market value of shares, earnings, dividends, net assets per share and information on share trading as per the Listing Rules of the Colombo Stock Exchange are presented under Shareholders Information on pages 78 to 79 of the Annual Report.

## Financial Statements

The Company prepared its Financial Statements according to the Sri Lanka Accounting Standards (SLFRS/ LKAS) and in compliance with the requirements of the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange. The Financial Statements of the Company are given on pages 41 to 75 of the Annual Report.

## Accounting Policies

All relevant applicable standards have been followed in presenting the Financial Statements for the year ended 31 March 2023. The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 49 to 62 of the Annual Report.

Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

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

### Independent Auditor's Report

The Independent Auditor's Report on the Financial Statements is given on pages 41 to 44.

### Financial Results

Summarized results for the financial year under review is set out below.

Year ended 31 March	2023 Rs.'000	2022 Rs.'000 Re-stated
Revenue	55,031	43,692
Results from operating activities	213,696	230,899
Net Finance Cost	(2,771)	(51)
Profit/(Loss) before Tax	153,607	230,847
Income Tax (expense)/ Reversal	(5,820)	4,509
Profit/ (Loss) from Discontinued Operations	-	(6,348)
Profit/(Loss) for the year	147,787	229,008

The Financial Statements of the Company are set out in pages 41 to 75 of the Annual Report.

### Reserves

The movement of the reserves is given on page 47 under Statement of Changes in Equity.

### Dividends

The Directors have not recommended the declaration of dividend for the financial year ended 31st March 2023 (F/Y 2021/22 – Nil).

### Corporate Donations

During the year under review, the Company made no charitable donations.

### Taxation

The Company has adopted accounting policy of making provision for deferred taxation. The Company's liability to income tax has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 for the first half of 2022/23 financial year and in accordance with provisions of the Amendment Act No. 45 of 2022 passed in Parliament on 9th December 2022 for the second half of 2022/23 financial year. Details are given in Note 8 to the Financial Statements.

### Investment Property

The Land and buildings of the Company are classified and accounted for as Investment Property. The Directors have adopted the fair value model for accounting for Investment Property. Extent, locations and valuations of the Company's Investment Properties are given in note 12 to the Financial Statements.

### Property, Plant & Equipment

Details of property, plant and equipment and their movement during the year are given in Note 11 to the Financial Statements.

### Investments

Details of Company's investments in Government Securities are given in Note 17 to the Financial Statements.

### Events after the Reporting Date

No significant events have occurred after the reporting period that require adjustments or disclosure in the Financial Statements other than those mentioned in Note 26 to the Financial Statements.

### Directors' Responsibility for Financial Reporting

The Directors' responsibility in relation to the Financial Statements is detailed under the Statement of Directors' responsibility on page 22 of the Annual Report.

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

### Board of Directors

The following were the Directors of the Company as at 31 March 2023.

1. Mr. G. Ramanan
2. Mr. N. K. Dahanayake
3. Mr. R. Kishore Ignatius
4. Mr. S. Sivanandan
5. Mr. R. Raguneethan

### Directors' Shareholding

Directors and their shareholding as at 31 March 2023 were as follows:

	No. of shares 31.03.2023	No. of shares 31.03.2022
Mr. G. Ramanan	1,800,693,010	1,800,693,010
Mr. N. K. Dahanayake	1,000,000	1,000,000
Mr. R. Kishore Ignatius	Nil	Nil
Mr. S. Sivanandan	4,750,000	4,750,000
Mr. R. Raguneethan	Nil	Nil

### Retirement by Rotation and Re-election

Mr. S. Marimuthu the Independent Non-Executive will retire in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director at the forthcoming AGM.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election of Mr. N.K. Dahanayake, who is 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act.

### Related Party Transactions

The Company's transactions with Related parties, as detailed in Note 27 to the Financial Statements, have complied with Section 9 of Colombo Stock Exchange Listing Rules and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued

under Section 13 ( c ) of the Securities Exchange Commission Act as declared by the Board of Directors.

### Directors' Interest

As required by the Companies Act, No.7 of 2007, an Interests Register was maintained by the Company during the period under review. Directors have made declarations as provided for in Section 192 (2) of the Companies Act. The Interest Register is available for inspection as required under the Companies Act.

### Directors' Remuneration and Fees

Details of Directors' remuneration and fees are set out in Note 7 to the Financial Statements.

### Board Committees

#### Audit Committee

The composition of the Audit Committee as of 31st March 2023 is as follows:

Mr. R. Kishore Ignatius – Chairman  
Mr. S. Marimuthu

The Report of the Audit Committee is given on pages 23 to 25 of this Annual Report.

#### Remuneration Committee

The composition of the Remuneration Committee as of 31st March 2023 is as follows:

Mr. N. K. Dahanayake – Chairman  
Mr. S. Marimuthu

The Report of the Remuneration Committee is given on page 26 of this Annual Report.

#### Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee as of 31st March 2023 is as follows:

Mr. N. K. Dahanayake – Chairman  
Mr. R. Kishore Ignatius

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

The Report of the Related Party Transactions Review Committee is given on pages 27 to 28 of this Annual Report.

### Investment Committee

The composition of the Investment Committee as of 31st March 2023 is as follows:

Mr. S. Marimuthu – Chairman  
Mr. N. K. Dahanayake  
Mr. R. Kishore Ignatius

The Report of the Investment Committee is given on page 29 of this Annual Report.

### Risk and Internal Control

The Board of Directors is satisfied that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry out its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

### Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal controls. The Directors are responsible to the Shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

The main corporate governance practices of the Company are set out on pages 30 to 39 of the Annual Report.

The performance of the Company is evaluated at regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board Meetings are

held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

### Statutory Payments and Compliance with Laws and Regulations

The Directors confirm that, to the best of their knowledge, all taxes and duties due to the Government and all contributions, levies and taxes payable in respect of the employees and all other known statutory dues as at the reporting date have been paid and/ or provided.

### Employee issues and Industrial Relations

There were no material issues relating to employees and Industrial relations during the financial year under review.

### Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the going concern concept.

### Equal Opportunities

The Company is committed to provide equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continued employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

### Independent Auditors

The Company's Auditors during the period under review were Messrs A.I. Macan Markar & Co., Chartered Accountants. The fees paid to auditors are disclosed in Note 7 to the Financial Statements.

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

Based on the declaration from Messrs A.I. Macan Markar & Co., Chartered Accountants, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than as disclosed in the above paragraph.

Messrs A.I. Macan Markar & Co., Chartered Accountants, have expressed their willingness to continue in office as Auditors of the Company for the ensuing year.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs A.I. Macan Markar & Co., Chartered Accountants, as Auditors to the Company for the ensuing year will be submitted at the forthcoming Annual General Meeting.

### Annual General Meeting

The 59th Annual General Meeting of the Company will be held on 6th September 2023 at 3.00 p.m. at the Auditorium of Siam City Cement (Lanka) Limited – Peliyagoda Plant, No.28/1, New Nuge Road, Peliyagoda.

The notice convening the meeting and the agenda are given on page 80.

This Annual Report is signed for and on behalf of the Board by:

(Sgd.)

**G. Ramanan**

Executive Director

(Sgd.)

**N. K. Dahanayake**

Director

Colombo

1st August 2023

(Sgd.)

**Ninecap Corporate Solutions (Pvt) Ltd.**

Secretaries

Colombo

1st August 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITY

Set out below are the responsibilities of the Directors of the Company.

The Board of Directors are responsible for preparation of Financial Statements for each financial year and present Financial Statements to the Shareholders in accordance with the relevant provisions of the Companies Act No.7 of 2007 and other statutes which are applicable in preparation of Financial Statements. The Financial Statements comprise of the Statement of Financial Position as of 31 March 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year ended and Notes thereto.

The Financial Statements of the Company for the year ended 31 March 2023 incorporated in this Annual Report have been prepared in accordance with the Companies Act No.7 of 2007, Sri Lanka Accounting Standards (SLFRSs and LKASs) and Listing Rules of the Colombo Stock Exchange.

The Directors are responsible to select suitable accounting policies which are applied in a consistent manner and appropriate estimates and judgements made to reflect the true substance and form of transactions.

As per section 148 of the Companies Act No.7 of 2007, the Directors are required to maintain sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company. The Directors have therefore caused the Company to maintain proper books of accounts and regular review financial reports at their meetings. The Board also reviews and approves all interim Financial Statements prior to their release to the Colombo Stock Exchange and the public.

The Directors have taken reasonable measures to safeguard the assets of the Company and to

prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control systems.

The Auditors of the Company, Messrs A.I. Macan Markar & Co., Chartered Accountants, who were appointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 41 to 44 of this Annual Report.

Directors confirm that after considering the financial position, operating conditions and regulatory and other factors, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these Financial Statements.

The Board of Directors is of the opinion that Board has discharged its responsibilities as set out above.

By order of the Board

(Sgd.)

**Ninecap Corporate Solutions (Pvt) Ltd.**

Secretaries

Colombo

1st August 2023

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Industrial Asphalts (Ceylon) PLC was established as a sub-committee of the Main Board in accordance with the Corporate Governance Rules of section 7.10.6 of the Listing Rules of Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Audit Committee provides assistance to the Board in overseeing the financial and related functions and ensures the quality of financial reporting and related communications to the shareholders and the public.

### Functions and responsibilities of the Audit Committee

The Audit Committee reports to the Board.

Key function of the Audit Committee of Industrial Asphalts (Ceylon) PLC is to assist the Board in following aspects:

- To ensure preparation, fair presentation of financial statements and assure adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards;
- To ensure compliance with financial reporting requirements and other information requirements stipulated in the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and other relevant financial reporting related regulations and requirements;
- Review Company's processes to ensure adequacy and effectiveness of the Company's internal control systems and Risk Management framework to meet the requirements of the Sri Lanka Auditing Standards;

- Establish procedures to identify, monitor and manage significant business and financial risks;
- Ensure independence and performance of the Company's external audit function.
- To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

Accordingly, the Audit Committee carries out its responsibilities under various functional aspects such as financial reporting, internal controls and risk management, compliance, external audit, and regulatory reporting for the betterment of the Company and with a view of safeguarding the interests of the shareholders and all other stakeholders.

### Composition of the Audit Committee

In accordance with Section 7.10.6(a) of the Listing Rules of the Colombo Stock Exchange the Audit Committee of Industrial Asphalts (Ceylon) PLC comprises of two (2) Independent Non-executive Directors as of the reporting date; Mr. R. Kishore Ignatius (Chairman of the Committee) and Mr. Sivanandan Marimuthu.

The Company Secretary functions as the Secretary to the Audit Committee.

### Financial Acumen of the Committee

The Directors have the required financial knowledge and professional skills to carry out their functions effectively and efficiently. The Chairman of the Committee, Mr. R. Kishore Ignatius is a Fellow of the Chartered Institute of Management Accountants UK (FCMA) and the profiles of each committee member are given on pages 10 to 12.



## REPORT OF THE AUDIT COMMITTEE

### Meeting Attendance

The Audit Committee had five (5) meetings during the financial year ended 31st March 2023 to discuss matters relating to the financial year and to review the results of the Company at the end of each quarter.

The Executive Director and the Financial Controller were present at these meetings on invitation. The External Auditors, Messrs A.I. Macan Markar & Co., Chartered Accountants attend meetings on invitation. Meeting agendas are prepared by the Company Secretary and provided to the members of the Committee in advance along with required previous meeting minutes.

The key findings and views of the Audit Committee were communicated to the Board of Directors by tabling the minutes of the meetings of the committee at the subsequent Board Meetings, and with clarifications and elaboration at Board Meetings as and when required.

In addition, the Chairman of the Committee attends the Annual General Meeting of the Company and responds to any questions from the shareholders on the activities of the Committee.

The attendance of the Committee members at the Audit Committee meetings held during the year ended 31st March 2023 are given below:

Name of Director	Attended/ Eligible to Attend
Mr. R. Kishore Ignatius (Chairman – Audit Committee)	5/5
Mr. S. Marimuthu	5/5

### Financial Reporting and Compliance

During the financial year ended 31st March 2023 the Audit Committee reviewed and discussed the Interim Financial Statements and Annual Financial

Statements with the Management in order to ensure its compliance with statutory requirements of Sri Lanka Accounting Standards, Companies Act No.7 Of 2007 and the Listing Rules of the Colombo Stock Exchange; and recommended to the Board of their approval prior to releasing the same to the Colombo Stock Exchange.

This review included:

- The evaluation of the appropriateness of the Accounting Standards and Accounting Policies adopted by the Company in preparation and presentation of the Financial Statements;
- Assessing the adequacy and validity of the significant estimates and judgement made by the Management on significant and complex accounting transactions and understanding their impact on the Financial Statements;
- Compliance with the relevant Accounting Standards and applicable regulatory requirements;
- Discussion of Key Audit Matters in connection with the preparation of the Financial Statements;
- Assessing the follow-up actions taken by the Management to enhance the fair presentation of Financial Reports;
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

The Audit Committee is responsible for compliance with applicable laws and regulations stipulated by various Regulators.

The Committee carries out following functions to ensure compliance with regulatory requirements:

## REPORT OF THE AUDIT COMMITTEE

- Reviews the effectiveness of the system established by the Management to monitor compliance with regulatory requirements
- Obtains and reviews regular updates on regulatory requirements applicable to the Company
- Addresses any non-compliances identified by the Management, External Auditors and ensures that necessary actions are taken to rectify such non-compliances
- Reviews and evaluates letters received from Regulatory Bodies on non-compliances and improvements suggested, and follow up on actions taken by the Management to address such issues

### Internal Controls and Risk Management

The Audit Committee is responsible to review the adequacy and effectiveness of the internal controls and the risk management framework established within the organization to safeguard the assets of the Company.

During the reporting period the Audit Committee reviewed the adequacy and the effectiveness of the Company's internal control system and the procedures relating to governance and risk management framework. Accordingly, the Audit Committee is satisfied that the Company's internal controls and the risk management framework in place provide a reasonable assurance that the financial position of the Company is adequately monitored, and the Company's assets are safeguarded.

### External Audit

The Audit Committee is responsible for supervision of all matters associated with the appointment, terms, remuneration and performance of the External Auditors and for reviewing the scope and results of the audit.

The Audit Committee reviewed the Management Letter for the Financial Year ended 31st March 2022 with the Management and the External Auditors during the year and has ensured that the Management has taken appropriate actions to resolve highlighted issues.

Before the conclusion of the audit the Committee met with the External Auditors to discuss all key audit matters and agree on their treatment.

The Audit Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

### Re-appointment of External Auditors

After evaluating and discussing the performance of the External Auditors with the Management of the Company, the Audit Committee has recommended to the Board of Directors that Messrs A.I. Macan Markar & Co., Chartered Accountants, be re-appointed as External Auditors for the financial year ending 31st March 2024 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

(Sgd.)

**R. Kishore Ignatius**

Chairman  
Audit Committee  
1st August 2023

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of Industrial Asphalts (Ceylon) PLC was established in accordance with the Corporate Governance Rules of section 7.10.5 of Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

### Composition of the Remuneration Committee

The Remuneration Committee of Industrial Asphalts (Ceylon) PLC comprises of the two (2) Independent Non-Executive Directors, Mr. Nanda Kumara Dahanayake (Chairman of the committee) and Mr. Sivanandan Marimuthu.

The Company Secretary functions as the Secretary to the Remuneration Committee.

### Meetings

The Remuneration Committee had one (1) meeting during the financial year ended 31 March 2023. The attendance of the Committee members at these meetings was as follows:

Name of Director	Attended/ Eligible to Attend
Mr. N. K. Dahanayake (Chairman – Remuneration Committee)	1/1
Mr. S. Marimuthu	1/1

### Role of the Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of Senior Management including Executive Directors of the Company. It is ensured that the remuneration at each level of management is competitive and based on performance they are rewarded in a fair manner.

The policy on remuneration is geared to attract and retain the best professional talent to the Company and to motivate and encourage them to perform at the highest possible level.

Evaluation of performance ensures equality and fairness without discrimination of gender, age, ethnicity, religion or any other consideration.

The aggregated remuneration of the Board of Directors and the Senior Management team are disclosed in the notes to the Financial Statements.

(Sgd.)

**N.K. Dahanayake**

Chairman

Remuneration Committee

1st August 2023

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board established the Related Party Transactions Review Committee (RPTRC) as a Board Sub-Committee to ensure that the Company complies with the requirements of the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Section 9 of the Listing Rules of Colombo Stock Exchange.

### Composition of the Related Party Transactions Review Committee

As at 31st March 2023 RPTRC comprised of two (2) Independent Non-Executive Directors, Mr. Nanada Kumara Dahanayake (Chairman of the committee) and Mr. Kishore Ignatius in accordance with Listing Rule No.9.2.2. of the Colombo Stock Exchange whose profiles are given on pages 10 to 12.

The Company Secretary functions as the Secretary to the RPTR Committee.

### Meetings

The Committee had four (4) meetings during the financial year ended 31 March 2023 to comply with Listing Rule No. 9.2.4 of the Colombo Stock Exchange.

The attendance of the Committee members at the RPTRC meetings held during the year ended 31st March 2023 are given below:

Name of Director	Attended/ Eligible to Attend
Mr. N.K. Dahanayake (Chairman – RPTR Committee)	4/4
Mr. Kishore Ignatius	4/4

### Functions of the Committee

The Related Party Transactions Review Committee reports to the Board.

The key function of the Committee is to ensure on behalf of the Board that all related party transactions of the Company are consistent with the Code of Best Practices on Related Party Transactions.

Except for transactions mentioned in Rule 9.5 of CSE Listing Rules pertaining to Related Party Transactions, all other Related Party Transactions are reviewed in advance by the RPTRC. If the transaction is expressed to be conditional on such review, prior to the completion of the transaction the approval of the Committee will be obtained.

The Committee shall update the Board of Directors on the Related Party Transactions of the Company on a quarterly basis.

Make recommendations to obtain shareholder approval for applicable related party transaction as per the provisions in the Code of Best Practice and Section 9 of CSE Listing Rules. Such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

The Committee ensures that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.

The Committee reviews the economic and commercial substance of both recurrent and non-recurrent related party transactions.

The Committee obtains appropriate professional and expert advice from suitable qualified persons to carry out its functions as and when required.

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee shall make immediate market disclosures on applicable related party transactions as required by the CSE Listing Rules.

Further shall make appropriate disclosures on related party transactions in Annual Report as required by the CSE Listing Rules.

### Policies and Procedures

The Committee has adopted the Related Party Transactions Policy in accordance with the rules pertaining to Related Party Transactions set out in Section 9 of the Listing Rules of the Colombo Stock Exchange. The members of the Board of Directors of the Company have been identified as Key Management Personnel (KMP) to ensure good governance.

The Related Party Transactions Policy provides guidance and direction on all Related Party Transactions.

The Policy objectives are as follows:

- To ensure proper review, approval and disclosure of Related Party Transactions in accordance with regulatory requirements.
- To ensure that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions.

### Activities during the Year

The RPTR Committee convenes quarterly. The minutes of all meetings are documented and communicated to the Board of Directors on a quarterly basis.

Details of Related Party Transactions entered into by the Company during the year ended 31st March 2023 are disclosed in Note 27 of Notes to the Financial Statements.

The Committee confirms that all applicable rules in the Code of Best Practice on Related Party Transactions and Section 9 of CSE Listing Rules have been complied with by the Company during the financial year ended 31st March 2023.

### Declaration

A Declaration by the Board of Directors on compliance with the Rules pertaining to the Related Party Transactions is included in the Annual Report of the Board of Directors on page 19 of this report.

(Sgd.)

**N. K. Dahanayake**

Chairman

Related Party Transactions Review Committee

1st August 2023

## REPORT OF THE INVESTMENT COMMITTEE

The Investment Committee of Industrial Asphalts (Ceylon) PLC was established as a sub-committee of the Main Board with the objective of evaluating prospective investments within the authority delegated by the Board.

### Functions and responsibilities of the Investment Committee

The Investment Committee reports to the Board.

Key functions and responsibilities of the Investment Committee of Industrial Asphalts (Ceylon) PLC are as follows:

- The Investment Committee reviews prospective investments, the investment strategy of the Company to ensure it is within the Risk appetite of the Company
- The Committee will make their assessments and notify their recommendations to the Board on new investments and divestment of existing investments
- Reviews the adequacy and effectiveness of Treasury Management function of the Company
- Examines the annual investment plans formulated by the Company
- Reviews the effectiveness of Management Information System in place for investments of the Company

The Committee is authorized by the Board to act in accordance with its terms of reference and is authorized to obtain any information which is necessary to discharge its duties from employees of the Company.

### Composition of the Investment Committee

As at 31st March 2023 the Investment Committee of Industrial Asphalts (Ceylon) PLC comprised of

three (3) Independent Non-executive Directors; Mr. Sivanandan Marimuthu (Chairman of the Committee), Mr. R. Kishore Ignatius and Mr. Nanda Kumara Dahanayake, whose profiles are given on pages 10 to 12 of the Annual Report.

The Company Secretary functions as the Secretary to the Investment Committee.

### Meeting Attendance

The Investment Committee meets as and when necessary, at the call of any member of the Committee at dates and times which are specified in advance.

Executive Director, other members of the Board and Senior Management Personnel may attend the meetings on invitation.

The Committee is authorized by the Board to seek external independent professional advice at the Company's expense. The Committee may invite external parties with relevant professional experience to attend its meetings if it considers necessary.

### Summary of Activities during the year

During the year the Investment Committee together with the Board of Directors comprehensively reviewed ongoing and new investments of the Company, and expressed their opinion and recommendations to the Board for further action.

(Sgd.)

**S. Marimuthu**

Chairman  
Investment Committee  
1st August 2023

## CORPORATE GOVERNANCE

The Board of Directors is committed to maintain the highest standards of corporate governance practiced in the interest of stakeholders while maintaining business integrity, appropriate ethical standards and professionalism in all its operations and activities. The Board ensures that the Company is in compliance with relevant statutory and regulatory requirements including requirements of the Companies Act No.7 of 2007, listing rules of Colombo Stock Exchange, requirements of Securities and Exchange Commission of Sri Lanka and other applicable laws and regulations. The Directors are responsible to establish sound internal control systems including comprehensive risk management framework, to safeguard the Company's assets, ensure accuracy and reliability of records and accountable for overall management of the Company.

In terms of sections 7.6 and 7.10 of the listing rules of the Colombo Stock Exchange, Industrial Asphalts (Ceylon) PLC complied with the relevant provisions under Corporate Governance.

### The Board of Directors

#### Composition of the Board of Directors and Meetings

The Board of Directors is responsible for the governance practices established within the Company. As at 31 March 2023 the Board comprised of Executive Director and four Independent Non-Executive Directors.

The profiles of all the Directors detailing their areas of expertise are given on pages 10 to 12 of the Annual Report.

The independence of the Non-Executive Directors were determined according to the CSE listing rules. Each Non-Executive Director has submitted a declaration of independence/ non-independence for the year. The Board makes a

determination annually as to the independence/ non-independence of each Non-Executive Director. The Non-Executive Directors bring independent objective judgement to bear on Board decisions by constructively challenging management and helping to develop the Company's strategic objectives.

The Board met on four (4) occasions during the year under review. The Directors' attendance at the Board meetings held during the year ended 31st March 2023 is given below.

Name of Director	Attended/ Eligible to Attend
Mr. G. Ramanan	4/4
Mr. N. K. Dahanayake	4/4
Mr. R. Kishore Ignatius	4/4
Mr. S. Marimuthu	4/4
Mr. R. Raguneethan	3/4

### Obtaining Independent Professional Advise and Continuous Training and Development

The Board is encouraged to seek independent professional advice, when necessary, at the Company's expense and also have access to the Company Secretary to obtain advice and services as required.

The Board of Directors are given the opportunity to obtain an in-depth understanding of the Company's business, its strategies, risks and processes, changes in laws and regulations relevant to the Company on a continuous basis; by involving the Directors in training and development. This enables the Directors to discharge their duties effectively.

### Delegation of Authority

The Board has delegated the authority to the Executive Director to facilitate the effective function

## CORPORATE GOVERNANCE

of daily business affairs of the Company as per the set strategies, goals and objectives of the Board and to ensure high standards of governance. A team of Senior Management assists the Executive Director in carrying out the day-to-day functions of the Company.

The Board has discussions with the Executive Director on the short term, medium term, and long-term objectives of the Company. Additionally, the Board meets with Senior Management regularly to review operational matters and disseminate the Board's plan for the future.

### Appointments to the Board

The appointment of Directors to the Board is decided by the Board in accordance with the Articles of Association of the Company and in compliance with rules of governance.

Information relating to change in Directorate is communicated to the Shareholders by way of appropriate announcements to the Colombo Stock Exchange.

### Re-election of Directors

In accordance with the Articles of Association of the Company, members comprising one third of the Board of Directors except the Managing Director or Joint Managing Director, are required to stand for retirement by rotation at least once in every three years. A retiring Director is eligible for re-election at the Annual General Meeting.

Names of retiring Directors eligible for re-election at the upcoming Annual General Meeting are given in the Notice of the Annual General Meeting of the Company on page 80 of the Annual Report.

### Company Secretary

The Company Secretary is appointed by the Board of Directors of the Company. The Company Secretary liaises with the Colombo Stock

Exchange on the Company's communications. It is the responsibility of the Company Secretary for making announcements with regard to AGMs and EGM to the shareholders and for accurate recording of proxy voting.

### Board Minutes

Board Minutes are prepared by the Company Secretary. Minutes of the Board Meetings are circulated to all Directors in advance and adopted at the subsequent Board Meetings.

### Timely Supply of Information

The Board of Directors are constantly updated and supplied with timely, accurate and comprehensive information in order to carry out their duties effectively.

Directors have access to following information.

- Board minutes and Board papers are circulated to the Directors beforehand
- Advise and services provided by the Company Secretary
- Advise and services provided by external experts and professionals if required
- Regular information update from the Management on the affairs of the Company, monthly organizational performance, updates on changes in regulatory requirements

### Board Committees

The Board has established four (4) Sub-Committees in order to monitor, review and enhance the accountability of key areas of business operations. Following are the Board Committees of the Company.

1. Audit Committee
2. Remuneration Committee
3. Related Party Transactions Review Committee
4. Investment Committee



These Sub-Committees operate based on terms of reference set out by the Board.

### **Audit Committee**

The composition of the Audit Committee and the Report of the Audit Committee is given on pages 23 to 25 of this Annual Report.

### **Remuneration Committee**

The composition of the Remuneration Committee and the Report of the Remuneration Committee is given on page 26 of this Annual Report.

### **Related Party Transactions Review Committee**

The composition of the Related Party Transactions Review Committee and the Report of the RPTR Committee is given on pages 27 to 28 of this Annual Report.

### **Investment Committee**

The composition of the Investment Committee and the Report of the Investment Committee is given on page 29 of this Annual Report.

## **Accountability**

### **Financial Reporting**

The Board of Directors is responsible for timely publication of Financial Statements annually and quarterly basis. These Financial Statements are prepared based on Sri Lanka Accounting

### **Disclosures**

The tables given below provide the relevant details and disclosures mandated by the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

#### **Annual Report Disclosures mandated by the Companies Act No. 7 of 2007**

<b>Rule No.</b>	<b>Requirement</b>	<b>Compliance Status</b>	<b>Details</b>
168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Compliant	Page 17
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Compliant	Page 41 to 75
168 (1) (c)	Auditor's Report on Financial Statements of the Company	Compliant	Page 41 to 44

Standards (SLFRS/ LKAS) and in compliance with the listing rules of Colombo Stock Exchange. Board ensures that these publications include all relevant financial and non-financial information that needs to be communicated to the shareholders.

### **Internal Controls**

The Board of Directors is responsible for maintaining a sound internal control system within the organization to safeguard the Company's assets. The Board has delegated this responsibility to the Audit Committee and the responsibility of the Audit Committee with this regard is given on pages 23 to 25 of this Annual Report.

### **Investor Relations and Communication to shareholders**

The Board of Directors policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgement.

The Company ensures that the notice of the AGM along with the Annual Report containing the performance of the Company for the financial year under review are delivered to the shareholders at least 15 working days prior to the scheduled meeting.

### **Annual Report of the Board of Directors**

The Annual Report of the Board of Directors on the Affairs of the Company for 31 March 2023 is given on pages 17 to 21 of this Annual Report.

## CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
168 (1) (d)	Accounting Policies and any changes therein	Compliant	Page 49 to 62
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period	Compliant	Page 19
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Compliant	Page 63
168 (1) (g)	Corporate Donations made by the Company during the accounting period	Compliant	Page 18
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Compliant	Page 19 and; Page 10 to 12
168 (1) (i)	Amount paid/ payable to the External Auditors as audit fees and fees for other services rendered during the accounting period	Compliant	Page 63
168 (1) (j)	Auditor's relationship or any interest in the Company	Compliant	Page 20 to 21
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Compliant	Page 21

### The summary of compliance with the Corporate Governance requirements under the Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Contents of Annual Report</b>			
(i)	Names of persons who during the financial year were Directors of the Entity	Compliant	Page 10 to 12 – Board of Directors
(ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Compliant	Page 17 to 21 - Annual Report of the Board of Directors
(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	Compliant	Page 78 to 79 - Shareholders Information
(iv)	The Float adjusted Market Capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding Requirement	Compliant	Page 78 to 79 -Shareholders Information
(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	Compliant	Page 19 – Annual Report of the Board of Directors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Page 13 to 16 -Enterprise Risk Management

## CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Page 20 – Annual Report of the Board of Directors
(viii)	Extents, locations, valuations and the number of buildings of the Entity's Land Holdings and Investment Properties	Compliant	Page 68 - Notes to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Compliant	Page 71 - Notes to the Financial Statements
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Compliant	Page 78 - Shareholders Information
(xi)	Financial Ratios and market price information	Compliant	Notes to the Financial Statements, Shareholders Information and Five-Year Financial Summary
(xii)	Significant changes in the Entity's or its Subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Compliant	Page 67 – Notes to the Financial Statements
(xiii)	If during the year the Entity has raised funds either through a public issue, Rights issue, and private placement	Compliant	Page 71 - Notes to the Financial Statements
(xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	Compliant	The Company does not have Employee Share Option Schemes or Employee Share Purchase Schemes
(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	Compliant	7.10.3 – Board of Directors 7.10.5 c – Report of the Remuneration Committee 7.10.6 c – Report of the Audit Committee
(xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Compliant	Page 27 & 28 - Report of the Related Party Transactions Review Committee
(xvii)	Additional disclosures to be disclosed as per Section 7 of CSE Listing Rules, in the event a Listed Entity has its Foreign Currency denominated Securities listed on the Exchange	Compliant	The Company does not have Foreign Currency denominated Securities listed on the CSE

## CORPORATE GOVERNANCE

The summary of compliance with the Corporate Governance requirements under the Section 7.10 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures regarding Board of Directors</b>			
7.10.1(a)	The correct number of Executive/ Non-executive Directors	Compliant	Four (4) Directors were Non-executive and one (1) Director was Executive as at 31st March 2023
7.10.2(a)	The correct number of Independent Non-executive Directors	Compliant	Four Non-executive Directors were Independent Directors
7.10.2(b)	Non-executive Directors should submit a signed and dated declaration of their independence/ non-independence	Compliant	The Board obtained declaration from the Non-executive Directors for year 2023
7.10.3(a) and (b)	Annual determination of criteria of independence and declaration of same by Board	Compliant	The Board of Directors annually determine and disclose the names of Directors deemed to be 'independent'.
7.10.3(c)	Publish a brief resume in the Annual Report, of each Director of the Board, including each Director's area of expertise	Compliant	Page 10 to 12 – Board of Directors
7.10.3(d)	Publish brief resume of newly appointed Director/s	Compliant	There were no newly appointed Directors during the financial year 2022/2023
<b>Disclosures regarding the Remuneration Committee</b>			
7.10.5	A Listed Entity shall have a Remuneration Committee	Compliant	Company has established the Remuneration Committee
7.10.5(a)	The number of Independent Non-executive Directors in the Remuneration Committee	Compliant	Remuneration Committee comprises of two (2) Independent Non-executive Directors
7.10.5(a)	Whether the Chairman of the Remuneration Committee is a Non-executive Director	Compliant	Chairman is a Non-executive Director
7.10.5(b)	Disclosure on the functions of the Remuneration Committee	Compliant	Page 26 – Remuneration Committee

## CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report – Names of Directors comprising the Remuneration Committee	Compliant	Page 26 – Remuneration Committee
7.10.5(c)	Disclosure in the Annual Report – Statement of Remuneration Policy	Compliant	Page 26 – Remuneration Committee
7.10.5(c)	Disclosure in the Annual Report – The aggregate remuneration paid to Executive and Non-executive Directors	Compliant	Page 63 – Notes to the Financial Statements, Note No. 07
<b>Disclosures regarding the Audit Committee</b>			
7.10.6	A Listed Entity shall have an Audit Committee	Compliant	Company has established the Audit Committee
7.10.6(a)	The number of Independent Non-executive Directors in the Audit Committee	Compliant	Audit Committee comprises of two (2) Independent Non-executive Directors
7.10.6(a)	Whether the Chairman of the Audit Committee is a Non-executive Director	Compliant	Chairman is a Non-executive Director
7.10.6(a)	Whether the Chairman or one member of the Audit Committee is a member of a recognized professional accounting body	Compliant	Chairman is a member of a professional accounting body

## CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
7.10.6(b)	<p>Disclosure on the functions of the Audit Committee –</p> <ol style="list-style-type: none"> <li>Overseeing of the preparation, presentation, and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</li> <li>Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> <li>Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> <li>Assessment of the independence and performance of the Entity's External Auditors</li> <li>To make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors</li> </ol>	Compliant	Page 23 to 25 – Audit Committee
7.10.6(c)	Disclosure in the Annual Report – Names of Directors comprising the Audit Committee	Compliant	Page 23 to 25 – Audit Committee
7.10.6(c)	Disclosure in the Annual Report – The basis for determining external auditors as being independent	Compliant	Page 23 to 25 – Audit Committee
7.10.6(c)	Disclosure in the Annual Report – The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance with the functions during the year under review	Compliant	Page 23 to 25 – Audit Committee

## CORPORATE GOVERNANCE

### The summary of compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures regarding Related Party Transactions Review Committee (RPTRC)</b>			
9	Appointment of Related Party Transactions Review Committee (RPTRC)	Compliant	Company has established the Related Party Transactions Review Committee (RPTRC)
9.2.1	Except for transactions mentioned in Rule 9.5 all related party transactions should be reviewed by Related Party Transactions Review Committee.	Compliant	There were no recurrent or non-recurrent related party transactions during 2022/2023 financial year
9.2.2	Related Party Transactions Review Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors.	Compliant	RPTRC comprises of two (2) Independent Non-executive Directors
9.2.2	One Independent Non-Executive Director shall be appointed as Chairman of the Related Party Transactions Review Committee.	Compliant	Chairman is a Non-executive Director
9.2.4	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant	Committee had four (4) meetings during 2022/2023 financial year
9.2.5	The Committee should have access to knowledge or expertise to assess all aspects of the proposed related party transaction or obtain appropriate professional and expert advice	Complaint	Committee obtains appropriate professional and expert advice where necessary
9.3.1	<p><b>Immediate Disclosures</b> – Any non-recurrent related party transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, or if the aggregate value of all non-recurrent related party transactions entered into with the same related party during the same financial year amounts to 10% of the Equity or 5% of the total assets whichever is lower as per the latest Audited Financial Statements.</p> <p>Any subsequent non-recurrent transaction with a value exceeding 5% of equity entered into with the same related party.</p>	Complaint	Page 73 – Notes to the Financial Statements – Related Party Transactions

## CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures required by Section 9.3 of the Listing Rules of the Colombo Stock Exchange</b>			
9.3.2(a)	<b>Disclosures in Annual Report</b> – In the case of Non-Recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceed 10% of the equity or 5% of the Total Assets whichever is lower, of the Listed Entity according to the latest Audited Financial Statements	Compliant	Page 73 – Notes to the Financial Statements – Related Party Transactions
9.3.2(b)	<b>Disclosures in Annual Report</b> – In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceed 10% of the net Revenue/ income as per the latest Audited Financial Statements	Compliant	Page 73 – Notes to the Financial Statements – Related Party Transactions
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 who are in the Committee  -Statement about related party transactions reviewed during the financial year  -Number of times the Committee has met during the financial year  -Policies and procedures adopted by the RPTRC	Compliant	Page 27 & 28 – Related Party Transactions Review Committee
9.3.2(d)	A Declaration by the Board of Directors in the Annual Report as an affirmative statement of compliance with the Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Compliant	Page 19 – Annual Report of the Board of Directors



## **FINANCIAL STATEMENTS**

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# INDEPENDENT AUDITOR'S REPORT

## A. I. MACAN MARKAR & CO.

CHARTERED ACCOUNTANTS

*"Inspiring All Stakeholders to Reach the Impossible"*

(A Member Firm of The International Accounting Group, USA)

Partners - Rajan Niles FCA, FCMA  
E. Annalingam FCA, FSCMA  
Ms. Madhusa Rodrigo ACA

46-2/1, 2<sup>nd</sup> Floor, Lauries Road,  
COLOMBO 4.

Phone : 2594192, 2594205 Fax : 2594285

e-mail – rajanniles2002@gmail.com

Web Site : www.aimm.lk

## TO THE SHAREHOLDERS OF INDUSTRIAL ASPHALTS (CEYLON) PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Industrial Asphalts (Ceylon) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 45 to 75 of this Annual Report.

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

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of 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.

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter Valuation of Investment Property	How our Audit addressed the key audit matter
<p>Refer to Note 12 in the financial statements.</p> <p>Management has estimated the fair value of Company's investment properties to be Rs. 1,246.3 Million as at 31st March 2023. An Independent external valuer's service had been obtained in order to support management's estimates and judgements.</p> <p>The fair valuation of investment property was dependent on certain key assumptions that require significant management judgement, including capitalization rate and fair market rent. We have focused in this area due to the significant management judgement and the magnitude of the value of investment property reported in the financial statements.</p>	<p>The procedures we performed in relation to management's fair valuation of investment properties included the following:-</p> <ul style="list-style-type: none"> <li>• We evaluated the independent external valuers' competence, capabilities and objectivity. We assessed the methodologies and the appropriateness of the key assumptions used by the professional valuer by applying our knowledge of the property industry. We used independent and publicly available information on real estate of similar property and locations; and</li> <li>• We checked on a sample basis, the accuracy and relevance of the input data used. We checked the completeness and accuracy of the investment properties by agreeing those assets and their book values to the general ledger and asset register.</li> </ul> <p>We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalization rates were in line with our expectations.</p>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.

## INDEPENDENT AUDITOR'S REPORT

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 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 these 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 override of internal control.
- Obtain and 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

## INDEPENDENT AUDITOR'S REPORT

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.

- 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 ethical requirements in accordance with the Code of Ethics 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.

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 1850.

**CHARTERED ACCOUNTANTS**

Colombo.

1st August 2023

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

	NOTE	2023 Rs	2022 Rs
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	4	55,031,025	43,692,428
Other Operating Income	5	-	7,876
Administrative Expenses		(25,268,064)	(18,062,060)
Surplus on Revaluation of Investment Property	12	183,933,383	205,261,000
<b>Results from Operating Activities</b>		<b>213,696,343</b>	<b>230,899,244</b>
Unrealized Gain/ (Loss) on Financial Asset at FVTPL		(57,316,940)	-
Finance Cost		(2,771,482)	(51,499)
Net Finance Income/(Charges)	6	(2,771,482)	(51,499)
Profit/(Loss) Before Taxation from Continuing Operations	7	153,607,922	230,847,745
Income Tax (Expenses)/Reversal	8	(5,820,101)	4,509,033
<b>Profit/(Loss) from Continuing Operations for the year</b>		<b>147,787,820</b>	<b>235,356,778</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit/(Loss) from Discontinued Operation, Net of Tax	9	-	(6,707,355)
Gain on Disposal of Paints & Coatings Division		-	358,678
Net Impact from Discontinued Operations		-	(6,348,677)
<b>NET PROFIT FOR THE PERIOD</b>		<b>147,787,820</b>	<b>229,008,101</b>
<b>Other comprehensive income/(expenses) for the period, net of tax items that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on defined benefit plans	22	(334,493)	618,529
Tax effects on Other Comprehensive Income	-	-	-
Other comprehensive income/(expenses) for the period, net of tax		(334,493)	618,529
<b>Total comprehensive income/(expenses) for the period</b>		<b>147,453,327</b>	<b>229,626,630</b>
<b>Profit attributable to:</b>			
Equity Holders		147,787,820	229,008,101
<b>Total comprehensive income attributable to:</b>			
Equity Holders		147,453,327	229,626,630
Earnings per share – Continuing Operations			
Diluted & Basic Earnings/(Loss) per Ordinary Share (Rs)	10	0.04	0.06
Earnings per share – Discontinued Operations			
Diluted & Basic Earnings/(Loss) per Ordinary Share (Rs)		-	(0.002)

The Accounting Policies and Notes from pages 49 to 75 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

AS AT 31<sup>ST</sup> MARCH

	NOTE	2023 Rs	2022 Rs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	11	6,856,869	25,255,098
Investment Property	12	1,246,313,000	1,048,761,000
		1,253,169,869	1,074,016,097
Intangible Assets	13	-	-
Deferred Tax Asset	14	18,378,909	11,054,600
		1,271,548,777	1,085,070,698
<b>Current Assets</b>			
Deposits & Prepayments	15	906,930	1,367,185
Receivable on Equity Investments		3,216,536	-
Financial Assets at Fair Value through Profit or Loss	16	140,599,822	-
Other Financial Assets	17	32,150,283	168,697,164
WHT Recoverable	18	1,115,286	820,004
Cash & Cash Equivalents	19	430,623	300,518
		178,419,480	171,184,871
<b>TOTAL ASSETS</b>		<b>1,449,968,257</b>	<b>1,256,255,568</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Stated Capital	20	156,642,070	156,642,070
Revaluation Reserve		-	-
General Reserve	21	15,141,299	15,141,299
Retained Profit/(Loss)		1,193,697,621	1,046,244,294
		1,365,480,990	1,218,027,663
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	14	13,283,946	139,536
Retirement Benefit Obligations	22	680,933	203,290
		13,964,879	342,826
<b>Current Liabilities</b>			
Payable on Equity Investments		32,129,075	-
Accrued Expenses	23	1,083,500	505,078
Lease Rental Received in Advance	24	35,400,000	35,400,000
Unclaimed Dividends		1,684,775	1,684,775
Bank Overdraft	19	225,038	295,226
		70,522,388	37,885,079
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,449,968,257</b>	<b>1,256,255,568</b>

The Accounting Policies and Notes from pages 49 to 75 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Sgd.  
S. Fernando  
**Financial Controller**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:-

Sgd.  
G. Ramanan  
**Director**

Sgd.  
R. Kishore Ignatius  
**Director**

# STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

	Stated Capital Rs	Revaluation Reserve Rs	General Reserve Rs	Retained Earnings Rs	TOTAL Rs
<b>BALANCE AS AT 1st April 2021</b>	156,642,070	46,112,663	15,141,299	770,505,001	988,401,033
Net Profit/(Loss) from Continuing Operation for the period	-	-	-	235,356,778	235,356,778
Net Profit/(Loss) from Discontinued Operation for the period	-	-	-	(6,348,677)	(6,348,677)
Transferred from Revaluation Reserve	-	(46,112,663)	-	46,112,663	-
<b>Other comprehensive income/(expenses) net of tax</b>					
Actuarial gain/(loss) on defined benefit plans	-	-	-	618,529	618,529
<b>Total Comprehensive Income/(Expenses) for the year</b>	-	(46,112,663)	-	275,739,293	229,626,630
<b>Transactions with Equity Holders</b>					
Dividend to Equity Holders	-	-	-	-	-
Shares issued during the year	-	-	-	-	-
<b>Balance as at 31st March 2022</b>	156,642,070	-	15,141,299	1,046,244,294	1,218,027,663
Net Profit/(Loss) from Continuing Operation for the period	-	-	-	147,787,820	147,787,820
Net Profit/(Loss) from Discontinued Operation for the period	-	-	-	-	-
<b>Other comprehensive income/(expenses) net of tax</b>					
Actuarial gain/(loss) on defined benefit plans	-	-	-	(334,493)	(334,493)
<b>Total Comprehensive Income/(Expenses) for the period</b>	-	-	-	147,453,327	147,453,327
<b>Transactions with Equity Holders</b>					
Dividend to Equity Holders	-	-	-	-	-
<b>Balance as at 31st March 2023</b>	156,642,070	-	15,141,299	1,193,697,621	1,365,480,990

The Accounting Policies and Notes from pages 49 to 75 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

	NOTE	2023 Rs	2022 Rs
Profit/(Loss) before Taxation from continuing operations		153,607,922	230,847,745
Profit/(Loss) before Taxation from Discontinued operations		-	(6,348,677)
Profit before Tax		153,607,922	224,499,068
<b>Adjustments for</b>			
Provision for Depreciation	11	5,768,749	4,100,450
Gain on Disposal of Paints & Coatings Division	9.3	-	(358,678)
Surplus on revaluation of Investment Property	12	(183,933,383)	(205,261,000)
Unrealized Gain/ (Loss) on Financial Asset at FVTPL		57,316,940	-
Finance Cost	6	2,771,482	51,499
Provision for Gratuity	22	143,150	159,592
<b>Operating Profit before Working Capital Changes</b>		35,674,859	23,190,931
(Increase)/Decrease in Inventories		-	593,612
(Increase)/Decrease in Receivable on Equity Investments		(3,216,536)	-
(Increase)/Decrease in Deposits & Prepayments	15	460,255	6,190,462
Increase/( Decrease) in Dividend Payables		-	416,705
Increase/( Decrease) in Payable on Equity Investments		32,129,075	-
Increase/( Decrease) in Accrued Expenses	23	578,422	(494,354)
		65,626,075	29,897,356
Interest Paid	6	(2,771,482)	(51,499)
Gratuity Paid	22	-	(1,522,938)
WHT Paid	18	(295,282)	-
<b>Cash inflow/(outflow) from Operating Activities</b>		62,559,312	28,322,919
<b>Cash Flows from Investment Activities</b>			
Purchase of Property, Plant & Equipment	11	(989,138)	(1,356,790)
Investment in Quoted Companies	16	(197,916,762)	-
Investment in Other Financial Assets	17	136,546,881	(79,325,603)
Sales Proceeds from Disposal of Paints & Coatings Division	9.3	-	15,000,000
Sales Proceeds from Quoted Investment		-	24,000,000
<b>Cash inflow/(outflow) from Investment Activities</b>		(62,359,018)	(41,682,393)
<b>Cash Flows from Financing Activities</b>			
Interest Bearing Borrowings		-	-
<b>Cash inflow/(outflow) from Financing Activities</b>		-	-
Net Change in Cash & Cash Equivalents		200,294	(13,359,475)
<b>Cash &amp; Cash Equivalents</b>			
At the beginning		5,292	13,364,767
Net change in Cash & Cash Equivalents as above		200,294	(13,359,475)
<b>At the end (Note below)</b>		205,585	5,292
<b>Cash &amp; Cash Equivalents</b>			
Cash at Bank & in Hand		430,623	300,518
Bank Overdraft		(225,038)	(295,226)
As at 31st March	19	205,585	5,292

The Accounting Policies and Notes from pages 49 to 75 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

## 1. REPORTING ENTITY

### 1.1 Corporate Information

Industrial Asphalts (Ceylon) PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office and the principal place of the business are located at MMBL Pathfinder Office Complex, No. 345/D, Negombo Road, Peliyagoda.

### 1.2 Principal activities & Nature of Operations

During the year, the principal activities of the Company were carrying out investment activities. The Company is an Investment Holding Company with interest in various ventures and investments included but not limited to the Bitumen space.

### 1.3 Number of Employees

The staff strength of the Company as at 31st March 2023 was 4 (2022 – 3 staff).

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements comprising the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with Notes to the Financial Statements are prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs), (hereafter "SLFRS") laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL). The presentation of the Financial Statements is in compliance with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Board of Directors on 1st August 2023.

### 2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis except where appropriate disclosures are made

with regard to fair value under relevant notes.

### 2.3 Functional Currency & Presentation Currency

The financial statements are presented in Sri Lankan Rupees, unless otherwise indicated.

### 2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Financial Statements are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

### 2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standards LKAS 1 Presentation of Financial Statements.

### 2.6 Off Setting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required to be permitted by the Accounting Standards or interpretation, and specifically disclosed in the Accounting Policies of the company.

### 2.7 Significant Accounting Judgment, Estimate and Assumption

The preparation of the financial statements in conformity with Sri Lanka Accounting Standards require management to make judgements, estimates and assumptions

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the respective notes.

### 2.7.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Management have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.7.2 Employee Benefit Liability

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation

to the above key assumptions are given in Note 21.

### 2.7.3 Useful Life-time of the Property, Plant and Equipment

The Company review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### 2.7.4 Allowance for Doubtful Debts

Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. Management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 FINANCIAL INSTRUMENTS

#### 3.1.1 Financial assets

##### (a) Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized 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. This assessment is referred to as the solely payments of principal and interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

or for which the Company has applied the practical expedient are measured at the transaction price.

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

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

### (b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

### (c) Debt instruments

- Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired

- Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI.

The company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line items in the income statement.

### (d) Equity Instruments

- Financial assets designated at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 9 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

- 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 designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging

instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established

### (e) Derecognition

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

### (f) Impairment of financial assets

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

be recognized from initial recognition of the receivables. 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.

### 3.1.2 Financial liabilities

#### (a) 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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

#### (b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by SLFRS

9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

#### (c) Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

#### (d) Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

#### (e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### 3.2 Fair Value 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. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

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  
Or  
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.

### 3.3 Taxation

#### 3.3.1 Income Tax

Provision for the income tax liability is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the subsequent amendments.

Current income tax assets and liabilities for the current and prior periods consist of amounts expected to be recovered from or paid to the Commissioner General of Inland

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

### 3.3.2 Deferred Taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences: except where the deferred tax 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 and

Deferred tax assets is 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 utilized.

Industrial Asphalts (Ceylon) PLC reviews the carrying amount of deferred tax assets at each balance sheet 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 tax asset to be utilized.

Company measures Deferred tax assets and liabilities at the tax rates that are expected to be applied to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Company recognizes in equity the deferred tax relating to items recognized directly in equity, and not in the income statement.

### 3.4 Events Occurring After the Reporting Date

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective notes to the financial statements.

### 3.5 Property, Plant & Equipment

Items of property, plant and equipment except for land and buildings are stated at costs less accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the asset and cost of replacing part of the asset when that cost is incurred, if the recognition criteria are met.

Land and buildings are stated at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

Land and buildings of the Company are revalued at once in every 3-5 years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. We recognize a revaluation deficit in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the company and it can be measured.

### Restoration Cost

Expenditure incurred on replacement repairs or maintenance of Property, Plants Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognized as an expense when incurred.

### Reclassification to Investment Property

When the use of a property changes based on commencement of an operating lease to another party, for a transfer from inventories to investment property, the property is measured at fair value and reclassified accordingly. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

### De-recognition

Company derecognizes an item of property, plant and equipment upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

### Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the reducing balance method over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. We do not depreciate land.

Class of Asset	% per Annum
Plant & Machinery	10%
Office, Computer Equipment	25%
Motor Vehicles	25%
Building	2%
Other Equipment	25%

Company now determines the depreciation charge separately for each significant part of an item of property, plant and equipment and begins to depreciate when it is available for use, rather than adopting a method whereby property, plant and equipment are depreciated fully in the year of disposal with no such charge being accounted for in the year of purchase.

### 3.6 Investment Properties

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes.

#### Basis of Recognition and Measurement

Investment Properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in statement of profit or loss in the year in which they arise.

#### De-recognition

Investment Properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of retirement or disposal.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### Transfer to Investment Property

Transfers are made to investment property when there is a change in use evidenced by commencement/ end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development.

### Determining Fair Value

Formal valuations are carried out annually by a qualified valuer. External and independent valuers, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Investment Property.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

### Disclosures

**(a) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following: -**

- Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized in the carrying amount of an asset
- Additions resulting from acquisition through business combinations
- Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with SLFRS 5 (non-current assets held for sale) and other disposals

- Net gains or losses from fair value adjustments
- The net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity
- Other changes

**(b) The amounts recognized in profit or loss for,**

- Rental income from investment property
- Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period
- Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period
- The cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used

**(c) Details of investment properties**

- Location and extent
- Valuation techniques used in measuring fair value and significant unobservable inputs
- Valuation details – value details, effective date of valuation

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### 3.7 Intangible Assets

#### Basis of Recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 'Intangible Assets'. Accordingly, these assets are stated in the Balance Sheet at cost, less accumulated amortization and accumulated impairment losses, if any.

#### Subsequent Expenditure

Subsequent expenditure on Intangible Assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is charged to the Income Statement when incurred.

#### Useful Economic Lives, Amortization and Impairment

The useful lives of Intangible Assets are assessed to be either finite or indefinite. The company does not possess intangible assets with indefinite useful lives. Useful economic lives, amortization and impairment of finite and indefinite intangible assets are described below:

#### Intangible Assets with Finite Lives and Amortization

Intangible Assets with finite lives are amortized over the useful economic lives. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each Balance Sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement as an expense.

### Computer Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost, less accumulated amortization and accumulated impairment losses, if any.

#### Amortization of Intangible Assets

Intangible assets are amortized using the straight line method to write down the cost over its estimated useful economic lives. Effective rates are as follows: -

Class of Asset	% per Annum
Software	50%

The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized as expenses in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.

#### De-recognition of Intangible Assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Income Statement.

### 3.8 Leases

#### Right of use assets

The Company recognizes right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

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

### Lease liabilities

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

### Short-term leases and leases of low-value assets

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

### 3.9 Inventories

Inventories are valued at the lower of cost or net realizable value after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less estimated cost of completion and 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 formula: -

#### Raw Material-

At actual cost on weighted average cost basis

#### Finished Goods & Work-in-Progress-

At the cost of direct materials, fixed labour and an appropriate proportion of manufacturing overheads based on normal capacity.

#### Goods in Transits -

At actual cost.

### 3.10 Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventory and deferred tax assets) to determine whether there is any indication of impairment. If any such indicator exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.11 Cash and Cash Equivalents

Cash and Cash Equivalents comprise of cash at bank and in hand balances. Cash and bank balances are stated at recoverable values. Bank overdrafts form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of preparing the Statement of Cash Flows.

### 3.12 Liabilities and Provisions

#### 3.12.1 Provisions

When a company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the company can reliably estimate the amount of the obligation, we recognize it as a provision in accordance with LKAS 37 – Provisions, Contingent Liabilities and Contingent Asset.

#### 3.12.2 Retirement Benefit Obligations

##### 3.12.2.1 Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. Provision has been made

for retirement gratuities using "Project Unit Credit" (PUC) method as recommended by LKAS 19 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows based on the actuarial valuation carried out by an independent qualified actuary. The assumptions based on which the results of actuarial valuation were determined are included in Notes to the Financial Statements. Remeasurement of the defined benefit liability, which comprises actuarial gains and losses are recognised immediately in Other Comprehensive Income. The Company recognises the increase in defined benefit liability attributable to the current service cost in Profit or Loss together with the interest expenses. The liability is not externally funded.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continuous service.

##### 3.12.2.2 Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

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

### 3.13 Income Statement

#### Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented separately in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### Contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

### Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

### Services transferred over time

The company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the company recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation

The following specific recognition criteria are used for the purpose of recognition of revenue that are in the scope of SLFRS 15:

**(a) Sale of Goods**

Revenue from sale of goods is recognized when the control 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.

**(b) Interest**

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

**(c) Dividends**

Dividend Income is recognized when the shareholders' right to receive the payment is established.

**(d) Rental Income**

Rental Income arising on investment properties is accounted for on a straight-line basis over the lease terms.

**(e) Others**

Other income is recognized on an accrual basis.

### Borrowing Costs

Borrowing costs are recognized as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for development, but only where activities necessary to prepare the asset for redevelopments are in

### Foreign Currency Translation

Foreign currency gains or losses are reported on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2023

### 3.14 Comparative figures

Where necessary, the comparative figures have been reclassified to conform to the current year's presentation.

### 3.15 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.16 Changes in Significant Accounting Policies

The following amendments to the existing accounting standards which will be effective from 01 January 2021 are not expected to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 9, LKAS 39 and SLFRS 7 - Interest Rate Benchmark Reform
- Amendment to SLFRS 16 - COVID-19 Related Rent Concessions

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

	2023 Rs	2022 Rs
<b>4 REVENUE</b>		
<b>Continuing Operations</b>		
Rent Income from Investment Property	35,400,000	35,400,000
Dividend Income	823,470	-
Share Disposal Gain/(Loss)	13,972,610	-
Fixed Deposit and Other Interest Income	17,727	446,836
Treasury Bill Interest Income	7,230,360	1,935,145
Repo Interest Income	5,377,090	5,910,448
	62,821,256	43,692,428
Less: Loss on Sale of Treasury Bills	(7,790,232)	-
	55,031,025	43,692,428
<b>Discontinued Operations (Note 9)</b>		
Paints	-	679,773
	-	679,773
<b>5 OTHER OPERATING INCOME/(EXPENSES)</b>		
<b>Continuing Operations</b>		
Other Income	-	7,876
	-	7,876
<b>6 FINANCE COST</b>		
Bank Charges	79,740	51,425
Overdraft Interest	2,691,742	74
	2,771,482	51,499
<b>7 PROFIT/(LOSS) BEFORE TAXTION FROM CONTINUING OPERATIONS</b>		
<b>Profit/(Loss) before tax is stated after charging:</b>		
Depreciation of Property, Plant & Equipment	5,768,749	4,100,450
Personal Expenses (Note 7.1)	5,723,332	4,925,484
Directors Emoluments	-	800,000
Auditors Remuneration	380,000	360,000
<b>Note 7.1</b>		
Salaries & Wages	4,977,182	4,148,417
Contribution to Defined Contribution Plans (EPF & ETF)	603,000	617,475
Contribution to Defined Benefit Plan for Gratuity	143,150	159,592
	5,723,332	4,925,484



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

8 INCOME TAX EXPENSE/(REVERSAL)	2023 Rs	2022 Rs
<b>Current Tax Expense</b>		
Income Tax for the Current Year	-	1,990,183
Underprovision last year (2020/2021)	-	595,361
<b>Deferred Tax Expense</b>		
Deferred Taxation	5,820,101	(7,094,577)
Total	5,820,101	(4,509,033)

### Note 8.1

The Company is liable to Income Tax for 1st Half (6 months) Business Income at the rate of 14% and Investment Income @ 24% in accordance with the provisions of Inland Revenue Act No. 24 of 2017 and the 2nd Half (balance 6 months) at 30% in accordance with the provisions of the Amendment Act No. 45 of 2022 passed in Parliament on 9th December 2022. The tax loss carried forward as at 31st March 2023 amounts to Rs. 60,582,096/-.

	2023 Rs	2022 Rs
<b>Note 8.2</b>		
<b>Reconciliation of accounting profit to income tax:</b>		
Profit/(Loss) before income tax	153,607,922	224,140,389
Tax effect on disallowable expenses	65,017,229	11,339,318
Tax effect on allowable expenses	(185,653,027)	(209,180,070)
Income from separate sources	(19,631,025)	(8,292,428)
Total Business Income/(Loss)	13,341,099	18,007,209
Taxable Investment Income	4,834,945	8,292,428
Tax Losses set-off	(18,176,045)	(18,007,209)
Assessable Income	-	8,292,428
Less : Qualifying Payments	-	-
Business Income/(Loss)	-	8,292,428
Income Tax @ 30%	-	1,990,183

## 9 RESULTS OF DISCONTINUED OPERATION

### 9.1 Disposal of Paints & Coatings Division

The Board of Directors of Industrial Asphalts (Ceylon) PLC at a Board Meeting held on 29th July 2021 resolved to accept the offer presented by the former Managing Director/CEO, Mr. K. Naveenkanth for purchase of the Company's Paints and Coatings Division in its entirety. Accordingly, the Paint and Coatings Division was disposed on 30 July 2021 for total consideration of Rs. 15 Mn.

The transaction was on normal commercial terms and is not prejudicial to the interests of the Entity and its minority shareholders. The transaction does not qualify under the 'major transactions' specified by the Section 185 of the Companies Act No. 07 of 2007. The transaction was reviewed by the Related Party Transaction Review Committee and approved by the Board of Directors of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

### 9.2 Delimitation of continuing and discontinued operations

Management has decided to attribute the delimitation of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because management believes this is useful to the users of the financial statements.

	NOTE	2023 Rs	2022 Rs
Revenue	4	-	679,773
Less : Cost of Sales		-	(2,421,583)
Gross Profit		-	(1,741,810)
Administrative Expenses		-	(2,882,476)
Selling and distribution expenses		-	(2,083,069)
<b>Results from Discontinued Operations</b>		-	(6,707,355)
Finance Costs	6	-	-
Profit/(Loss) before Taxation from Discontinued Operations		-	(6,707,355)
Income Tax (Expenses)/Reversal		-	-
<b>Profit/(Loss) after taxation from Discontinued operations</b>		-	(6,707,355)
<b>Other comprehensive income/(expenses) for the period, net of tax</b>			
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(expenses) for the period, net of tax		-	(6,707,355)
Total comprehensive income/(expenses) for the period		-	(6,707,355)
Profit attributable to:			
Equity Holders		-	(6,707,355)
Total comprehensive income attributable to:			
Equity Holders		-	(6,707,355)
Earnings per share – Discontinued Operations			
Diluted and Basic Earnings/(Loss) per Ordinary Share (Rs) (Note 10)		-	(0.002)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

### 9.3 GAIN ON DISPOSAL OF PAINTS & COATINGS DIVISION

The Major classes of Assets of Paints & Coatings Division sold during the year are as follows:

	2023 Rs	2022 Rs
<b>Assets</b>		
Plant & Equipment	-	(6,557,551)
Inventory	-	(5,499,075)
Trade & Other Receivables	-	(3,759,904)
	-	(15,816,530)
<b>Liability</b>		
Trade Payables & Other Payables	-	1,175,208
<b>Net Assets</b>	-	(14,641,322)
Consideration received	-	15,000,000
Gain on disposal of Paints and Coatings Division	-	358,678

#### NOTE:

Plant and machinery were disposed at the time of disposal of Paint & Coatings Division and the Revaluation Reserve relating to the plant and machinery was transferred to the Retained Earnings.

### 9.4 CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATIONS

	2023 Rs	2022 Rs
Net Cash from/ (used in) operating activities	-	2,159,876
Net Cash from/ (used in) investing activities	-	15,000,000
Net Cash from/ (used in) financing activities	-	-

### 10 DILUTED AND BASIC EARNINGS/(LOSS) PER ORDINARY SHARE

	2023 Rs	2022 Rs
<b>CONTINUING OPERATIONS</b>		
Profit/(Loss) for the year (Rs)	147,787,820	235,356,778
Weighted average Ordinary Shares in issue (nos)	3,749,411,250	3,749,411,250
Diluted and Basic Earnings/(Loss) per Ordinary Share (Rs)	0.04	0.06
<b>DISCONTINUED OPERATIONS</b>		
Profit/(Loss) for the period (Rs)	-	(6,348,677)
Weighted average Ordinary Shares in issue (nos)	-	3,749,411,250
Diluted and Basic Earnings/(Loss) per Ordinary Share (Rs)	-	(0.002)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

11 PROPERTY, PLANT & EQUIPMENT	Buildings Rs	Motor Vehicles Rs	Office Equipment Rs	Total Rs
<b>Cost/ Valuation</b>				
Balance at the beginning of the year	14,393,271	23,270,755	12,174,049	49,838,076
Additions during the year	-	-	989,138	989,138
Less: Transfer to Investment Property	(14,393,271)	-	-	(14,393,271)
Balance at the end of the year	-	23,270,755	13,163,187	36,433,942
<b>Accumulated Depreciation</b>				
Balance at the beginning of the year	672,343	16,510,317	7,400,318	24,582,978
Depreciation charge for the year	102,311	3,374,814	2,291,625	5,768,749
Transfer to Investment Property	(774,654)	-	-	(774,654)
Balance at the end of the year	-	19,885,131	9,691,942	29,577,073
<b>Net book value:</b>				
<b>As at 31 March 2023</b>	-	<b>3,385,624</b>	<b>3,471,244</b>	<b>6,856,869</b>
As at 31 March 2022	13,720,928	6,760,438	4,773,732	25,255,098
<b>Impairment Provision:</b>				
<b>As at 31 March 2023</b>	-	-	-	-
As at 31 March 2022	-	-	-	-
<b>Carrying Amount:</b>				
<b>As at 31 March 2023</b>	-	<b>3,385,624</b>	<b>3,471,244</b>	<b>6,856,869</b>
As at 31 March 2022	13,720,928	6,760,438	4,773,732	25,255,098

**NOTE:**

During the financial year, subsequent expenditure on buildings which were incurred in previous financial years were transferred to investment property.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

12 INVESTMENT PROPERTY	2023 Rs	2022 Rs
Balance B/F	1,048,761,000	843,500,000
Transfers from/ (to) Property, Plant & Equipment (Note 11)	13,618,617	-
Change in Fair Value	183,933,383	205,261,000
FAIR VALUE	1,246,313,000	1,048,761,000

Changes in the fair values are recognized as gain in profit or loss. All gains are unrealized.

During the financial year, subsequent expenditure on buildings which were incurred in previous financial years were transferred to investment property.

### 12.1 AMOUNT RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS FOR THE INVESTMENT PROPERTY

	2023 Rs	2022 Rs
Rental Income (Note 4)	35,400,000	35,400,000
Direct Operating expenses	-	-

### 12.2 DETAILS OF INVESTMENT PROPERTY

Investment Property represents Land & Building at No.28/1, New Nuge Road, Peliyagoda.

Effective date of valuation	31st March 2023
Total Land extent	02A - 00R - 30.5P
Number of Buildings	2

### 12.3 ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS RELATED TO INVESTMENT PROPERTY

Investment Properties of the Company are accounted for on the fair value model. The above Investment Property has been revalued by Mr. P.B. Kalugalagedera, Chartered Valuation Surveyor – F.I.V (Sri Lanka) M.S.I.Z. (Zambia) I.R.R.V. (UK) F.R.I.C.S. (UK), on the basis of Direct Capital Comparison Method valuation technique.

Investment property were appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the property and future usability have been considered. Additionally the valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

Investment Properties are considered under Level 3 of the fair value hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

The following Investment properties are revalued during the financial year 2022/2023

Location	Type of Assets	Significant unobservable input Market value of purchase price	Fair value LKR Mn.	Correlation to fair value
No. 28/1, New Nuge Road Peliyagoda	Land & Building	Rs. 3 Mn – Rs.5 Mn	1,246,313,000	Positive

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in Market value of purchase price (taken individually, while other variables are held constant) on the profit or loss and carrying value of Investment Property for the year.

	Fair Value/Gain or (Loss) on Investment Property Rs Mn	Investment Property Valuation Rs Mn
If Market value of purchase price Increases By 0.10%	1	1,247
If Market value of purchase price Decreases By 0.10%	(1)	1,245

### 13 INTANGIBLE ASSETS

	2023 Rs	2022 Rs
<b>Cost</b>		
Balance at the beginning of the year	266,899	266,899
Additions during the year	-	-
Balance at the end of the year	266,899	266,899
<b>Accumulated amortization</b>		
Balance at the beginning of the year	266,899	266,899
Amortization Charge for the year	-	-
Balance at the end of the year	266,899	266,899
<b>WDV</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

14 DEFERRED TAX LIABILITY / (ASSET)	2023 Rs	2022 Rs
Balance at the beginning of the year	(10,915,064)	(3,820,487)
Charge/(Reversal) for the year	5,820,101	(7,094,577)
Balance at the end of the year	(5,094,963)	(10,915,064)
<b>Note 14.1</b>		
Deferred Tax Asset	(18,378,909)	(11,054,600)
Deferred Tax Liability	13,283,946	139,536
Net Deferred Tax Assets	(5,094,963)	(10,915,064)
<b>Note 14.2</b>		
Deferred Tax on Gratuity	(204,280)	(28,461)
Deferred Tax on C/F Tax Losses	(18,174,629)	(11,026,140)
Deferred Tax on Revaluation Surplus	13,117,077	-
Deferred Tax on Property, Plant & Equipment	166,869	139,536
	(5,094,963)	(10,915,064)

15 DEPOSITS & PREPAYMENTS	2023 Rs	2022 Rs
Refundable Deposit	225,000	225,000
Rent Advance	225,000	675,000
Prepayments	456,930	467,185
VAT Receivables	3,600,597	3,600,597
	4,507,527	4,967,782
Less: Impairment for VAT Receivable	(3,600,597)	(3,600,597)
	906,930	1,367,185

### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 MAR 2023			31 MAR 2022 Rs
	No. of Shares	Fair Value	Cost	
	Rs	Rs	Rs	
<b>Investment in Quoted Companies</b>				
Hemas Holdings PLC	29,655	1,927,575	1,801,954	-
Browns Investment PLC	3,950,129	23,700,774	32,462,509	-
Hela Apparel Holdings PLC	297,411	2,379,288	3,829,278	-
Agstar Fertilizers PLC	1,412,118	15,815,722	25,303,270	-
Expo Lanka Holdings PLC	247,500	34,155,000	56,407,050	-
Aitken Spence Hotel Holdings PLC	214,851	12,869,575	12,731,783	-
Serandib Land PLC	49	64,656	61,250	-
Richard Pieris & Co PLC	1,022,356	21,162,769	31,267,106	-
Hayleys PLC	145,000	10,440,000	14,639,500	-
Asian Hotels & Properties PLC	150,706	6,631,064	6,591,928	-
Royal Ceramics Lanka PLC	45,000	1,242,000	1,466,454	-
Vallible One PLC	279,000	10,211,400	11,354,681	-
		140,599,822	197,916,762	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

	2023 Rs	2022 Rs
<b>17 OTHER FINANCIAL ASSETS</b>		
Short Term Investment in REPO	31,104,031	15,104,950
Treasury Bills	795,568	153,341,530
Investment in Fixed Deposits	250,684	250,684
	<u>32,150,283</u>	<u>168,697,164</u>
<b>18 WHT RECOVERABLE</b>		
WHT Recoverable	820,004	3,405,548
Gross Income Tax (Note 8)	-	(1,990,183)
Underprovision (2020/2021)	-	(595,361)
	<u>820,004</u>	<u>820,004</u>
<b>Tax Credits</b>		
WHT on Rent & Interest Income	295,282	-
<b>BALANCE WHT RECOVERABLE</b>	<u>1,115,286</u>	<u>820,004</u>
<b>19 CASH &amp; CASH EQUIVALENTS</b>		
Cash at Bank	400,288	263,523
Cash in Hand	30,335	36,995
	<u>430,623</u>	<u>300,518</u>
Less: Bank Overdraft	(225,038)	(295,226)
<b>CASH &amp; CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>	<u>205,585</u>	<u>5,292</u>
<b>20 STATED CAPITAL</b>		
Ordinary Shares at the beginning of the year	156,642,070	156,642,070
Shares issued during the period	-	-
<b>3,749,411,250 ORDINARY SHARES AT THE END OF THE YEAR</b>	<u>156,642,070</u>	<u>156,642,070</u>
<b>21 GENERAL RESERVES</b>		
General Reserves	<u>15,141,299</u>	<u>15,141,299</u>

General reserves refer to transfers made from retained earnings in the previous years to meet any future contingencies of the Company.



**NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

<b>22 RETIREMENT BENEFIT OBLIGATION</b>	<b>2023</b>	<b>2022</b>
	<b>Rs</b>	<b>Rs</b>
Balance at the beginning of the year	203,290	2,185,164
Current Service Cost	120,788	33,858
Interest Cost	22,362	163,887
Past Service Cost	-	(38,153)
Payments made during the year	-	(1,522,938)
Actuarial (Gain)/Loss	334,493	(618,529)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>680,933</b>	<b>203,290</b>

The Company carried out an actuarial valuation of the gratuity as at 31st March 2023 by Mr. M. Poopalanathan, AIA, Messrs. Actuarial and Management Consultant (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method", the method recommended by the LKAS 19.

Discount rate	18%
Future salary increase	13%
Retirement Age	60

**Sensitivity Analysis**

A quantitative sensitivity analysis for significant assumptions as at 31 March 2023 is, as shown below

	<b>Effect on</b>	<b>Present Value</b>
	<b>Profit or Loss</b>	<b>of Defined</b>
		<b>Benefit</b>
		<b>Obligation</b>
If Discount Rate Increases By 1%	34,482	(34,482)
If Discount Rate Decreases By 1%	(38,377)	38,377
If Salary Increment Rate Increases By 1%	(37,224)	37,224
If Salary Increment Rate Decreases By 1%	33,680	(33,680)

<b>23 ACCRUED EXPENSES</b>	<b>2023</b>	<b>2022</b>
	<b>Rs</b>	<b>Rs</b>
Audit Fee Payable	380,000	360,000
Other Payables	703,500	145,078
	<b>1,083,500</b>	<b>505,078</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

### 24 LEASE RENTAL RECEIVED IN ADVANCE

On 28th February 2018, the Company entered into an Agreement with Siam City Cement (Lanka) Ltd to lease out its property situated at No. 28/1, New Nuge Road, Peliyagoda, for a period of 10 years. According to the terms of the Lease Agreement, the Lease Rental received in advance as at 31st March 2019 amounts to Rs. 35.4 Million and the Lease Rental applicable from 1st May 2019 amounts to Rs. 2,950,000/- per month. As at the year end, the Lease Rental received in advance amounted to Rs. 35.4 Million.

	2023 Rs	2022 Rs
Opening Balance	35,400,000	35,400,000
Lease Rental Received during the period (Rs. 2,950,000 x 12 months)	35,400,000	35,400,000
Less: Income recognised (Rs. 2,950,000 x 12 months)	(35,400,000)	(35,400,000)
<b>CLOSING BALANCE</b>	<b>35,400,000</b>	<b>35,400,000</b>

### 25 CAPITAL COMMITMENTS & CONTINGENCIES

There were no material capital commitments and contingencies as at 31st March 2023.

### 26 EVENTS OCCURRING AFTER THE FINANCIAL POSITION DATE

No circumstances have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

### 27 RELATED PARTY TRANSACTIONS

There were no recurrent or non-recurrent related party transactions during the financial year under review which require additional disclosures in the financial statements.

### 28 ASSETS PLEDGED AS SECURITY

Name of Bank	Security	Carrying amount of Assets Pledged	
		31 MAR 2023 Rs	31 MAR 2022 Rs
Commercial Bank of Ceylon PLC	Investment Property at 28/1, New Nuge Road, Peliyagoda	Investment Property Rs.1,246,313,000/-	Investment Property Rs.1,048,761,000/-

### 29 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the classification and presentation as at 31st March 2023.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

### 30 FINANCIAL INSTRUMENTS

IFRS 7 requires the disclosure of risk information to be based on the information provided internally to the entity's key management personnel, as defined in IAS 24.

#### Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Carrying amount	Contractual cash flows				
		Less than 01 Year		More than 1 year		
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 years
<b>Maturity analysis of financial assets</b>						
Other Financial Assets	<b>32,150,283</b>	31,899,599	250,684	-	-	-
Cash & Cash Equivalents	<b>430,623</b>	430,623	-	-	-	-
	<b>32,580,905</b>	32,330,222	250,684	-	-	-

#### Liquidity Risk

The following are the contractual maturities of financial liabilities,

Maturity Analysis of Financial Liabilities	Carrying amount	Contractual cash flows				
		Less than 01 Year		More than 1 year		
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 years
Accrued Expenses	<b>981,050</b>	-	981,050	-	-	-
Bank Overdrafts	<b>225,038</b>	225,038	-	-	-	-
	<b>1,206,087</b>	225,038	981,050	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH

### Interest Rate Risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was;

	Carrying Amount	
	2023	2022
<b>Fixed Rate Instruments</b>		
Financial assets	32,150,283	168,697,164
Financial Liabilities	-	-
	<u>32,150,283</u>	<u>168,697,164</u>
<b>Variable Rate Instruments</b>		
Financial assets	-	-
Financial Liabilities	-	-
	<u>-</u>	<u>-</u>

### Fair Value Disclosures

	Carrying Amount	
	2023	2022
<b>Financial assets</b>		
Other Financial Assets	32,150,283	168,697,164
Cash and cash equivalents	430,623	300,518
	<u>32,580,905</u>	<u>168,997,682</u>
<b>Financial liabilities</b>		
Accrued Expenses	981,050	430,253
Bank overdrafts	225,038	295,226
	<u>1,206,087</u>	<u>725,479</u>

### 31 FINANCIAL ASSETS & LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

	2023 Rs	2022 Rs
<b>Financial Assets</b>		
<b>Financial Asset at Fair Value through P&amp;L</b>		
Investment in Quoted Company	140,599,822	-
	<u>140,599,822</u>	<u>-</u>
<b>Financial Asset at amortised cost</b>		
Other Financial Assets	32,150,283	168,697,164
Cash and Cash Equivalents	430,623	300,518
	<u>32,580,905</u>	<u>168,997,682</u>
<b>Financial Liability</b>		
<b>Financial Liabilities at amortised cost</b>		
Accrued Expenses	981,050	430,253
Bank overdrafts	225,038	295,226
	<u>1,206,087</u>	<u>725,479</u>

## FIVE YEAR FINANCIAL SUMMARY

Year ended 31 March	2023	2022
<b>OPERATING RESULTS FOR THE PERIOD</b>		
<b>Continuing Operations</b>		
<b>Revenue</b>	55,031,025	43,692,428
<b>Gross Profit</b>	55,031,025	43,692,428
<b>Results from operating activities</b>	213,696,343	230,899,244
Unrealized Gain/ (Loss) on Financial Asset at FVTPL	(57,316,940)	-
Net Finance Income/ (Charges)	(2,771,482)	(51,499)
<b>Profit/ (loss) before taxation</b>	153,607,922	230,847,745
Tax (Expense)/ Reversal	(5,820,101)	4,509,033
<b>Profit/ (loss) after taxation</b>	147,787,820	235,356,778
<b>Profit/ (loss) from Discontinued Operations</b>	-	(6,348,677)
Profit/ (loss) for the year	147,787,820	229,008,102
Other Comprehensive Income/ (Expense)	(334,493)	618,529
<b>Total Comprehensive Income for the year</b>	147,453,327	229,626,630
<b>Total Comprehensive Income - Equity Holders</b>	147,453,327	229,626,630
<b>FINANCIAL POSITION</b>		
<b>Assets</b>		
Non-current Assets	1,271,548,777	1,085,070,698
Current Assets	178,419,480	171,184,871
<b>Total Assets</b>	1,449,968,257	1,256,255,569
<b>Equity</b>		
Stated Capital	156,642,070	156,642,070
Revaluation Reserve	-	-
General Reserve	15,141,299	15,141,299
Retained Earnings	1,193,697,621	1,046,244,294
<b>Total Equity</b>	1,365,480,990	1,218,027,663
Non-current Liabilities	13,964,879	342,826
Current Liabilities	70,522,388	37,885,079
<b>Total Equity and Liabilities</b>	1,449,968,257	1,256,255,569
Ordinary Voting Shares (Nos.)	3,749,411,250	3,749,411,250
<b>RATIOS</b>		
Return on Equity (ROE) - %	11%	19%
Basic Earnings per share (EPS) - Rs.	0.04	0.06
Current Ratio	2.53	4.52
Net Assets per share - Rs.	0.36	0.32
Debt to Equity Ratio (Times)	0.06	0.03
Equity Multiplier	1.06	1.03
Market price per share (end) - Rs.	0.30	0.40
Dividend per share (DPS) - Rs.	-	-
Dividend pay out Ratio (%)	-	-

2021	2020	2019
35,400,000	402,426,651	151,254,073
35,400,000	52,436,403	43,179,869
215,823,126	197,511,399	21,374,359
-	-	-
1,964,115	(15,324,415)	(15,458,174)
217,787,241	182,186,984	5,916,185
45,043	(4,664,841)	9,862,656
217,832,283	177,522,143	15,778,841
(100,634,207)	-	-
117,198,076	177,522,143	15,778,841
(414,416)	(178,576)	18,223
116,783,660	177,343,567	15,797,064
116,783,660	177,343,567	15,797,064
883,210,468	799,911,942	626,157,821
147,968,898	283,943,338	72,720,342
1,031,179,365	1,083,855,280	698,878,163
156,642,070	6,665,620	6,665,620
46,112,663	46,112,663	46,112,663
15,141,299	15,141,299	15,141,299
770,505,001	653,721,341	479,377,302
988,401,033	721,640,923	547,296,884
3,518,837	1,557,818	(978,829)
39,259,495	360,656,540	152,560,108
1,031,179,365	1,083,855,280	698,878,163
3,749,411,250	666,562	666,562
12%	25%	3%
0.03	266.33	23.67
3.77	0.79	0.48
0.26	1,082.63	821.07
0.04	0.50	0.28
1.04	1.50	1.28
0.40	292.50	371.00
-	4.50	4.50
-	2%	19%

## SHAREHOLDERS INFORMATION

### Distribution Schedule of Shareholders

Holdings (Shares)	31 March 2023			31 March 2022		
	No. of Holders	Total Shares	Holdings %	No. of Holders	Total Shares	Holdings %
1 – 1,000	1,072	390,736	0.01%	962	367,572	0.01%
1,001 – 10,000	1,443	7,728,402	0.21%	1,399	7,568,221	0.20%
10,001 -100,000	1,934	87,992,882	2.35%	1,916	88,311,683	2.36%
100,001 – 1,000,000	1,138	407,125,424	10.86%	1,149	410,829,806	10.96%
Over 1,000,000	276	3,246,173,806	86.58%	269	3,242,333,968	86.48%
	5,863	3,749,411,250	100.00%	5,695	3,749,411,250	100.00%

### Public Holding

	31 March 2023			31 March 2022		
	Holders	Shares	%	Holders	Shares	%
Public Holding	5,858	1,940,853,240	51.76%	5,690	1,940,853,240	51.76%
Total Holding	5,863	3,749,411,250	100.00%	5,695	3,749,411,250	100.00%
Float Adjusted Market Capitalization		582,255,972			776,341,296	

The Company complies with the Minimum Public Holding Requirement under option 5 as set out in the Listing Rules 7.13.1(a) as at reporting date.

### Twenty Largest Shareholders

Name of the Shareholder	31 March 2023		31 March 2022	
	No. of shares	%	No. of shares	%
MR. GOVINDASAMY RAMANAN	1,800,693,010	48.03%	1,800,693,010	48.03%
SAMPATH BANK PLC/ DR.T.SENTHILVERL	176,510,524	4.71%	176,510,524	4.71%
MISS. ANNE JUDITH SYLVIA NIMSMI AMERASINGHE	76,500,000	2.04%	76,500,000	2.04%
SAMPATH BANK PLC/MR SHABBIR ABBAS GULAMHUSEIN	66,223,946	1.77%	66,223,946	1.77%
MR. ARJUNA BANDARA DAMUNUPOLA	60,000,000	1.60%	60,000,000	1.60%
MR. DON BUDDHADASA WETHASINGHE	54,000,000	1.44%	54,000,000	1.44%
MR. KANDIAH BALENDRA	50,000,000	1.33%	50,000,000	1.33%
MR. GUNASENA DANGAMPOLA	43,893,308	1.17%	43,893,308	1.17%
MRS. GNEI SHAHIRA DEEN	30,729,036	0.82%	-	-
DR. CLIVE CHRISHANTHAN JAMES	20,000,500	0.53%	20,000,500	0.53%
DIALOG FINANCE PLC/S.A.DE SILVA AND D.R.DE SILVA	19,600,000	0.52%	19,600,000	0.52%
MR. MODERAGE MARIAN JANEK WAAS JAYASEKARA	17,521,000	0.47%	16,000,000	0.43%
MRS. PREMILA O. BOGAHALANDA	16,731,000	0.45%	16,731,000	0.45%
MR. KAHAWALAGE SAMAN SANJEEWA KUMARA	15,449,154	0.41%	1,000,000	0.03%
MR. M. RAVINDRA DEVAMITHRA PEIRIS GOONARATNE	15,052,500	0.40%	15,050,000	0.40%
STAR PACKAGING (PVT) LTD	15,000,000	0.40%	25,000,000	0.67%
MR. MOHAMED ALI MOHAMED AZLAM	14,002,229	0.37%	-	-
MS. MANIKKU BADATHURU PESHALI SARANYA FERNANDO	13,998,465	0.37%	13,998,465	0.37%
MR. SHYAMSUNDER RAMANATHAN	12,008,064	0.32%	7,579,781	0.20%
HERITAGE TEAS (PRIVATE) LTD	11,244,327	0.30%	6,244,327	0.17%
	2,529,157,063	67.45%	2,469,024,861	65.85%

## SHAREHOLDERS INFORMATION

### Market Value of Shares

For the Year ended	31 March 2023	31 March 2022
Highest price per share (Rs.)	0.50	1.00
Lowest price per share (Rs.)	0.30	0.30
Last traded price per share (Rs.)	0.30	0.40

### Financial Calendar 2022/2023

In terms of the Listing Rules of the Colombo Stock Exchange, Interim Financial Reports were issued as follows:

#### Reports

#### Date of Release

First Quarter 2022/2023 Interim Financial Report	12 August 2022
Second Quarter 2022/2023 Interim Financial Report	8 November 2022
Third Quarter 2022/2023 Interim Financial Report	27 January 2023
Fourth Quarter 2022/2023 Interim Financial Report	12 May 2023



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 59th Annual General Meeting (AGM) of Industrial Asphalts (Ceylon) PLC will be held on **Wednesday, 6th September 2023 at 3.00 p.m. at the Auditorium of Siam City Cement (Lanka) Limited - Peliyagoda Plant, No.28/1, New Nuge Road, Peliyagoda** to transact the following businesses;

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2023 together with the Report of the Auditors' thereon.
2. To re-elect Mr. S. Marimuthu who retires in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director.
3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. N.K. Dahanayake in terms of Section 211 of the Companies Act No. 07 of 2007.

### Ordinary Resolution

'That Mr. Nanda Kumara Dahanayake, who has attained the age of seventy years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him.'

4. To re-appoint Messrs A.I. Macan Markar & Co., Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine and make donations.

By order of the Board of  
**Industrial Asphalts (Ceylon) PLC**

### Ninecap Corporate Solutions (Pvt) Ltd.

Secretaries  
At Colombo,  
1st August 2023

### NOTES

A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/ her.

A Proxy need not be a member of the Company.

A Form of Proxy is enclosed for this purpose.

The completed Form of Proxy should be deposited at the Office of Industrial Asphalts (Ceylon) PLC, MMBL Pathfinder Office Complex, No.345/D, Negombo Road, Peliyagoda, or via [shamila@iac.lk](mailto:shamila@iac.lk) not less than 48 hours before the time appointed for the holding of the meeting.

## FORM OF PROXY

I/We, ..... (please indicate full name) of  
..... bearing  
NIC No./ Reg. No. of Shareholder ..... being a member/ members  
of the Company, hereby appoint

Mr/ Mrs/ Miss .....  
(please indicate full name) bearing NIC No. ....  
of..... or whom failing

Mr. G. Ramanan                      whom failing  
Mr. N. K. Dahanayake              whom failing  
Mr. R. K. Ignatius                  whom failing  
Mr. S. Marimuthu                  whom failing  
Mr. R. Raguneethan

As my/ our proxy to represent me/ us and vote on my/ our behalf at the 59th Annual General Meeting (AGM) of the Company to be held on **Wednesday, 6th September 2023 at 3.00 p.m. at the Auditorium of Siam City Cement (Lanka) Limited – Peliyagoda Plant, No.28/1, New Nuge Road, Peliyagoda** and at any adjournment thereof and at every poll which may be taken in consequence thereof.

**Please indicate your preference by placing a 'X' in the box of your choice against the Resolution No.**

	<b>For</b>	<b>Against</b>
1. Receiving of the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2023 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. S. Marimuthu Director who retires in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. N.K. Dahanayake as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-appointment of Messrs A.I. Macan Markar & Co., Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. Authorize the Directors to determine and make donations	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... Dayof .....

.....

Signature

**Please provide the following details:**

Full Name of the Shareholder : .....

CDS A/C No/ NIC No/ Company Reg. No : .....

E -mail address : .....

No of Shares held : .....

Full Name of the Proxy holder : .....

Proxy holder's ID No (if not a Director) : .....

Proxy holder's E -mail address : .....

**INSTRUCTIONS FOR COMPLETION OF PROXY**

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card number.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/ her discretion may vote as he/ she thinks fit.
3. The completed Form of Proxy should be deposited at the Office of Industrial Asphalts (Ceylon) PLC, MMBL Pathfinder Office Complex, No.345/D, Negombo Road, Peliyagoda, or via shamila@iac.lk not less than 48 hours before the time appointed for the holding of the meeting.
4. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the Shareholder is a Company or a Corporate Body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
6. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.



*Industrial Asphalts (Ceylon) PLC*

**MMBL Pathfinder Office Complex  
No.345/D, Negombo Road, Peliyagoda.**

**Tel: 0115 289 845 | Fax: 0115 289 849 | E-mail: [info@iac.lk](mailto:info@iac.lk) | Web: [www.iac.lk](http://www.iac.lk)**