



LANKA IOC PLC
ANNUAL REPORT 2020-21

NATION FiRST



Lanka IOC

NATION FIRST

Over a corporate journey spanning 19 years, we have been adept at facing many a challenge. The year 2020-21 was no exception as we experienced an extraordinarily turbulent phase in the backdrop of the pandemic. Our passionate and dedicated teams; within our organization and across our value chain network stepped forward to serve with unstinted passion and dedication. Our foremost priority was to serve with a 'Nation First' mindset. During this unprecedented period, we transcended beyond the call of duty to serve our country and its people with unequivocal commitment whilst remaining relevant and competitive to deliver sustainable value to all our stakeholders. This was certainly a test of resilience for our organization. As we emerge stronger and focused, we reaffirm our strength to support the nation today, tomorrow and beyond.



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“Over our 19-year journey we at LIOC have always been committed to play a pivotal role in the economic development of the country, by powering the nation through vibrant channels of distribution and a diversified range of products. As a responsible corporate citizen with a strong commitment towards sustainability, the wellbeing and the prosperity of the nation is our prime purpose.”

LEADERSHIP PERSPECTIVES

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VALUE CREATION AND STAKEHOLDER VALUE

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MANAGING DIRECTOR'S MESSAGE

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“Always in step with the aspirations of the nation, the many initiatives that we had commenced over the years were continued with the same intensity and some were accelerated to ensure that our customers and other stakeholders reaped the benefits.”



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VISION

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



MISSION

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

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

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

To provide technology and services through sustained research and development.

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

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

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



ABOUT US

Lanka IOC PLC with a market presence of 19 years is Sri Lanka's only private sector auto fuel retailer.

Establishing itself as a formidable partner in the country's socio-economic landscape we have been successful in mobilizing economic activity and development. With an island wide footprint of 210 retail outlets the Company has fueled nearly 12% of the country's retail fuel demand. We are also the largest provider of bunkering facilities in Sri Lanka.

The Company is a subsidiary of the Indian Oil Corporation Ltd (IOCL), India's state-owned energy company which is the country's largest commercial enterprise with operations in 08 countries. IOCL possesses business interests straddling the entire hydrocarbon value chain – from refining pipeline transportation and marketing of petroleum products to exploration & production of crude oil & gas marketing of natural gas and petrochemicals. LIOC benefits from the parent entity's six-decades

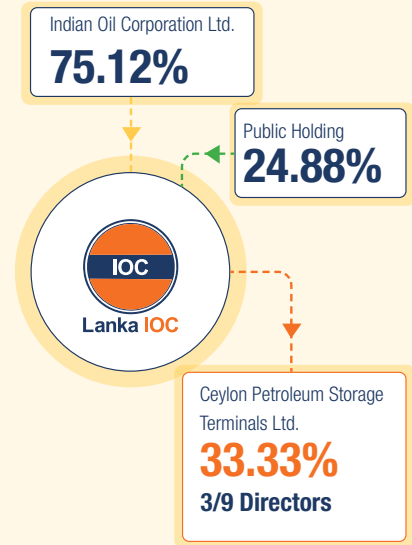


of experience and expertise and has much to offer Sri Lanka in developing its policy framework, driving innovation and ensuring environmental sustainability in the energy sector.

Navigating through challenging business landscape, we have been successful in delivering value to our stakeholders. We have over the years demonstrated our continuous commitment to provide the best quality products and create a superior customer service value proposition.

Our LIOC team consists of a work force of 159 employees who are based at Colombo and Trincomalee offices. We also support the livelihoods of over 5,000 indirect workers across the country.

Shareholding Structure



Values to the Nation



Serving 12%
of the Country's
Auto Fuel Requirement



USD 60.64 Mn
Exports of bunkering,
Bitumen and Lubricants



Added **02**
more Retail Outlets



01
New EV charging Station



Rs. 25.5 Bn
Contribution the nation as
taxes and levies



210
Retail Outlets in the
country



Rs 310 Mn
Investment in Revenue
Generated Assets

KEY BUSINESS VERTICALS



AUTOMOTIVE FUELS

With a market share of 12% we import and distribute petrol and diesel through our retail network. We also have a range of premium and branded fuels which provide enhance fuel efficiency and engine performance.

XTRAPREMIUM EURO3
HI OCTANE PETROL, WITH FRICTION BUSTERS

XTRAPREMIUM 95
EURO4

XTRAMILE
DIESEL

LUBRICANTS



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

SERVO
WORLD-CLASS LUBRICANTS



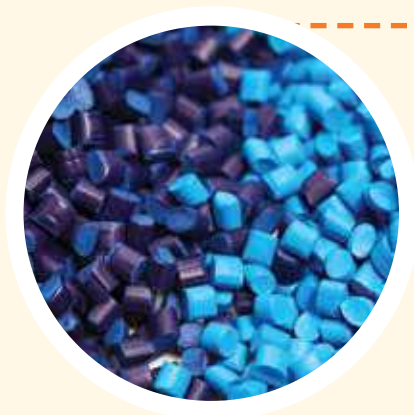
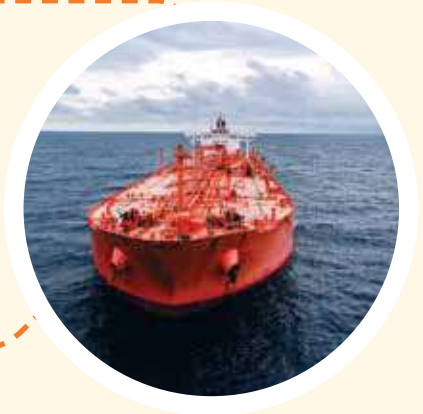
BITUMEN

We being a market leader provide Bitumen for industrial and road construction purposes. We have also commenced the export of Bitumen to Nepal.



BUNKERING

With a market share of 31% we provide in bunkering serving local and foreign vessels from the Colombo and Trincomalee ports.



PETROCHEMICALS

A new segment which the Company has embarked with much potential for future growth.

ABOUT THIS REPORT

Lanka IOC PLC

ANNUAL REPORT 2020-21

Our 6th Integrated Annual Report “**Nation First**” has been structured to provide our readers with a concise yet comprehensive assessment of how Lanka IOC PLC directed its strategy in achieving its short, medium, and long-term goals, thereby creating value for stakeholders. Given the extraordinary operating environment that prevailed during the year, the Report highlights the direct and indirect implications of COVID-19 wherever relevant, addressing how these issues were addressed through refining our strategy. The Report also provides relevant information on how the Company was governed, its key risks and strategic and performance outlook over the medium-to-long term.

Report Scope and Boundary

The financial information presented on pages 102 to 137 of this Report highlights the financial performance while non-financial information presented throughout the Report represents that of the Company. The Integrated Reporting boundary extends beyond internal operations to include external stakeholders, supply chain impacts and other risks and opportunities stemming from the operating landscape. There were no significant changes to the Company’s size, structure, shareholding or supply chain during the year under review and no significant restatements of previously reported economic, social or environmental information

Materiality Determination

We apply the principles of materiality in assessing the information that needs to be include in the report. Matters deemed material (as set out in pages 32 to 33) are those that can affect our value creation capacity.

Reporting Improvements

- Adoption of the Gender Parity Reporting Framework published by CA Sri Lanka
- Adoption of the revisions to the Integrated Reporting Framework in January 2021
- Clear disclosures on the implications of the pandemic on the Company’s strategy, operations, processes, and capitals
- Demonstrate increased connectivity between utilisation of capital resources and the Company’s strategy



A REPORTING ENTITY
Lanka IOC PLC which is Public Limited Company Incorporated and domiciled in Sri Lanka.

B REPORTING PERIOD
The Report covers the period from 1st April 2020 to 31st March 2021. We follow an annual reporting cycle.

- C STANDARDS AND PRINCIPLES**
- Sri Lanka Financial Reporting Standards
 - <IR> Framework of the International Integrated Reporting Council
 - Prepared in accordance with the GRI Standards: Core option
 - Sustainable Development Goals Reporting
 - Listing Requirements of the Colombo Stock Exchange
 - Code of Best Practice on Corporate Governance jointly issued by Securities and Exchange Commission of Sri Lanka and CA Sri Lanka (2017)
 - Gender Parity Reporting Framework- CA Sri Lanka

- D REPORTING CONCEPTS**
- Strategic focus**
Increased disclosures on how we traded-off capitals in delivering our strategy
 - Comparability**
Comparable information is presented wherever possible
 - Connectivity**
Use of navigation icons and signposting across Report

Director’s Approval

The Company’s Board of Directors confirm that the 2020-21 Annual Report addresses all relevant material matters and fairly represents the Group’s integrated performance. The Board confirmed that it collectively reviewed the report’s contents. We also confirm that the Report has been prepared in line with the guidelines presented by the Integrated Reporting Framework. The Report is approved and authorised for publication.

Signed on behalf of the Board,

Manoj Gupta

Navigation Icons

Financial Capital	Auto Fuels
Manufactured Capital	Lubricants
Intellectual Capital	Bunkering
Human Capital	Bitumen
Social & Relationship Capital	Petrochemicals
Natural Capital	

Feedback

We are committed to consistently enhancing the readability and relevance of our Annual Report and welcome any suggestions you may have in terms of what you would like to see in our next Report. Please direct your feedback to,

Company Secretary,
Level 20, West Tower,
World Trade Center, Echelon Square,
Colombo 1
companysecretary@lankaio.com



YEAR AT A GLANCE

2020-2021



Hon. Minister of Energy Udaya Gammanpila visit to LIOC Head Office



Distribution of infra-red Non contact thermometers to the 40 schools under Seethawaka Divisional Secretariat, by Hon. Minister of Energy Udaya Gammanpila



High Commissioner of India facilitating Trincomalee terminal



Contributed urgently required hand sanitizers to the Sri Lanka Police



LIOC awarded for the conservation of coastal and marine environment by MEPA



Lanka IOC awarded the Best Integrated Annual Report under CMA Excellence in Integrated Reporting Awards-2020



Inauguration of strategically located retail outlet in Colombo



Installation of EV charging station at newly commissioned RO at Colombo making total 5 EV charging station at LIOC retail outlets across island



LIOCians vaccinated against Covid-19



Commissioned 3 lube distributors during the year



Highest ever lube sales for the year 2020-21



Started Maiden supplies of SERVO Bajaj Genuine Oil 20W50 in 1 ltr small packs



Revenue generation commenced of solar energy from canopy roof top panel at auto fuel stations.



Introduced new product-Wet Brake Oil SERVO MTRAC 30 introduced for 1st time in Sri Lanka for farmers using OIB Tractors -against MOBIL grade MOBIL 424



Completed solarisation of Trincomalee terminal with 20 KWP



Commissioning of conical bottom 20KL vertical lubetank installation at institutional customer premises

FINANCIAL HIGHLIGHTS

	Metric	2020-21	2019-20	2018-19	2017-18	2016-17
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Operating Results

Revenue	Rs. mn	66,686	81,947	86,322	91,343	81,039
Gross Profit	Rs. mn	3,113	4,106	4,141	1,800	6,968
Operating Profit	Rs. mn	161	635	854	(1,385)	3,148
Net Profit/(Loss) Before Taxation	Rs. mn	988	599	331	(776)	3,601
Income Tax	Rs. mn	(105)	(177)	73	32	(535)
Net Profit/(Loss) After Taxation	Rs. mn	883	422	403	(744)	3,065
Dividends	Rs. mn	399	399	346	666	666

Capital Employed

Stated Capital	Rs. mn	7,576	7,576	7,576	7,576	7,576
Revenue reserves (Retained earnings)	Rs. mn	12,347	11,870	11,851	11,793	13,214
Shareholders' Funds (Total equity)	Rs. mn	19,924	19,446	19,427	19,369	20,790
Borrowings-Short term	Rs. mn	20,590	16,955	2,327	5,018	886
Other Short term Liabilities	Rs. mn	5,842	3,285	6,484	8,552	3,640
Total Current Liabilities	Rs. mn	26,432	20,239	8,811	13,570	4,526

Asset Employed

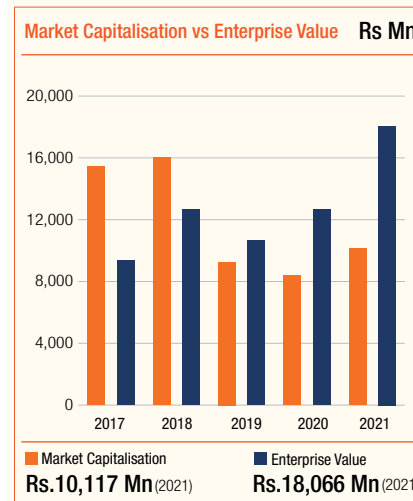
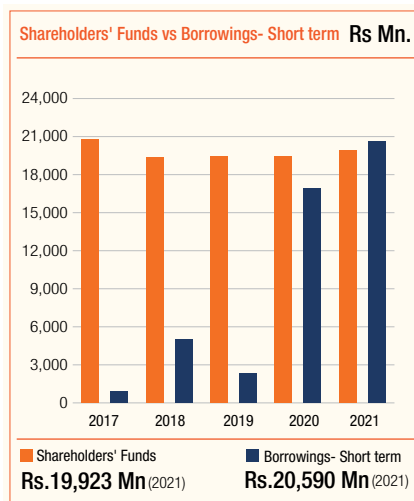
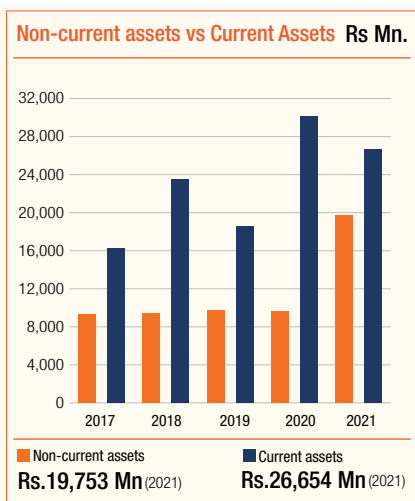
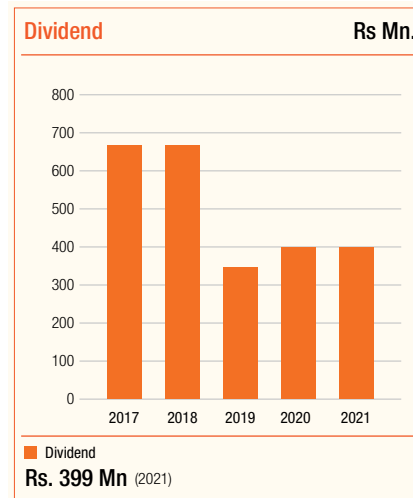
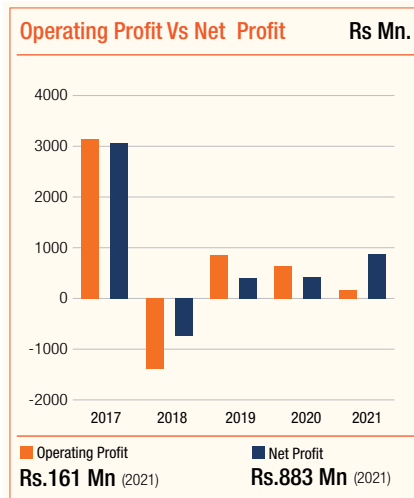
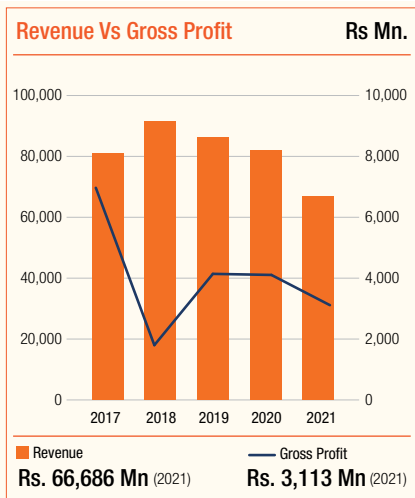
Non-current assets	Rs. mn	19,753	9,610	9,694	9,445	9,290
Current assets	Rs. mn	26,654	30,149	18,551	23,514	16,204
Total assets employed	Rs. mn	46,407	39,760	28,245	32,959	25,494

Key Ratios

Earning Per Share	Rs.	1.66	0.79	0.76	(1.40)	5.76
GP Ratio	%	5%	5%	5%	2%	9%
Operating Profit Margin	%	0.2%	1%	1%	(2%)	4%
Net Profit Ratio	%	1%	0.5%	0.5%	(1%)	4%
ROE	%	4%	2%	2%	(4%)	15%
Net Assets per Share	Rs.	37.42	36.52	36.49	36.38	39.05
Dividend per share	Rs.	0.75	0.75	0.65	1.25	1.25
Annual sales growth	%	(19%)	(5%)	(5%)	13%	14%
Equity to total assets ratio	%	43%	49%	69%	59%	82%
Dividend cover	Times	2.2	1.1	-	4.6	3.4
Dividend Payout (Paid Basis)	%	95%	99%	-	22%	30%
Dividend Yield	%	5%	4%	2%	4%	4%
Price Earning Ratio (P/E)	Times	11	20	23	-	5
Price to book value	Times	0.5	0.4	0.5	0.8	0.7
Current Ratio	Times	1.0	1.5	2.1	1.7	3.6
Quick Assets Ratio	Times	0.6	0.8	0.5	1.0	2.5
Turnover to capital employed	Times	3	2	4	4	4
Interest cover	Times	0.3	1.3	4.1	-	38.6
ROCE	%	0.4%	2%	4%	(6%)	15%
Debt/Equity	%	103%	87%	12%	26%	4%
Debt/Total Assets	%	44%	43%	8%	15%	3%

Price Movement Rs.

Market Value Per Share (Highest)	Rs.	31.30	22.00	37.00	35.40	42.90
Market Value Per Share (Lowest)	Rs.	13.00	14.50	17.10	25.80	27.70
Last Traded Price	Rs.	19.00	15.80	17.40	30.10	29.00
Market Capitalisation	Rs. mn	10,117	8,413	9,265	16,027	15,442
Enterprise Value	Rs. mn	18,066	12,656	10,647	12,638	9,353



Revenue
Rs.66.69 Bn
 (2020) 81.95

Operating Profit
Rs.161 Mn
 (2020) 635

Net Profit
Rs.883 Mn
 (2020) 422

Equity
Rs.19.92 Bn
 (2020) 19.45

Non-Current Assets
Rs.19.75 Bn
 (2020) 9.61

Market Composition
Rs.10.12 Bn
 (2020) 8.41

PERFORMANCE HIGHLIGHTS

	Metric	2020-21	2019-20	2018-19
Financial Performance				
Revenue	Rs. mn	66,686	81,947	86,322
Operating profit	Rs. mn	161	635	854
Profit before tax	Rs. mn	988	599	331
Profit after tax	Rs. mn	883	422	403
Return on equity	%	4%	2%	2%
Return on capital employed	%	0.4%	2%	4%
Financial Stability				
Total assets	Rs. mn	46,407	39,760	28,245
Total liabilities	Rs. mn	26,483	20,314	8,817
Shareholders' funds	Rs. mn	19,924	19,446	19,427
Cash and Cash Equivalent	Rs. mn	12,640	12,711	945
Interest bearing Borrowings	Rs. mn	20,590	16,955	2,327
Shareholder information				
Earnings per share	Rs.	1.66	0.79	0.76
Dividends per share	Rs.	0.75	0.75	0.65
Net asset value per share	Rs.	37.42	36.52	36.49
MPS	Rs.	19.0	15.8	17.4
Market capitalization	Rs. mn	10,117	8,413	9,265
P/E ratio	Times	11	20	23
Dividend pay out (Paid basis)	%	95%	99%	-
Economic Value Added	Rs. mn	477	19	58
Strategic Priority: Operational Excellence				
Property, plant and equipment	Rs. mn	4,019	4,113	4,294
Retail outlets	Nos.	210	208	208
Capital expenditure	Rs. mn	310	220	449
Strategic Priority: Investing In People				
Total employees	Nos.	159	164	172
Female representation	Nos.	23	24	24
Payments to employees	Rs. mn	569	581	542
Employee attrition rate	%	2	3	2
Investment in training	Rs. mn	1<	<1	<1
Total training hours	Hours	846	851	332
Average training hours/employee	Hours	3	5	2
Workplace injuries	Nos.	Nil	Nil	Nil
Revenue per employee	Rs. mn	419	500	502
Net profit per employee	Rs. mn	6	3	2
Indirect employees (approx.)	Nos.	5,100	5,000	5,000
Customer touch points	Nos.	777	736	621
Investment in CSR	Rs. mn	6	<1	<1
No. of CSR beneficiaries (approx.)	Nos.	5,000	1,000	1,000
Contribution to exchequer	Rs. mn	25,513	14,435	21,284
Strategic Priority: Sustainability				
Energy consumption	Kwh	404,134	404,645	451,383
Water consumption	KL	43,857	54,569	49,264
Sludge Disposal	KL	37.0	20.5	4.5

LEADERSHIP PERSPECTIVES

Leading the way through
extraordinary challenges with
a purpose driven corporate
entity to serve the nation.

XTRAPREMIUM
EURO3
HI OCTANE PETROL WITH FRICTION BUSTERS

XTRAPREMIUM
95
Euro4

XTRAMILE
DIESEL

CHAIRMAN'S PERSPECTIVE

DELIVERING SHARED VALUE WITH A 'NATION FIRST' COMMITMENT



“ LIOC’s deep and unflinching support is reinforced with greater intensity as we traverse our way through with a ‘Nation First’ commitment navigating the myriad of business challenges to deliver shared value to all stakeholders.”

Dear Shareholders,

I extend my warm greetings to you on behalf of Lanka IOC. It is my pleasure to present our 6th Integrated Annual Report and Financial Statements for the year ending 31st March 2021.

We are presently traversing our way through extraordinary times as grappling through a surge of infections resulting in the acceleration of the third waves of the pandemic. As described in our theme for the Annual Report 2020-21, LIOC’s deep and unflinching support is reinforced with greater intensity as we traverse our way through with a ‘Nation First’ commitment navigating the myriad of business challenges to deliver shared value to all stakeholders.

The Global Context

The COVID-19 pandemic dealt a severe blow to the global economy. As nations grappled with containing rising infections, lockdowns, restrictions on mobility and significant weakening of investor sentiments,

a sharp fall in economic activity was witnessed. Resultantly, the global economy contracted by 3.3% during the year causing a deep recession in many advanced economies as well as Emerging Market and Developing Economies (EMDEs).

Lockdowns imposed in almost 100 countries during a major part of 2020 drove oil prices to a state of frenzy. The average crude oil price (Brent) declined by 32.3 per cent to USD 43.35 per barrel in 2020 compared to the average price of USD 64.04 per barrel in the previous year. The lowest Brent crude oil price since 2000 was recorded USD 17.7 Per barrel in mid-April 2020 with the West Texas Intermediate (WTI) price declining to negative levels for the first time in history to USD 37.63 per barrel in April 2020, due to continued production despite weak demand and lack of storage capacity¹. During the January to March of 2021, we observed volatility in crude oil prices within the ranges of USD 60-70 per barrel mainly driven by supply and health concerns regarding the COVID-19 vaccines, fresh lockdowns

1. Annual Report Central Bank of Sri Lanka 2020

amidst new variants of the virus, the continued push by governments for economic recovery, OPEC's supply cuts as well as the brief blockage of the Suez Canal. Oil demand is expected to continue to firm in the second half of 2021 but unlikely to regain its pre-pandemic level until next year, with the shortfall mainly due to subdued jet fuel consumption (IEA 2021)².

Global growth is expected to accelerate to 5.6% in year 2021, largely on the strength in major economies such as the United States and China. And while growth for almost every region of the world has been revised upward for 2021, many countries continue to grapple with resurgence of infections muting prospects for economic recovery.

Sri Lankan Context

The Sri Lankan economy grappled with twin blows - the pandemic and the economic crisis which unfolded in greater intensity during the later part of 2020 and in nominal terms, the Sri Lankan economy contracted by 0.3 per cent in 2020, compared to the expansion of 5.1 per cent in the previous year. This, along with the depreciation of the Sri Lankan rupee, caused the overall size of the economy to contract to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in the previous year, and per capita GDP to decline to US dollars 3,682 in 2020 from US dollars 3,852 in 2019³.

As a country reliant on tourism earnings and remittances for foreign exchange generation, externalities stemming from the pandemic caused all three sub-sectors decelerate while the external sector experienced considerable pressure during the year. Despite intermittent volatilities at the beginning of the pandemic and again towards the end of the year, Exchange rate volatility was evinced in late 2020 mainly driven by speculative market behaviour due to sovereign rating downgrades and low levels of liquidity in the domestic foreign exchange market.

The Government took immediate and proactive policy decisions to support pandemic-affected businesses by introducing debt moratoriums, concessionary funding schemes and implementing recovery measures to relax the monetary and fiscal policy. Multiple downward revisions in the policy rate and Statutory Reserve Ratio of banks resulted in market

interest rates declining steeply for most part of the year. Meanwhile, to ease the pressure on the Sri Lankan Rupee, the government imposed a range of import restrictions on non-essential imports in a bid to preserve the country's external position and defend the exchange rate. The third wave of the COVID-19 outbreak has dampened hopes of a short-term revival of the economy. However, we are optimistic that economic activity will regain over the medium to long-term horizons.

Performing Admirably Under Adversity

Internally, our immediate and foremost priority was maintaining business continuity by providing an uninterrupted service whilst ensuring the safety of our employees. As our business is an essential service, we implemented an array of safety protocols in line with healthcare guidelines to safeguard our employees and negate any adverse impacts. We are greatly appreciative to the Ministry of Health for facilitating our employees to be inoculated with both doses of the COVID-19 vaccine.

The Board of Directors strengthened its level of engagement with the Company's leadership team, proactively monitoring emerging developments to assess the impact on the Company's operations and financial performance. Despite the challenges that prevailed, I am extremely happy to note that our services were provided in a seamless manner greatly supported by the indelible team spirit and agility demonstrated by our network of distributors and employees of LIOC who responded with positivity to the crisis.

During the year under review the Company's net profit after tax recorded a phenomenal increase to Rs.883 million from Rs. 422 million recorded in 2019-20. This remarkable achievement was possible due to the Company's astute and proactive focus on its high yielding business verticals such as lubricants and bitumen exports which served to cushion the impact of the losses generated from auto fuels and bunkering. This strategy proved to yield sustainable performance levels. Furthermore, efficient treasury and portfolio management strategies enhanced finance income thereby boosting profitability levels.

Continuous lockdowns, reduction of vessel movements and declining international oil prices

experienced especially in the first quarter of 2020-21 had a direct impact on the topline of the Company. Resultantly, revenue recorded a decline of 19% to Rs. 66.69 billion during the year under review mainly due to a 59% loss owing to volumes in the bunkering segment in comparison to the preceding year. In these dire circumstances we were forced to liquidate the bunker stock at prices below the procured cost. The auto fuel segment showed a marginal drop in sales value despite the volume increase of 3% in the year under review due to the levelling of generic fuel prices. Accordingly, revenue from auto-fuels which accounted for 62% of the total revenue in 2019-20 rose by 13% during the year.

Engaging with the Community

Over our 19-year journey we at LIOC have always been committed to play a pivotal role in the economic development of the country, by powering the nation through vibrant channels of distribution and a diversified range of products. As a responsible corporate citizen with a strong commitment towards sustainability, the wellbeing and the prosperity of the nation is our prime purpose. During these extraordinary times, our Company has been contributing positively to the social and financial wellbeing of all our stakeholders, above all, to safeguard and ensure the wellbeing of our community.

During the year under review, we stepped forward to donate Rs 5 Mn for the COVID-19 Health Care and Social Security Fund. We maintained strong coordination with the Police in the Colombo city area and with the Ceylon Petroleum Storage Terminals Ltd (CPSTL) for government hospitals to provide sanitizers. Extending social welfare, LIOC presented essential items to the Lady Ridgeway Hospital and Cancer Hospital. We took steps to conduct programmes for blind women by donating needy items.

We stepped forward to assist Government at a critical point to extinguish the fire on board the MT New Diamond vessel in the Sri Lankan coast last year. We were instrumental in coordinating with the Indian Navy and Airforce by supplying firefighting equipment, the fire entry and proximity suits, the foam, oil spill equipment and enabled to sprinkle Dry Chemical Power (DCP) from helicopters to extinguish the fire which continued for many days.

CHAIRMAN'S PERSPECTIVE

“Over our 19-year journey we at LIOC have always been committed to play a pivotal role in the economic development of the country, by powering the nation through vibrant channels of distribution and a diversified range of products. As a responsible corporate citizen with a strong commitment towards sustainability, the wellbeing and the prosperity of the nation is our prime purpose.”

Embedding Sustainability

We welcome regulations and regulatory requirements and have thus moved swiftly to comply with the Oil Spill Contingency Plan (OSCP) which has been duly approved by the MEPA in accordance with the National Oil Spill Contingency Plan (NOSCP).

We are deeply cognizant of the potential adverse impacts of an oil spill on the marine environment and are well prepared with the necessary infrastructure to respond swiftly to mitigate any negative consequences in the event of an eventuality. Considering the impact on the environment and ocean due to oil spills, LIOC invested on marine conservation equipment on continuous basis.

As an organization with a strong environmental conscience, we continued with our initiatives of solarization of five more of our retail outlets with a target of 30 solar powered outlets to be completed. Furthermore, we have initiated the solarization of the Trincomalee building with a 20 kW Solar Plant which would help to reduce our electricity costs by approx. 5 percent, of the current levels of usage.

Awards & Accolades

Our continuous pursuit of excellence across many spheres has been validated by the awards and accolades which have been bestowed upon us. The year 2020-21 was no exception as we were recognised across many platforms. We were successful in elevating our brand position to the 31 position among 'Sri Lanka's Top 100 Brands' with a brand value of Rs 3.68 Bn published by the LMD Brands Annual Awards, a most renowned brand publication of the country compiled by Brand Finance (UK). This reflects the integrity of the LIOC brand and how our consumers perceive our products, image, and reputation.

Our Annual Report 2019-20 was recognised with a Gold Award in the Energy Sector at the 'CMA Best Integrated Annual Reports' Award affirming our continuous commitment towards transparent reporting and upholding the highest standards of corporate governance. We were recognised by Marine Environment Protection Authority (MEPA) for our continuous efforts and initiatives in maintaining marine conservation.

Dividend

The Board of Directors has proposed a final dividend of Rs 0.85 per share to be approved at the next AGM.

Upholding High Standards of Corporate Governance

During the year under review, there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. As a Company strictly abiding by strong values, we place great emphasis on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

Allaying Our Concerns

Over the years LIOC made a genuine commitment towards the progress of the country's energy requirement despite challenges. One of the key challenges faced by the Company is the price differential and under recoveries in the Auto Fuels segment. During the year 2020-21 the increase of the import duty, surcharges and levies created a significant impact on the Auto Fuels segment which was already contending with the low demand levels induced by extended lockdowns. The 'new normal' is here to stay and presents many ramifications for the future. Presently the oil prices in the world market are seeing an upward trajectory moving to USD 68 – USD 70. Further the depreciation of the currency has course for under recoveries in the auto fuel segment.

We are in step with the expansion and development of the energy sector, ensuring adequate storage capacity while collaborating decision making and regularly engage with the Ministries, High Commission to ensure that storage and distribution of fuel is maintained. Expanding our wings, we are committed to play a pivotal role in the nation's aspirations to be the 'Energy Hub of Asia'.

Our Way Ahead

Although the prospect for short-term economic recovery is clouded by the resurgence of infections in recent months, we remain optimistic of the future. We expect the Government's policy stimulus towards local manufacturers to remain, thereby paving the way for economic growth. As an integrated energy solutions provider, we are deeply conscious of the role we play in the overall context of the development of the country. As the country moves forward to the 'new normal' era carving its unique path we stand resolute and committed to support and power the aspirations of our stakeholders by delivering shared value.

Our positive financial performance this year serves to be a strong platform for growth in the years ahead. I am happy to announce that the country's first Grease Plant will be commissioned in year 2021. This plant will accrue significant savings in foreign exchange to the country, giving the uncertainties stemming for the auto fuel and bunkering segments this new venture will be a platform of strength to capture new opportunities.

We remain committed and steadfast in our endeavors to fuel the aspirations of Sri Lanka with our significant investments to enhance the energy ecosystem. We remain passionately enthusiastic in expanding our footprint across the island with state-of-the-art fuel stations to be opened in strategic locations across the island. We hope to open EV charging stations in our endeavors to promote the usage of environmentally sustainable resources and driving adoption rates for eco-friendly energy sources. In order to achieve sustainability of the operations, we are solarizing our retail outlets and Trincomalee terminals as a steps towards promoting sustainable source of energy.

Availability of Bunkering activity at Hambanthota Ports as well which has expanded the choice for customers to procure from three ports of call within Sri Lanka. This augurs well for Sri Lanka's aspiration to be the energy hub of Asia. We hope to explore these emerging opportunities to secure the energy security of the Sri Lanka.

Acknowledgments

We remain extremely focused on the needs of our stakeholders as we collectively navigate ourselves from this unprecedented situation. I would like to thank the entire team at LIOC for their untiring efforts and unflinching commitment to achieve the objectives by working under challenging conditions.

While we are extremely focused on our customers, retail distributors, employees, and shareholders, we have continued to support our communities. I would like to express my heartiest gratitude to all our stakeholders for their enduring faith in LIOC.

I wish to thank our leadership team for demonstrating admirable ingenuity to execute our strategies throughout the last financial year and for their exemplary performance which is a real test of resilience under a difficult situation. I extend my appreciation to the Government of Sri Lanka for their continuous support to the Company.

I believe that the actions we are taking today will ensure the sustainability of our business and would build a strong platform for future growth.



Ranjan Kumar Mohapatra
Chairman

MANAGING DIRECTOR'S MESSAGE

TRANSCENDING BEYOND TO SERVE THE NATION.



“Always in step with the aspirations of the nation, the many initiatives that we had commenced over the years were continued with the same intensity and some were accelerated to ensure that our customers and other stakeholders reaped the benefits.”

Dear Shareholders,

I am pleased to present the 6th integrated Annual Report and Financial Statements of Lanka IOC PLC for the financial year ended 31st March 2021.

The year under review will certainly go down in history as one of the most challenging years in the 21st century where it tested the resilience, endurance, and agility of individuals to adapt to dynamic and volatile conditions.

A 'Nation First' Approach

The financial year commenced with an island-wide lockdown imposed to contain the onset of the COVID-19 pandemic. With the challenges introduced during the year, we reshaped our value creation priorities to ensure that the needs of our stakeholders continued to be met by focusing on creating value by helping our stakeholders manage the impact of COVID-19. As an organization with a nation first mindset, we felt strongly committed to support the

Government of Sri Lanka to navigate its way through the unprecedented challenges faced with a wider objective to serve the nation and all Sri Lankans. Thus, the Company expanded its mandate towards its stakeholders underpinned by a realignment of its strategy to a business landscape that had changed in an unexpected manner considering the wider circle of our customers, employees, other stakeholders and the nation at large.

From the outset, it was clear that we had to realign our strategic goals to a dramatically changed operating environment. Meeting immediate needs of our stakeholders, ensuring business continuity in a challenging phase of lockdowns were key imperatives that we focused on by reallocating our resources. As an essential service provider, it was imperative that we keep our network of retail outlets operational to facilitate uninterrupted customer access to services while ensuring our employees safety and wellbeing. Considering the health and

safety of our employees' precautionary measures were implemented by establishing comprehensive protocols, reinforcing them, monitoring developments, and developing an emergency response. Business continuity planning was a key focus which supported continuous operations to provide uninterrupted service to customers.

Always in step with the aspirations of the nation, the many initiatives that we had commenced over the years were continued with the same intensity and some were accelerated to ensure that our customers and other stakeholders reaped the benefits. Sustainability initiatives driven by the solarization of the outlets, customer value enhancements, strengthening of environmental precautionary measures at our terminal are some of initiatives which were continued despite the many operational challenges experienced. We also moved forward to support vulnerable communities through different programmes, contributing to the COVID-19 fund and other worthy initiatives. In a turbulent year, the fact that our bond with the nation has remained strong is reflective of the enduring trust that has been placed in the Company and our brands, for which we are grateful.

Performing Amidst Challenges

Over the last 19 years, LIOC has successfully navigated its way through many challenges. The year 2020-21 was no exception. We not only persevered, but also prevailed over each storm, acting decisively enriched by our learnings with every experience. Guided by a strong sense of ethics and setting long-term priorities in place we were successful in delivering sustainable performance and value to all our stakeholders.

Our business strategy has always been driven by an integrated value-creation. We focus on five strategic imperatives: healthy financial performance, customer-centricity, internal business processes, sustainable operations and building a future-ready team. LIOC delivered strong financial results by posting a growth of 109% in profitability to record a profit after tax of Rs. 883 Mn for the financial year. This was achieved despite a significant decline of 19% in top line revenue. This was possible by strengthening our operations to optimize returns. As an importer we are exposed to exchange rate risks which could severely hamper our profitability levels.

The total assets stood at Rs. 46.4 Bn in the year under review marking an increase of Rs. 6.6 Bn from the previous FY. The Company also invested Rs. 310 Mn in revenue generating assets as capital expenditure to expand our asset base and footprint. Despite the challenging business setting we pursued investments in the network infrastructure with the strong belief that such enhancements will enrich brand equity deriving superior customer experience in the long term.

Strategizing our Way to Stability

While our operating environment over the past decade saw some significant changes, we remained committed to these focus areas regardless of the challenges we faced and, in doing so, unlocked the potential to enhance profitability by strategic management of our four key business verticals. I believe that the way in which we strategically managed our business verticals has been the most defining reason for our remarkable progress.

During the last twelve months, we witnessed the Brent crude oil prices declining to USD 17.7 per Barrel in April, 2020 which again reached the level of USD 70 per Barrel in March, 2021. This is a clear indication of the level of price volatility in the world oil prices. We are happy to note that for the first time our Retail Sales Price (RSP) of fuel was maintained at a price equilibrium with the CPC thus removing the price differential between LIOC and CPC.

The losses being incurred in the auto fuel segment necessitated us to manage all other verticals prudently to generate profits. We strategically focused on our lubricants, bunkering and Bitumen verticals through well-crafted strategies which focused on building sales volumes, optimizing costs and managing inherent risks. Adopting a demand-pull strategy by expanding our distribution network to 27 lube distributors by adding 7 additional distributors. We introduced strong credit control mechanisms by securing our credit sales. Thus, infusing financial discipline and spreading our risk across a wider portfolio of distributors. Furthermore, timely procurement by careful monitoring of prices yielded better profitability levels. Thereby increase in volumes along with operating and sales strategies adopted enhanced the profitability of this segment to a greater extent.

We also ensured that regular dealer interactions both virtually and physically when permitted to maintain rapport and high motivation levels. In the year under review, we secured purchase contracts with four institutional customers. We also ensured operational excellence in this segment by investing in extra-capacity blending equipment and software to keep a close tab on the sales, stocks and procurement levels in order to maximize efficiency levels. This software enables us to understand sales patterns by providing us the right analytics to project the turnover levels along with greater sales insights.

Local demand levels contracted for Bitumen in FY 2020-21. Due to few road construction projects being commissioned and contractors facing liquidity issues. In this setting we took steps to export 9,000 tons of Bitumen to neighboring countries. This too has been executed amidst many logistical constraints especially the restriction in the availability of containers in meeting timelines.

The retail auto fuel segment recorded losses mainly due to the under recovery in sales of petrol and diesel as well as the closure of the economy during a larger part of 2020. Nevertheless, we stood steadfastly committed to enhance the customer experience at our network of retail outlets by moving ahead with the Retail Visual Identity (RVI) initiatives. We strongly believe that our retail outlets are the face of the Company and is the first point of contact for our customers whom we strive to serve with pride. RVI enhancements were carried out in franchisee dealer outlets as well demonstrating their unwavering commitment to elevate the brand identity and image at their own investment. During the year we imported monoliths which enhanced the visual appeal of our retail outlets significantly.

Given the inequities in the income streams emanating from our key business verticals we adopted a strategy of boosting our Non-Fuel Revenue (NFR) by commissioning of ATMs, LED screens, rental of hoarding spaces to leading banks and through solarization of the outlets. These strategic moves helped us to curtail our losses in the retail fuels segment.

Overall, sales performance of Bunkering saw a marginal drop with a turnaround experienced in the 4th quarter with profitability which helped us

MANAGING DIRECTOR'S MESSAGE

“A notable milestone, in our journey is the commissioning of Sri Lanka’s first Grease manufacturing plant. I am happy to announce that despite the challenges in importing the raw materials in this present situation we will be commissioning the plant in the year, 2021.”



mitigate our overall losses on this segment. With the low volumes experienced we were able to secure low-capacity barges which resulted in a sizeable annual savings to Bunkering related costs. We also deliberated on the pricing strategy and adopted a cost-plus pricing model to maintain revenue streams to service our fixed costs.

New Initiatives

A notable milestone, in our journey is the commissioning of Sri Lanka’s first Grease manufacturing plant. I am happy to announce that despite the challenges in importing the raw materials in this present situation we will be commissioning the plant in the year, 2021. The proposed Grease Plant is expected to meet the local demand saving a sizeable portion of foreign exchange. We have in place the skilled employees who would help us kick start the operations.

For the first time, LIOC’s Trincomalee tanks were operational at full capacity. Moreover, we completed all renovations of these tanks. We also strengthened our laboratory with much needed testing equipment thus enhancing our testing capabilities. During the year we installed the bulk facility to provide rubber processing oil at our industrial customers to generate cost savings on packaging.

A Sustainable Business

We forged ahead with the solarization of 30 outlets wherein we are recouping the investment via net accounting method. I must commend our team for working synergically to make this project happen

amidst many difficulties and roadblocks on the way. During the year we set up 01 new EV charging stations and hope to install more EV charging stations in the FY 2021-22.

Our People

As a people-centric organization we have always placed priority on the wellbeing and career growth of our employees. During the year we ensured that our staff are not burdened by adverse externalities, that all remuneration, allowances along with other benefits were paid in full along with the salary revisions on a timely manner. We enhanced the housing loan limits during the year. Concessionary loans were granted to purchase computers where ownership will eventually pass onto them. This enabled a smooth transition to remote work-from-home arrangements. LIOC takes pride in enjoying strong connectivity and a high level of engagement with our employees. These initiatives are supported by transparency where our channels of communications, achievements are shared via digital platforms.

We also conducted regular interactive meetings with our staff. These sessions proved invaluable, and our staff members came forward with very constructive suggestions and novel ideas. Some of these ideas and suggestions were promptly implemented by investing a considerable sum and have already generated significant cost savings to the Company. We also took steps to reward and recognize those employees. We have also implemented Development Management Committee comprising of seven members. I have personally attended these

meetings and made it a point to ensure that all valid suggestions are being implemented.

Social distancing and other safety guidelines of 2020-21 did not permit us to engage with our employees with our usual annual events such as the team excursion. However, we ensured that our employees felt valued and appreciated by introducing thoughtful gestures such as special cakes being delivered to our employees who were celebrating milestones in life such as birthdays, weddings anniversaries and birth of a child etc.

Despite the challenging business environment, we ensured that our retail and field staff training was continued in an uninterrupted manner. We used virtual online platforms to enhance knowledge sharing by engaging experts and employees specialized in the subject/ field including those from the parent company IOC, to share our knowledge

Strategic Focus

Sri Lanka's immediate term economic recovery has been affected by the recent resurgence of infections, following the emergence of a high-transmissible variant. These emerging dynamics will inevitably impact the recovery of the economy. However, we remain cautiously optimistic on the medium to long-term outlook which will be favourably positioned supported by a conducive monetary and fiscal policy stance and gradual adaptation to a post-pandemic world. Key downside risks include the country's weakening external position which could insert further pressure on profitability margins. A key priority in LIOC's strategic plan is to increase volumes in lubes, bitumen and bunkering to a great extent so that our basket of sales contains a comparable contribution from the other segments.

We hope to collaborate and work closely with the Ministry of Energy to introduce an equitable pricing mechanism which will enable both LIOC and CPC to carry on its business without generating huge losses in the backdrop of escalating oil prices. We strongly believe that this will ensure the future viability and sustainability of both our organizations. We also envisage that the government will take timely measures to maintain the stability of the currency.

With the extensive rollouts of vaccines worldwide we are witnessing an economic rebound globally and locally which will also drive pent up demand for fuel. In this setting, considering the pricing of the global oil prices we expect Brent oil prices to increase in the medium term.

We are excited to commission the Grease Plant, in Sri Lanka which will accrue significant benefits at a national level. We also look forward to solarization of our network. We hope to aggressively expand our footprint by opening more retail outlets in strategic locations in the forthcoming financial year and have already submitted the necessary approvals to the Ministry of Energy.

A Note of Appreciation

I extend my gratitude to Chairman, for his guidance and continued support on securing our profitability levels and performance in a volatile and uncertain business terrain. I extend my deep appreciation to the Board of Directors for their wisdom and insights and our parent company Indian Oil Corporation Ltd.

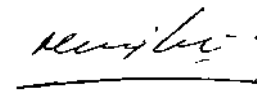
A special note of thanks is extended to the Ministry of Energy who have been extremely accessible, facilitating constructive discussion on important issues with an empathetic stance to take the rightful decisions. I extend my appreciation to the Ministry of Finance and all officials who extended their support. I wish to thank the Ministry of Health for enabling all our employees to be inoculated.

The Ministry of Foreign Affairs extended their cooperation in expeditiously approving the work permits for the skilled employees from India who will be providing us with the technical expertise to commence the operations of the Grease Plant. We are also grateful to the Board of Investment for the support extended and continued cooperation in setting up of our new projects.

Our retail fuel outlets were continuously open to serve our customers during the critical phase of lockdowns. I wish to appreciate all our teams at the retail outlets and channel partners for their support and dedication in seamlessly delivering our services by living up to our differentiated and unique LIOC service standards.

My sincere appreciation goes out to the senior management and staff of LIOC who performed despite the odds with an unflinching dedication and team spirit. They have been a strong pillar of support always willing to go the extra mile.

I also wish to thank the shareholders and loyal clientele for placing their confidence in LIOC specially during the pandemic and look ahead to their continued support in the future as well.



Manoj Gupta
Managing Director

BOARD OF DIRECTORS



MR MANOJ GUPTA
Managing Director

MR RANJAN KUMAR MOHAPATRA
Chairman

PROF. LAKSHMAN R WATAWALA
Independent Non-Executive Director



**MR RANJAN KUMAR
MOHAPATRA**
Chairman

A firm believer in the power of possibilities and strength of human resources, Mr Ranjan Kumar Mohapatra (Director-Human Resources, Indian oil-Chairman, Lanka IOC and Director cum chairman on the Board of Indian oil Mauritius Ltd.) Pilots abundant experience in Terminal Operations, Supply Chain Management, Logistics and Competnt Management of Several allied functions.

A successful business head, Mr Mohapatra seized the supremacy of technology at BITS Pilani, during his mechanical engineering days and the dominance of management functions at Xavier Institute of Management, Bhubaneswar.

Having journeyed for over three decades across different geographical boundaries in IndianOil, Mr Mohapatra had been the Managing Director of IndianOil's Mauritius operations for over three years. As the first Chairman of Mer Rouge Oil Storage Terminal - a joint venture formed by four MNCs to set up modern oil storage facilities in Mauritius, Mr Mohapatra has led a team of young professionals, recording sizeable growth in market share and profitability during his overseas operations.

A perceptive business leader, he was one of the chief architects of Auto Fuel quality up gradation

program of the oil industry in India. As the Chairman of CII Odisha State Council Mr Mohapatra works closely with various stakeholders facilitating further development of the state. Under his leadership, CII, Odisha swiftly organized relief materials and support aids for affected areas.

Mr Mohapatra is a prominent Member of Asia Pacific Resource Centre of Global Compact Network India (GCNI) - a non-profit society which functions as the Indian Local Network of the United Nations Global Compact (UNGC), New York. He has been a celebrated invitee at various forums of the Society for Human Resource Management (SHRM) - a professional human resources membership association headquartered in Alexandria, Virginia.

At IndianOil Mr Mohapatra, as envisions align Human Resources initiatives to strategic Corporate Vision,



MR D R PARANJAPE
Non-Executive Director

MR AMITHA GOONERATNE
Independent Non-Executive Director

MR VIGYAN KUMAR
Non-Executive Director

and has pioneered several efforts to usher in a vibrant culture focussed towards higher growth and productivity. A widely traveled person across Europe, USA, Africa, and Southeast Asia, Mr Mohapatra has presented papers and delivered lectures at national and international forums, and published articles in international journals and supply chain reference books.



MR MANOJ GUPTA
Managing Director

Mr. Manoj Gupta is a Civil Engineering graduate from prestigious NIT, Jaipur and a MBA from Podar Institute of Management, Jaipur. With over 28 years of expertise in the Petroleum Sector, Mr. Gupta has wide experience in various roles in Indian Oil Corporation Ltd. (IOCL), India's flagship company and a fortune 500 Global Company, encompassing Retail Sales, Aviation etc. As a State Level Coordinator of Haryana State, he was responsible for maintaining close coordination with other Oil Marketing Companies & State Government, to

maintain uninterrupted supply of petroleum products in the entire State.

He spearheaded two very strategic and high volume Divisional offices namely Panipat and Kolkata. As the head of the Divisions, he focused on creating a more enabling and inspiring workplace, leveraging technology and infrastructure augmentation and capability building of channel partners. With in-depth knowledge and acumen in Retail Sales Under his leadership many Government strategic sites were procured and state of the art Retail Outlets were developed.

Mr. Gupta was a core member of prestigious Retail transformation program (Dhruva) undertaken by IndianOil with international consultants. He was the chief architect for creating FIT, SEVA, AWESUM, DARPAN' (Dealers Score card) initiative undertaken by Project Dhruva. Above strategic initiative and network/customer centric approach has contributed

BOARD OF DIRECTORS

a lot in improvement of look & feel, enhancing the engagement of channel partners and brand image of the Corporation. He believes that business collaboration and innovation is the mantra for success.

In addition to his main role as the Managing Director of Lanka IOC PLC, he serves on the board of Ceylon Petroleum Storage Terminal Limited (CPSTL), which is a government owned company, as a Board of Director by contributing his expertise to the Petroleum Sector in Sri Lanka. Mr. Gupta is also a Chairman, Government liaisoning of Indian CEO Forum and actively participating in various CSR program.



PROF. LAKSHMAN R WATAWALA
Independent Non-Executive Director

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

He is a proud receiver of the National Honours Sri Lanka Sikhamani conferred for distinguished services of a general nature by the President of Sri Lanka in 2019. He was inducted to the Hall of Fame of CA Sri Lanka in November 2013. In 2018, he was Awarded the Lifetime Achievement Award by CMA Sri Lanka.

He was appointed as an adjunct Professor in the Deakin Business School, Department of Accounting, Faculty of Business and Law at Deakin University in January 2020.

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

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

He is currently the President of the Institute of Certified Management Accountants of Sri Lanka (CMA) and its founder, President of the Institute of Chartered Professional Managers of Sri Lanka (CPM) and its Founder, and the Past President of the Association of Management Development Institutions of South Asia (AMDISA).

He also served as a Committee Member of the Ceylon Chamber of Commerce and was Founder Chairman of the Sri Lanka Economic Summit and Ten Best Corporate Citizens Awards Committees, the Past President of Chartered Accountants of Sri Lanka, Past President of the South Asian Federation of Accountants (SAFA), Founder President of the Association of Accounting Technicians of Sri Lanka (AAT), and Past President of the Organization of Professional Associations of Sri Lanka (OPA).

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



MR AMITHA GOONERATNE
Independent Non-Executive Director

Mr Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow Member of the Institute of Chartered Accountants, United Kingdom and Wales and a Fellow Member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted

Company listed on the CSE and was the Chairman of Commercial Insurance Brokers (Pvt.) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr Gooneratne, assumed duties as Managing Director of Melstacorp PLC. He is the Chairman of Melsta Logistics (Pvt) Limited and Bellvantage (Pvt) Limited; Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt.) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt.) Limited, Texpro Industries Limited, Bogo Power Limited, Melsta Towers (Pvt) Limited, Melsta Healthcare Services and Melsta Hospital Management Services, Melsta Pharmaceuticals (Pvt) Limited, Continental Insurance Limited, and Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC.

He is an Independent Director of Lanka IOC PLC, Teejay Lanka PLC., Teejay Lanka Prints Limited, and Commercial Development Company Limited.

He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.



MR VIGYAN KUMAR
Non-Executive Director

Mr Vigyan Kumar an MBA with a specialization in Marketing Management. He has over 35 years of experience in the downstream Petroleum sector of India and has held various responsible positions in IndianOil across length and breadth of the Country. Currently, he is heading the Retail Sales function of IndianOil as the Executive Director (Retail Sales-North and East)

Prior to this assignment, he has worked as Business Head of IndianOil in Madhya Pradesh and Chhattisgarh States of India. Apart from looking after the overall marketing activities of Petroleum product in these States, Mr Kumar's responsibility as

State Level Coordinator covered maintaining close coordination with other oil marketing Companies & State Government to maintain uninterrupted supply of petroleum products in these States.

After initial 1 ½ years with supply group, he has held various key positions in Sales functions. He was part of the 1st retail transformation program undertaken by IndianOil with international consultants, when the retail market was opened up in the year 2003. He was instrumental in the conceptualization and implementation of the loyalty program for fleet and commercial vehicles across India.



MR D R PARANJAPE
Non-Executive Director

Mr D R Paranjape, a Commerce Graduate and Member of the Institute of Chartered Accountants of India as well as the Institute of Company Secretaries of India, joined the Indian Oil Corporation Ltd in April 1988. He has a rich experience of over three decades in varied disciplines including General Finance, Taxation, Treasury, Risk Management, Company Secretarial, Human Resources, and General Administration.

Mr Paranjape is presently posted as Chief Executive Director (Finance) at marketing division of Indian Oil. He is currently leading a team of 600 plus trained officers across India and is responsible for the entire Finance and Account activities in the marketing division of IndianOil. He is also on the Board of M/s. Lubrizol India Pvt. Ltd., a joint venture of Indian Oil.

Earlier, Mr Paranjape has also served as the Company Secretary and HR Head of Indian Oil Petronas Pvt. Ltd., another joint venture of IndianOil. Widely traveled and an avid reader, Mr Paranjape has a keen interest in value creation for the stakeholders through his contribution to the vital finance function.

MS AMALI LIYANAPATABENDI
Company Secretary

Amali Liyanapatabendi is an Associate Member of the Institute of Chartered Secretaries and Administrators (ACIS), London, UK and has a Post Graduate Diploma in Business Management from the University of Colombo. She has over 21 years of experience in company secretarial practice gained by working in the private sector organizations. She was appointed as Company Secretary of Lanka IOC PLC with effect from 01st June 2021 in place of Mihiri S Senaratne.

SENIOR MANAGEMENT



Seated Left to Right:

MR GIRISH RANJAN

Senior Vice President (Retail sales & HR)

MR MANOJ GUPTA

Managing Director

MR PRAMOD JAIN

Senior Vice President (Finance)

Standing Left to Right:

MR T K ELAMARAN

Senior Vice President (Engineering)

MR VENU PRADEEP

Vice President (Ops), Trincomalee

MR RANJEET BOTHRA

Vice President (Finance)

MR BENOJ PAUL

Senior Vice President (Ops & LBP), Trincomalee

MR SURAJ PATNAIK

Senior Vice President (Ops, Import & Bunker Sale)

MR S A NIMKAR

Senior Vice President (LM&P)

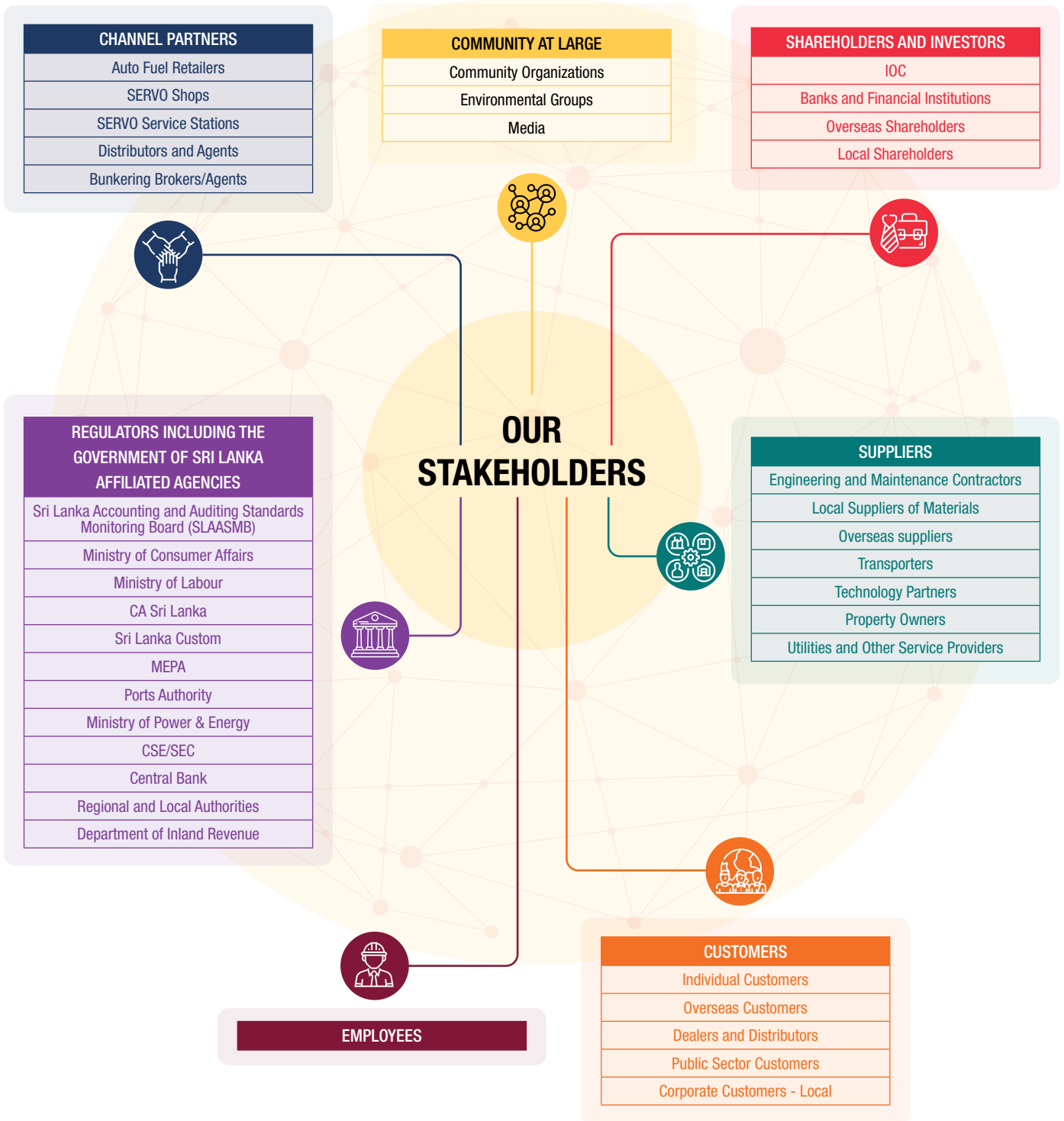









**VALUE CREATION
AND STAKEHOLDER
VALUE**



STAKEHOLDER ENGAGEMENT

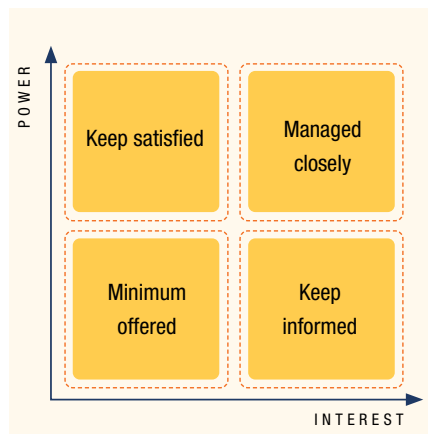
Balancing our stakeholder needs and building long-term positive relationships is vital towards ensuring business continuity and sustainable value creation. We maintain frequent dialogue with all our stakeholder groups to make sure their concerns are heard and addressed in our strategic planning process.



	Shareholders - The Group consists of institutional and individual shareholders, analysts, fund managers and related agencies and we are committed towards ensuring that the financial capital provided by our shareholders and investors is channeled towards the creation of fair sustainable returns.
	Regulators - The Government is a key stakeholder as a regulator, the maker of fiscal and monetary policies providing a conducive operating environment to conduct business. We work closely with the Government and all the relevant ministries and implementing agencies when conducting our business in line with regulatory requirements and support the socioeconomic progress of the country as a responsible corporate citizen.
	Employees - Our employees are a key element of our value creation process and we engage with them and nurture them to drive business performance and growth.
	Customers - We are dedicated to serve all our customers, people and entities both local and foreign and provide superior customer service at all times.
	Channel Partners - We value the commitment and dedication of our channel partners in the process of providing reliable and high standards of service to our end customers.
	Suppliers - We work together with our global and local suppliers to ensure uninterrupted quality products reach our customers to satisfy all their product requirements.
	Community - We are committed to sustainability principles and to the greening of our business operations, setting a business model with an environmental conscience, and commitment to being good partner. As a responsible corporate citizen, we continue to work towards enhancing the quality of life of our people.

Stakeholder Engagement

Over the years as we have ventured into new product lines and expanded our business operations, we have identified the key groups of stakeholders impacting our business operations. Periodic analysis of our stakeholder groups is performed to determine the level of power and interest held by each segment and accordingly we ensure that proper engagement channels are maintained with these stakeholder groups and reliable information is disseminated to effectively engage with them and identify potential areas of improvement, changes required to our business models and potential market opportunities.





Engagement Methods



STAKEHOLDER ENGAGEMENT

Stakeholder group	Channels of engagement	Key areas of interest	Our commitment
Shareholders/ Investors 	<ul style="list-style-type: none"> Annual report and quarterly financial reports Annual General Meeting (AGM) Consultations with major stakeholder, IOC, on matters of policy and strategy at the Board level Press releases and digital channels (website and social media channels) Announcement to Colombo Stock Exchange (Continuous Basis) One to one engagement 	<ul style="list-style-type: none"> Profitability Business growth Brand value and brand reputation Sustainable product portfolio Sustainable business practices Dividend consistency Market price/capitalization Good corporate governance Ethical business practices 	<ul style="list-style-type: none"> To deliver revenue growth and profitability with a sustainable portfolio of products To invest in nurturing brand value and growing the brand reputation To conduct our business to the highest level of professional standards, corporate governance best practice, and our code of ethics embedded in the Conduct, Discipline and Appeal Rules of the Company
Employees 	<ul style="list-style-type: none"> LIOC Connect-the internal newsletter Performance reviews Recognition mechanisms -Shining Star Grievance handling procedures Managing Director's Straight Talks with employees (open door policy) Meetings by Head of Divisions Training and development programs to upgrade skills for the 'Future of Work' Health Talks 	<ul style="list-style-type: none"> Market compatible remuneration and benefits packages (pay revision even during COVID-19) Continuity of employment Career development and progression Skills development opportunities Fair, just, and engaging work environment Work-life balance Occupational health and safety Human rights at the workplace 	<ul style="list-style-type: none"> Competitive pay rates To provide a safe, engaging, and fair work environment that supports personal and professional growth and career progression A people focus in managing human talent, encouraging, communication and real-time engagement To prepare our people for the "New Workforce" providing access to new technologies and training, to upgrade readiness for the future of work. Encouraging and providing the opportunities for continuous learning including mobile based learning
Customers 	<ul style="list-style-type: none"> Continuous contact with customers One to one engagement at the retail outlets Advertising/Marketing communication campaigns in mainstream media (E-mails and SMS) Engagement through social media channels (Facebook page) Corporate website Customer outline 	<ul style="list-style-type: none"> Selling Price Timeliness of supply Correct volumes Quality and performance Environmental impacts Supply reliability Logistics 	<ul style="list-style-type: none"> Competitive pricing Making our products available and accessible to our customers. Quality and performance Timeliness and correct volumes Efficient and effective delivery
Channel partners 	<ul style="list-style-type: none"> Dealer site visits Regular field sales visits Meeting with Auto Fuel dealers and Lubes distributors includes SERVO shops and SERVO service stations Telephone, E-mail, and SMS Review and feedback meetings by Managing Director and Head of Departments 	<ul style="list-style-type: none"> Continuing mutually beneficial relationships Competitive pricing Fair credit terms Ethical business practices Product technical and safety support Reliability of suppliers Ease of transactions Rewards and recognition 	<ul style="list-style-type: none"> To consider all our channel partners as our partners in progress and to cultivate and nurture long-term relationships Offer an unmatched value proposition with infrastructure, training and sales support Growth opportunities Value added services Investing in sustainable business initiatives and automation

Stakeholder group	Channels of engagement	Key areas of interest	Our commitment
Suppliers and other service providers 	<ul style="list-style-type: none"> • Ongoing dialogue and routine business interactions • Supplier appraisals • International events/visits • One on one meetings/site visits • E-mail and correspondence • Corporate website 	<ul style="list-style-type: none"> • Professionalism, ethical conduct, and business best practices • Continuing sustainable business relationships • Prompt payment on agreed credit terms • Potential for growth and profitability 	<ul style="list-style-type: none"> • Support mutual growth and profitability with reliable and strong financial commitments • Sustainable supply chains
Regulators 	<ul style="list-style-type: none"> • Ongoing dialogue with policymakers, regulatory authorities, and experts • Collaboration and participation in technical, industry, sustainability, and national events • Submission of reports, returns, and other financial and non-financial information • Compliance reviews • Corporate governance systems that adhere to laws, regulations, and best practice 	<ul style="list-style-type: none"> • Energy security • Regulatory compliances • Employment generation • Local manufacture to save foreign exchange • Payment of taxes, duties, levies, and fees due to Government/regulatory bodies • Ethical business practices 	<ul style="list-style-type: none"> • To be a partner in Sri Lanka's energy security goals • We are committed to establishing and maintaining governance structures that meet best practice standards and legal and regulatory requirements relevant to our business operations • We are also committed to create models of sustainable business practices that can be emulated across the nation • Environmental conscience
Community 	<ul style="list-style-type: none"> • Direct contact with communities • CSR activities • Local events and sponsorships • News media • Annual Reports 	<ul style="list-style-type: none"> • Indirect economic benefits through employment generation and infrastructure projects • Preservation of the environment • Building and nurturing sustainable social relationships through community-based CSR activities • Safety, health and welfare 	<ul style="list-style-type: none"> • Ensuring energy security in Sri Lanka and serving the needs of our customers without disruptions • Committed to being a good partner and nurturing our social relationships in a sustainable manner • Operating with a strong environmental conscience and setting an example through our retail network on sustainable and green business practices proven to deliver financial and environmental benefits

MATERIALITY MATTERS

Material issues are those which have a strong bearing on the Company's value creation process and performance. Through effective engagement with our main stakeholders, we identify concerns raised and based on the level of impact for LIOC and the stakeholder prioritize these issues. Such matters are taken into consideration when setting our corporate





strategy, organizing our operations and making our investment and credit decisions. Several policies have been established directing people to conduct activities in a transparent and ethical manner when managing the material topics and where relevant, effective grievance mechanisms serve to manage, address and resolve stakeholder grievances.

There are no restatements or changes to the list of material topics or topic boundaries from the previous year.

Our process to identify and prioritize material issues is depicted below



	Material topics reported	Impact on LIOC	Impact on stakeholder	Material Boundary	Related SDGs
1	Profitability	H	H	Profitability and growth demonstrate the value creation ability of the company and are key performance indicators that reflect the operational success, efficiency and productivity of the company.	 
2	Growth	H	H		 
3	Dividend consistency	M	H	Dividend consistency attracts potential investors and depicts the Company's ability to provide fair returns to shareholders.	
4	Good corporate governance and ethical business conduct	H	M	Good corporate governance mechanisms ensure that a business operates well and its affairs are conducted in a professional and ethical manner in accordance with corporate governance best practice. LIOC does not compromise on integrity and strives to uphold the highest levels of ethical practices throughout its business operations.	   
5	Sustaining brand value and reputation	H	H	Challenging business environments can potentially lead to cut investment in sustaining brand value and brand reputation. Hard times can also lead to difficult decisions which can damage brand reputation significantly.	
6	New and sustainable technologies	H	H	Innovation and adoption of new technologies are key drivers of business success today. These factors provide a competitive advantage and help LIOC recognized new opportunities and strategies for business growth.	  
7	Business initiatives	M	M		
8	Competitive remuneration	M	H	Market compatible remuneration packages are necessary to attract and retain employees.	
9	No pay cuts	M	H	The COVID-19 pandemic has disrupted business operations across the nation and under such conditions LIOC places utmost importance in ensuring that employees are protected and 100% job security is ensured.	 
10	Job security	L	H		
11	Pricing	H	H	Product price is a key consideration that determines the competitiveness of LIOC in each segment. Supplier pricing is also given high priority as this determines LIOC's potential for revenue growth.	

	Material topics reported	Impact on LIOC	Impact on stakeholder	Material Boundary	Related SDGs
12	Undisrupted supply	H	H	Undisrupted supply is a key consideration that comes with LIOC's commitment to energy security in Sri Lanka.	 
13	Ease of access	H	H	This is a key consideration for all business lines and LIOC is committed to ensure that expansion of new retail outlets and SERVO Lubricant shops would help to enhance customer convenience.	
14	Quality performance	H	H	In all business lines, especially in Fuel and Lubricants, customers depend on quality and performance of the product. Thus, LIOC places high importance on maintaining quality standards.	  
15	Timeliness	M	M	Commencement of 24-hour operations and expanding customer touch points to enhance access and timeliness of supply.	
16	Continuing mutually beneficial relationships	H	H	Mutually beneficial relationships help to maintain uninterrupted business operations and LIOC places high importance in nurturing and building sustainable relationships.	
17	Fair credit terms	M	H	In difficult economic times, retaining the loyalty of channel partners depends to a large degree on fairness credit terms offered and promptness in payments due.	
18	Energy stability	H	H	Undisrupted supplies and continuing operations, especially in Auto Fuel, Industrial Fuel and Bunkering are high priority considerations.	  
19	Compliance	H	M	Financial and environmental compliance are key elements of a responsible corporate entity and LIOC at all times strives to comply with all relevant regulations and statutes.	
20	Foreign exchange outflow	H	H	LIOC places high importance on contributing to the national economy and has taken positive strides towards reducing imports and foreign exchange outflows. The grease plant expected to be commissioned soon is one such venture taken by LIOC and has been a key investment.	
21	Economic benefits	L	H	The expectation is that the Company will continue its expansion, not cut down on the number of outlets, and sustain jobs created by its operations.	  
22	Social and Environmental consciousness	H	H	The company strives to follow sustainable and environmentally conscious business practices and places high importance on reducing its carbon footprint.	     
23	CSR	M	M	As a responsible corporate citizen LIOC recognizes the importance of caring for the society it operates in and contributes generously towards community development projects and livelihood upliftment.	  

STRATEGIC PATH TO SUSTAINABLE GROWTH

LIOC remains committed to the nation by maintaining its position as a formidable contributor to the nation's energy security. The Company strives to deliver sustainable value creation through a consumer-centric strategy. We are focused on maintaining our strategic positioning and driving growth across the business verticals of our organization.

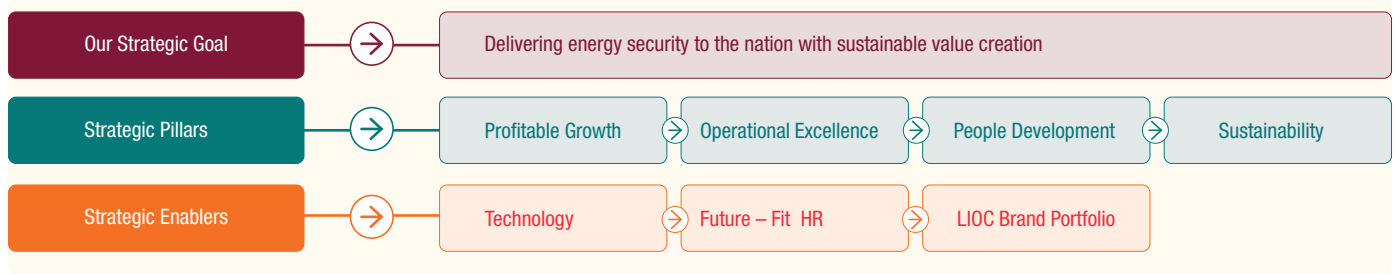
Sustainability and community well-being have always been at the heart of LIOC's overall strategy. As the COVID-19 pandemic sweeps the world, we at LIOC, recognize our extended responsibility towards the community and remain committed towards driving the health, safety, and well-being of our members, business partners and the nation at large.

Stakeholders we rely on and to create value for

We believe that mutual growth and collaboration will create the right balance towards meeting stakeholder interests through a continuous engagement.



In response to the dynamic operating environment needs and expectations of our stakeholders, we focus on four strategic pillars that drive the activities in our value-creating business model. These strategic focus areas are underpinned by strategic enablers, which are catalysts for delivering our strategy and achieving our short-, medium- and long-term objectives.



The Company's operations for the year were guided by four key strategic pillars. We aim to leverage our unique strength to drive increased market penetration and continued value creation to stakeholders. The unique challenges that prevailed during the year, necessitated a shift in focus to address immediate issues, although in general the Group's activities were aligned to the four areas of strategic priority



Profitable Growth

The Company adopts a well validated three-pronged strategy to drive robust and healthy profitability levels, namely cost optimization, efficient management of key business verticals and maximizing the yield on investments whilst balancing liquidity and returns.

The Company has a conscious strategy of managing its business verticals to optimize profitability levels. Recognizing the volatility and the external market

conditions arising from the continuing pandemic which has a direct bearing on the performance of these business verticals; namely retail fuel, lubricants/ petrochemicals, bitumen and bunkering a sustainable growth strategy is in force to optimize the returns and leverage profitability levels.

During the FY 2020-21 efficient allocation and utilization of resources was particularly accentuated given the extraordinary business environment. The Company directed its focus on lubricants and Bitumen segment by market penetration strategies. We enhanced and expanded our distributor network and acquired key industrial customers. The Company is optimistic of the returns generated from the new Grease plant which is to be commissioned in year 2021 which will accrue further benefits.

The Company responded to the sluggish local demand for Bitumen stemming from the declining construction sector by pursuing market development strategies by exploring overseas business

opportunities through expansion of other export markets.

The pandemic driven externalities and the lockdowns has created uncertainty on auto fuels and bunkering verticals. The losses from the auto fuel segment were exacerbated by the price fluctuation across the multitude of fuels thereby generating losses. In this backdrop the Company's strategy of generating non-fuel-based income from renting of spaces etc. in the network of Retail Outlets helped the Company minimize its losses in this segment.

The Company manages its bunkering operation with a strong focus of maintaining the optimum procurement levels with tie-ups with suppliers and efficient inventory management. Further the outlook for this segment is optimistic considering the expansion of bunkering operations in the Hambanthota port. Strengthening bunkering operations with strategic tie ups with shipping line operators is another strategy that the Company hopes to pursue.



Customer Centricity

Customer – centricity and enriching the customer experience at the retail outlets has been a key strategic pillar for LIOC. The Company has progressively enhanced its investment on up gradation of the Retail Outlets whilst introducing service enhancements in the form of automation. The levels of engagement with our customers have also been addressed through many initiatives. The Company is firmly entrenched with the ideal that Retail Outlets carries the visibility of the LIOC brand across the country. Thereby a significant investment has been made in revamping the Retail Visual identity (RVI) in the owned and franchised outlets. Further, expansion of the LIOC footprint by expanding to strategic cities within the country is market development strategy that is being widely pursued by the Company.

The Company has been addressing its industrial and B to B customer segments as well for its lubricants and petrochemicals segment. Diversification into Grease with the new plant being commissioned in year 2021 will open new revenue pathways.



Operational Excellence

Technology driven automation has been a key lever for building a future-ready organization. LIOC has addressed these aspects in its value chain addressing the critical points – at the dealer/distributor level and the customer level to have an overall snapshot of the business and to support effective decision making at all levels. The digital Dashboard enables monitoring of operations of the automated retail outlets facilitates speedy procurement and provides vital customer data. IT enhancements such as the online tracking system helps to maintain efficiencies in the retail outlets and supporting the creation of a strong platform to build customer engagement. A complaint management procedure has been established to record complaints via a mobile, facilitating speedy remedial action and prevention of similar future occurrences.

Automation of the retail outlet network is a key strategy which is pursued in the future with the objective of enhancing customer experiences at our retail network.



People Development

At LIOC our core employee value proposition is built on maximizing the potential of our people by challenging, enriching, and fulfilling work opportunities. Our sustainable growth model is based on providing a work culture that facilitates people taking ownership and delivering results. Our flexible work culture has provided the conducive environment to work towards a shared vision. Career progression opportunities and developing the next level of leadership is also a vital area that the Company hopes to develop. The Company will continue to assess and refine the remuneration and rewards packages of our employees in line with industry standards to be competitive.

With the evolving COVID-19 situation with new variants, employee safety and well-being would be a critical priority. The Company will continue to proactively assess the evolving situation carefully and allocate resources to ensure continuity of operations whilst focusing on the overall wellbeing of employees.

these adoption rates by creating greater customer awareness. We will continue to be a first – mover and an early adopter in abiding with International Maritime Organization (IMO) guidelines as in the past demonstrating our unequivocal commitment to marine life and reducing environmental hazards.

We pursue an environmentally - conscious approach in our bunkering operations with investments and continuous upgradation of the oil spill equipment needed.

Solarization of the retail outlets is a key strategy which is continued wherein we have made significant benefits. Further the solarization of the Trincomalee terminals will also derive many benefits.



Sustainable Operations

Sustainability is embraced across our business operations from the products that we market to our operations from sourcing, blending and distribution through our retail outlets. With our solarization and greening of our retail outlet network we are setting the path ahead for a sustainability driven green operation. Our network of Electric Vehicle charging stations creates the right infrastructure and platform for our customers to adapt to eco-friendly alternatives.

Promoting environmentally friendly branded fuels amongst our customers have shown a positive adoption rates which we hope to pursue with greater intensity in the future. We hope to enhance

OUR VALUE CREATION MODEL

CAPITAL INPUTS

Financial Capital

Financial capital in the form of equity and debt which finances the business operations and expansion.

Manufactured Capital

Retail Outlets, property plant and equipment, storage and terminalling capacities.

Intellectual Capital

Organisational culture, tacit knowledge, research & development, systems & processes and brand name.

Human Capital

An empowered team of 159 employees working to achieve business objectives.

Social & Relationship Capital

Relationships with key stakeholders including customers, government and regulators

Natural Capital

The natural resources utilised by the Company in its operations

VALUE TRANSFORMATION

VISION

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

Four Strategic Pillars

Profitable Growth

Operational Excellence

People Development

Sustainability

Enabled By

Effective HR practices
Financial Management
Proactive Risk Management
Robust Corporate Governance

Sourcing



Auto Fuels

Sorting & Blending



Lubricants

Logistics & Distribution



Bunkering

Marketing & Promotion



Bitumen

Retailing



Petrochemicals

Externalities Affecting Our Strategy

World Oil Prices

Exchange Rate Fluctuations

OUTPUTS / IMPACTS

PERFORMANCE OUTCOMES

UN SUSTAINABILITY GOALS (SDG's)

Financial Impact

Sales Volume **497,751MT**
Revenue **Rs.66,686 Mn**
EBIT **Rs.161 Mn**
Profit after Tax **Rs.883 Mn**

Value Distributed

Employee benefits and remuneration **Rs.585 Mn**
Supplier payments **Rs.63,503 Mn**
Exchequer Payment **Rs.25,513 Mn**

Sustainability Impact

Solarisation of **30 Retail Outlets**
Rs.6 Mn made for community investments
Investment in green initiatives **Rs.40 Mn**
Sludge Disposal **37 (KL)**
Electric vehicle charging station **06 Nos.**
Investment in equipment to protect marine **Rs.5 Mn**

Shareholders

Shareholders' Funds: **Rs.19,924 Mn**
Borrowings: **Rs.20,590 Mn**
Property, Plant & Equipment **Rs.4,019 Mn**
[Refer page 48 - Financial Capital]

Employees

No of employees: **159**
No of recruitments : **03**
No of training hours: **846**
Average age of service : **38**
No workplace injuries : **nil**
[Refer page 58 Human Capital]

Customers Business Partners & Community

No of touchpoints: **776**
Retail Outlets: **210**
Servo shops: **485**
Lube distributors: **27**
Contribution to Covid-19 health care and social security fund
Donations of wheelchairs
Donation of hand sanitizers to Sri Lanka Police
[Refer page 63: Social & Relationship Capital]

Environment & Sustainability

Water consumption **43,857 (KL)**
Energy consumption **404,134 (KL)**
(Refer page 68: Natural Capital)

Brand Value - Rs. 3.68 Bn

Most valuable consumer Brand 31st place in LMD

Awards & Accolades

Award for the conservation of coastal and marine environment by MEPA
Best Integrated Annual Report CMA Sri Lanka under 'Power and Energy Sector'
Appreciation award for Women in Management



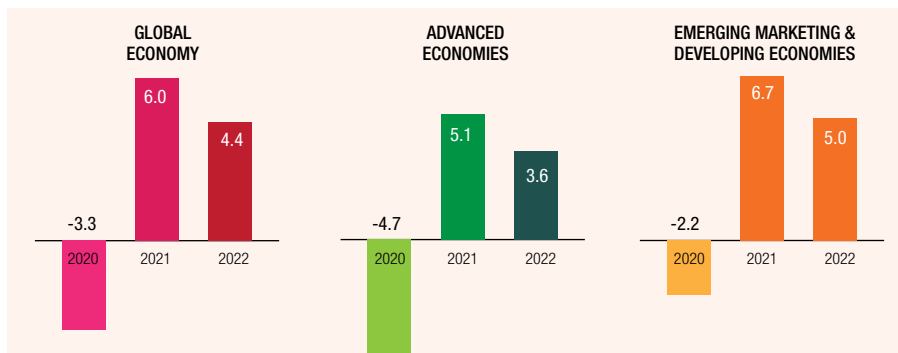
OPERATING ENVIRONMENT

OUR OPERATING CONTEXT

Global Economy

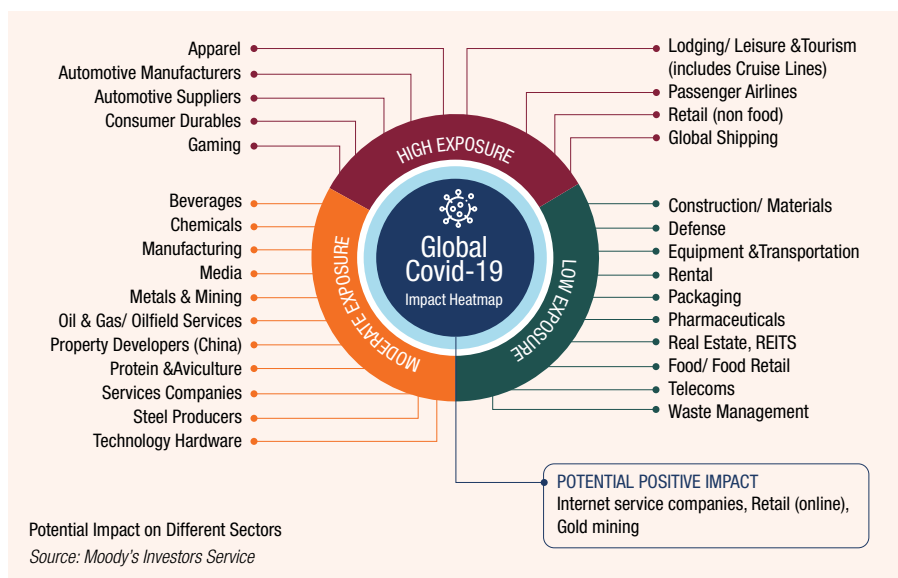
An year into the COVID-19 pandemic, global growth prospects remain uncertain with economic recovery varying widely across the countries and sectors. This year has been an immensely challenging one severely testing the strength and resilience of nations across the globe, inflicting continuously rising humans and economic costs. The global recession brought on by the pandemic has been recognized as the worst since the global financial crisis in 2008 and has impacted all segments of the population. The virus has claimed over 3 Mn lives and infected over 150 Mn people as at the end of March 2021. Towards the second half of the year while there was some hope for recovery with gradual easing of lockdowns and the roll out of vaccines in certain parts of the world, the resurgence of the virus along with its mutations reinstated uncertainties regarding the global outlook. Across the world, recovery has been shaped by the direction of the pandemic, mobility restrictions imposed to contain its progress, and policy actions instigated. Nations that rely largely on tourism and commodity exports have incurred greater output losses and estimates indicate that over 95 Mn additional people will fall below the threshold of extreme poverty.

Global recovery is said to hinge on access to medical services coupled with economic policies and multinational support. The International Monetary Fund (IMF) has predicted a contraction of 3.3% in global economic activity for the year 2020 in their April 2021 economic outlook update, depicting a positive revision of 1.1% compared to the 2020 October projections. Supported by the better-than-expected boost in economic activity toward the second half of 2020, economic growth is projected at 6% in 2021.

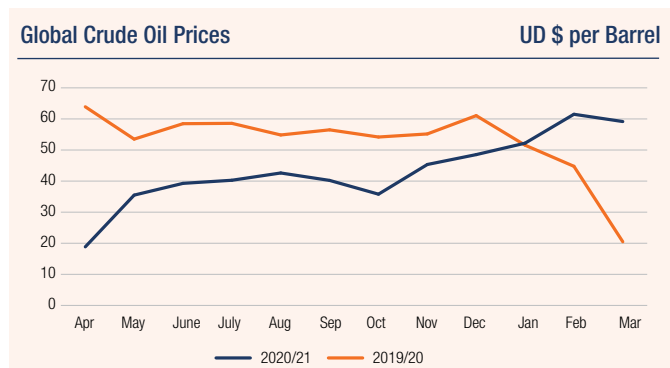


IMF Global Growth Projections

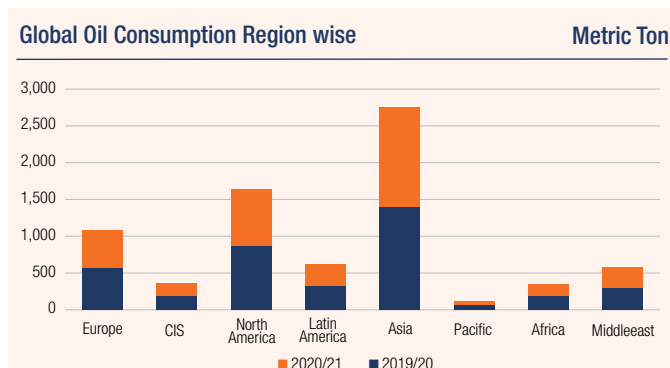
Source: World Economic Outlook Update – April 2021, International Monetary Fund



April 2020 marked one of the lowest month in terms of global oil prices with a massive inventory build-up caused by a sharp decline in demand. With the global economy gradually picking up towards the second half of the year, the outlook for global oil demand noted an increase and is forecast to reach 96.7 mb/d in 2021, an increase of 5.7 mb/d over 2020 as per the April 2021 Oil Market Report of the International Energy Agency (IEA). This recovery however remains unpredictable with the resurgence of the virus across some of the major consumers across the globe and prices could face renewed pressure in the upcoming months.



Source: IMF (Current West Texas Intermediate Crude Oil (WTI) Prices)



Source: Global Energy Statistical Yearbook 2021

Local Economy

Just when the local economy was beginning to show signs of recovery from the Easter Sunday attacks, it yet again received another blow from the COVID-19 pandemic. Economic activity was severely dampened recording a contraction of 1.8% and 16.4% in the first and second quarters respectively with the mobility restrictions imposed and overall drop in business activity. The economy recorded such a severe contraction during quarter two due to the pandemic induced reduction in tourism, drop in export earnings, and elevated government expenditure. Towards the third quarter, economic activity started to pick up with the easing of restrictions and the trade deficit also narrowed mainly as a result of the suspension of selected imports.

The Sri Lankan Rupee depreciated significantly against the US Dollar falling to Rs. 199.04 as at

the end of March 2021 compared to Rs. 188.62 recorded in March 2020 marking a drop of approximately 5.52% within the year. Extreme volatility was particularly seen during the early stages of the pandemic lockdowns and ever since then the rupee has been on a downward trend. Within the context of the COVID-19 pandemic the direction of movement of the exchange rate remains uncertain and will largely depend on how soon the country overcomes this battle against the virus and achieves economic revival.

Development of economic and social infrastructure by the Government also marked a slow down during the early part of the year with the pandemic hampering the existing development plans and momentum. However, infrastructure development activity recommenced towards the second half of the year and amidst the challenges being faced, is poised

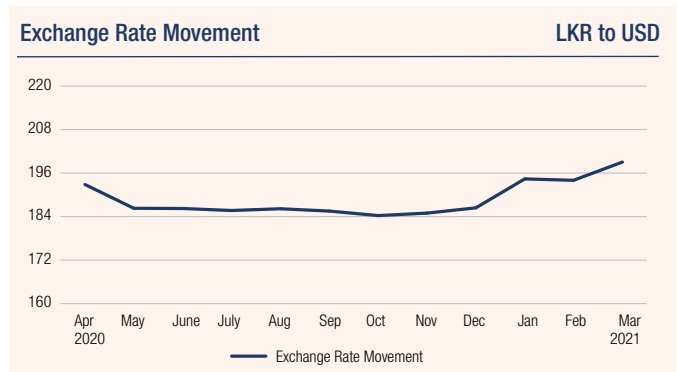
to transform the landscape of Sri Lanka and achieve long term growth.

Despite some acceleration in food inflation, headline inflation remained rather subdued. The Colombo Consumer Price Index (CCPI) based headline inflation remained broadly within 4%-6% range over the year under the current flexible inflation targeting framework while core inflation remained subdued, highlighting low levels of demand-driven inflationary pressures.

Against this backdrop, given significant government expenditure and capital outflows, severe local currency depreciation and increased debtburden and liquidity constraints, Fitch Ratings downgraded Sri Lanka's sovereign rating to 'CCC' from 'B-' and revised the outlook on the economy to 'negative' whilst Moody's has also downgraded the rating to Caa1 with a 'stable' outlook.

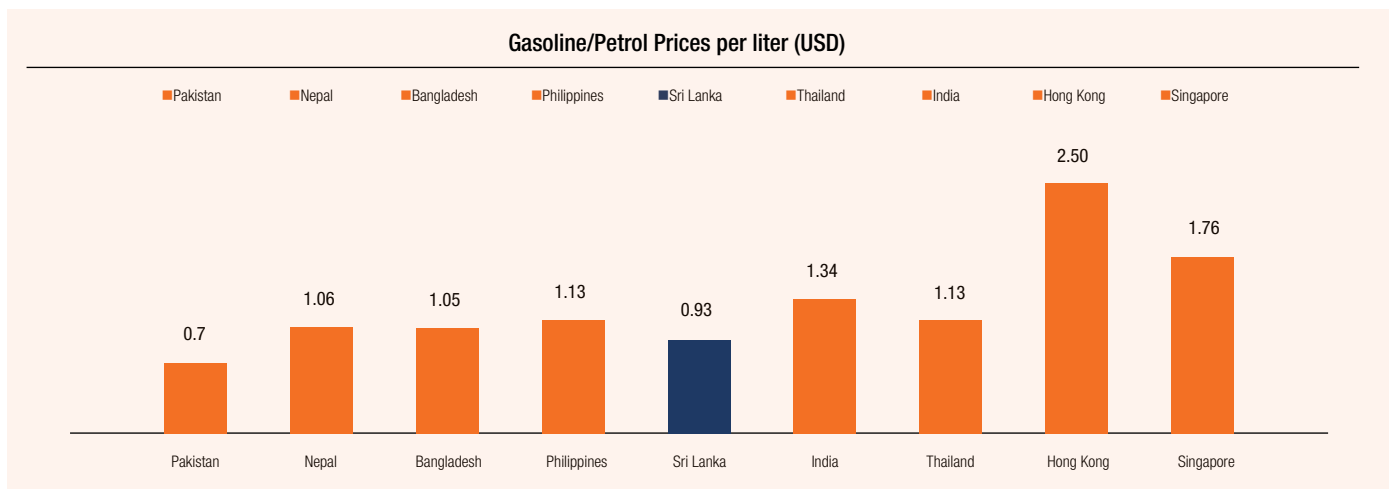


Source: Central Bank of Sri Lanka 2020



Source: Central Bank of Sri Lanka

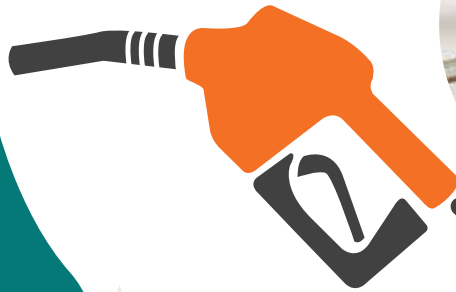
Industry review



Source: www.globalpetrolprices.com

SECTOR REVIEWS

AUTOMOTIVE FUELS



Investment of Rs 190 Mn for infrastructure development

Slorisation of 16 more shed

Added 02 more Retail Outlets

Increased Sales Volume by 3%

01 New Electric vehicle charging Station

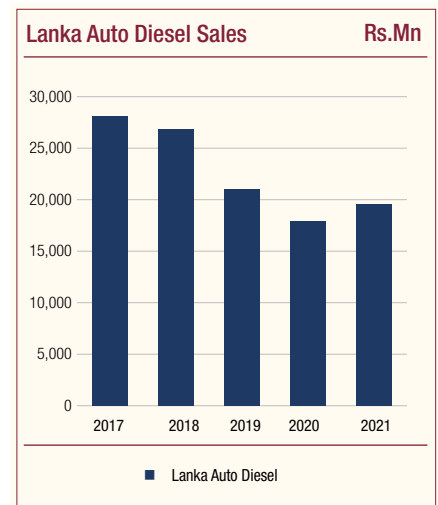
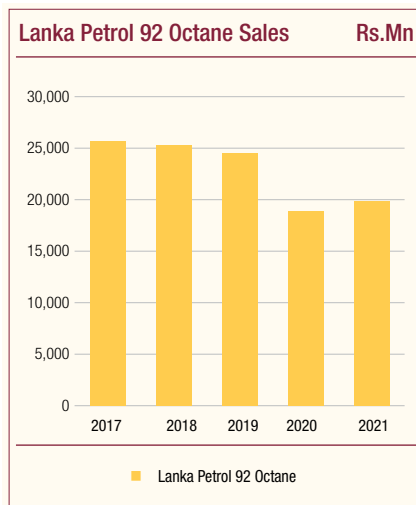


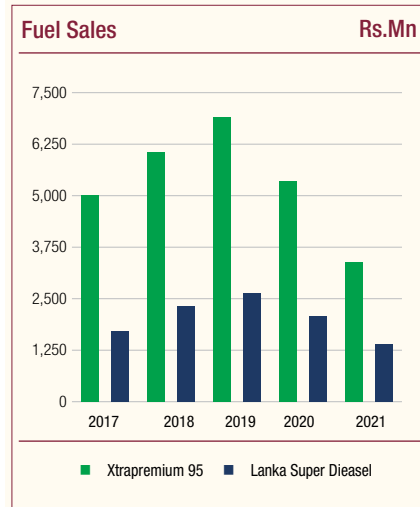
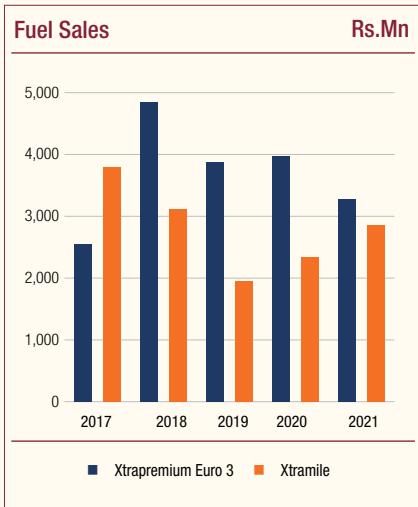
Performance

Despite the turbulent economic environment resulting from the COVID-19 pandemic the automotive fuel segment succeeded in achieving a 3% increase in sales volumes in comparison to the previous year while gaining an increase of 1% in market share. During the year the prices of both petrol and diesel are maintained at par with CPC. This in turn helped build and reinforce positive brand reputation and strengthen our proposition as a retailer of premium fuels, which was evident through the increased sales volumes and market share. During the year, the focus was mainly on the safety and well-being of the staff and customer with complete adherence to health and safety regulations imposed by the government authorities while maintaining smooth business operations.

Infrastructure

Despite the challenging operating landscape, LIOC continued to focus on enhancing its brand and creating an enhanced customer experience through its investment in the network infrastructure. At present the Company operates 210 Retail Outlets across all provinces with accessibility in every district marketing 3 variants of petrol; LP92, Xtra Premium Euro3, Xtra Premium 95 and three variants of diesel; Lanka Auto Diesel, Lanka Super Diesel, Xtramile. 02 new sheds were added to the portfolio during the year while additional investment was made to improve the retail visual identity of both Company owned as well as dealer owned sheds to create a pleasing appearance and sense of uniformity. Furthermore, to provide superior customer service, additional 01 Electronic Vehicle charging stations and 01 ATM machines and 05 e-Commerce Kiosks were constructed. Our channel partners too gave their fullest corporation and support during this





difficult year, offering an uninterrupted service which was vital towards maintaining smooth operations. 16 more Retail Outlets were solarized thereby internally meeting the electricity needs of the sheds and directing the surplus to the national grid displaying LIOC's commitment and contribution towards the country's vision of renewable and sustainable energy generation. In total an investment of Rs. 190 Mn was made by the auto fuel segment on these infrastructure development actions taken during the year.

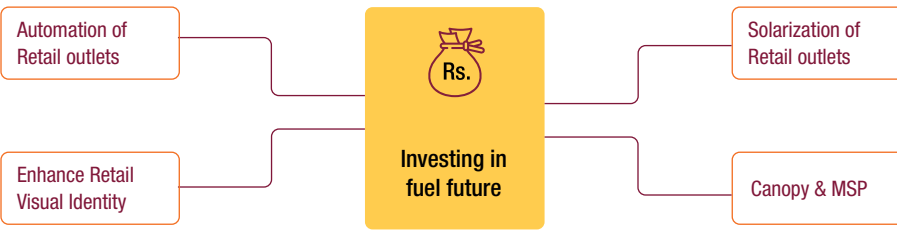


Outlook

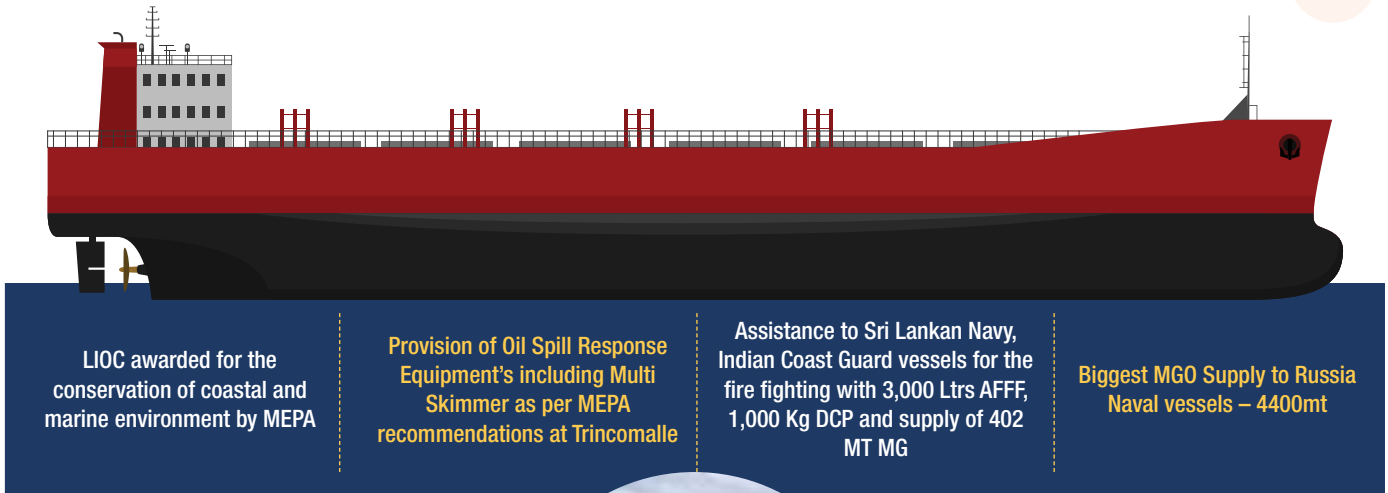
The Company's long-term strategy is aimed at diversifying its business profile and enhancing contribution towards the countries vision of renewable energy and sustainable energy generation by solarization of retail outlets and addition of EV Charging stations and also promoting Eco friendly branded fuels.

Key Strategic Responses

Challenges	LIOC Response
Uninterrupted operations	To maintain smooth and uninterrupted operations LIOC ensured that its staff was kept well motivated. Training programs were conducted in small groups on-site to prevent exposure to the virus.
Managing loss	<ul style="list-style-type: none"> Strategic import decision. Inventory Management
COVID-19 restrictions	<p>People: Staff at the sheds were provided personnel protective gear and sanitization facilities were installed focused on maintaining the safety and well-being of the workforce.</p> <p>Technology: The company continued its automation project of the Retail Outlets to enable monitoring of performance and operational specifications from the head office providing an alternative and convenient solution to visiting the sites. Additionally, to minimize contact with customers the Company also partnered with HNB enabling payments via the HNB Solo application by simply scanning the QR code generated.</p>



BUNKERING



LIOC awarded for the conservation of coastal and marine environment by MEPA

Provision of Oil Spill Response Equipment's including Multi Skimmer as per MEPA recommendations at Trincomalee

Assistance to Sri Lankan Navy, Indian Coast Guard vessels for the fire fighting with 3,000 Ltrs AFFP, 1,000 Kg DCP and supply of 402 MT MG

Biggest MGO Supply to Russia Naval vessels – 4400mt



Performance

The year under review was one which underwent many challenges and changes with the pandemic and continuous lockdowns hampering bunkering activity across the globe. Movement of ships in both Trincomalee and Colombo ports reduced significantly thereby impacting the demand for oil, leading to reduced prices and volumes, directly affecting the overall revenue of the bunkering segment. The Revenue from Bunkering declined by 59 % in financial year 2020-21 due to drop in sales quantity of 53% caused by subdue economic activities during April to September 2020 due to Lock downs and restrictions.

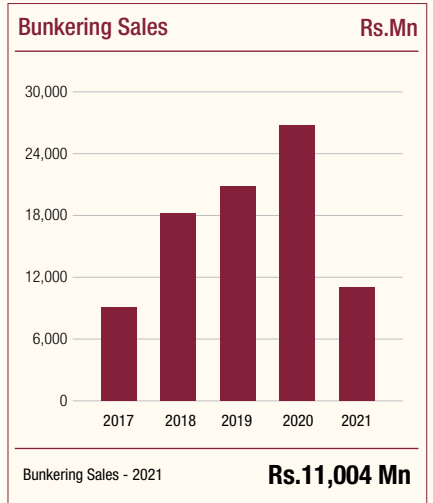
However, last two quarters invoked more positive sentiments as markets gradually reopened and there was an improvement in the ship movement thereby allowing LIOC to achieve better performance levels.

Commencing in January 2020, the LIOC bunkering segment began shifting from high sulphur fuel oil to low sulphur fuel oil. During the year with the notable reduction in demand for high sulphur fuel oil, the segment continued with this migration and gradually exited the high sulphur fuel oil business liquidating all available stocks.

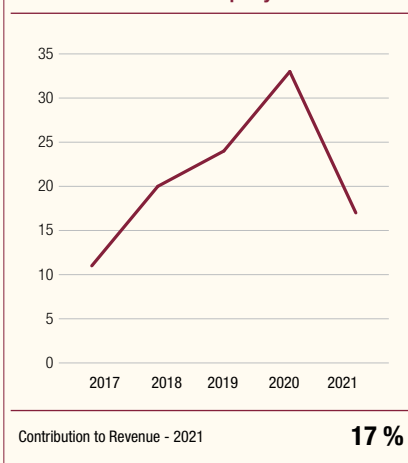
The year under review LIOC also provided a considerable supply to Naval vessels from mainly Russia, Maldives and India which was a major highlight for the segment. Operational efficiency of the two time chartered barges in the Colombo and Trincomalee ports during the peak of the COVID-19 pandemic were at relatively low levels. However, with the subsequent increase in bunkering activity during the latter part of the year, barge utilization improved

and LIOC was able to achieve a considerable reduction in the cost of delivery per metric ton.

LIOC also witnessed the commissioning of bunkering activities at the Hambantota port in March 2021. This port is situated at an advantageous location and is thus poised for strong growth prospects.



Contribution to the Company Revenue %



Infrastructure

During the year, the Company continued its investment in developing the bunkering infrastructure in Trincomalee and for the first time bunkering operations were carried out directly through the pipeline to a Russian Navy vessel. With the special approval from the Sri Lanka Customs Authority and Ports Authority the vessel was brought into the oil jetty thus opening a new avenue for cost optimization and revenue growth. This development will enable the processing of high-volume orders at a lesser cost as the Company is able to save on barging expenses.

Furthermore, the Company completed its planned infrastructure developments required for the Oil Spill Contingency Plan (OSCP) recommended by the Marine Environmental Pollution Authority (MEPA) in Trincomalee and the equipment is ready for use






during any emergency. In fact, with the necessary infrastructure in place, LIOC was able to extend its support to the Sri Lanka Navy to extinguish the fire that erupted inside the 'New Diamond' -crude oil vessel in September 2020 crossing the Sri Lanka territory water.

Key Strategic Responses

With the decline in profitability attributable to non-controllable factors, several measures were taken as outlined below, to enhance the sustainability and resilience of the segment. Cost control measures and stock optimizations were key focus areas ensuring smooth business operations within the highly volatile business environment.



Key Strategic Responses

Challenges	LIOC Response
Price volatility and cost optimization	<ul style="list-style-type: none"> • Reduce the import parcel size • Maintain stocks at optimum levels • Substituted a large capacity barge with a lesser capacity barge due to reduced volumes thereby reducing the fixed and operating costs and negative margins
Strict credit policy	<ul style="list-style-type: none"> • Proactive measures have been taken to avoid possible default risk of Bunker customer due to COVID-19 and provide relatively stable sales volumes to customers and minimize the exposure to bad debts
COVID-19 restrictions on operations	<p> People: Restrictions were imposed for ships personnel to come on board the barge. As a result, customers were unable to check and confirm the fuel supplied causing a challenge to the standard operating procedures. As an alternative, customers were given the opportunity to appoint a local surveyor to verify the quantities provided on behalf of them and provide the necessary reports.</p> <p> Technology: In addition to the above verification alternative, technological platforms were used for barge gauging and records were immediately sent online to the ship's personnel for verification. LIOC also limited the exchange of physical documentation as much as possible and opted for electronic means of document exchange with originals being collected and kept aside for disinfection.</p> <p> Regulations: LIOC adhered to all the government regulations imposed and included the relevant COVID-19 protocols in the import tender conditions demonstrating its commitment towards battling the pandemic and its challenges.</p>



Outlook

Sri Lanka's strategic positioning near major maritime routes and competitive pricing affords it much potential for growth in the bunkering business although substantial investments in infrastructure development is essential to successfully capitalise on this potential. Hambantota port is poised for strong growth due to location advantage although nonconductive weather conditions for most part of the year may hamper the port's suitability, particularly for OPL (outside port limit) bunkering.

LUBRICANTS



- Highest Annual Sales Volume with growth of 37.5%
- Premium Wedbrick oil for the tractor segment
- Tie up with OEM for supply of new industrial grade Lubricants
- Highest Ever Production
- The first oil company in Sri Lanka to introduce Diesel Exhaust Fluid for Euro 4 diesel vehicles
- 2nd largest player in this competitive segment
- Commissioned 3 new lab equipment's at Trinco Laboratory

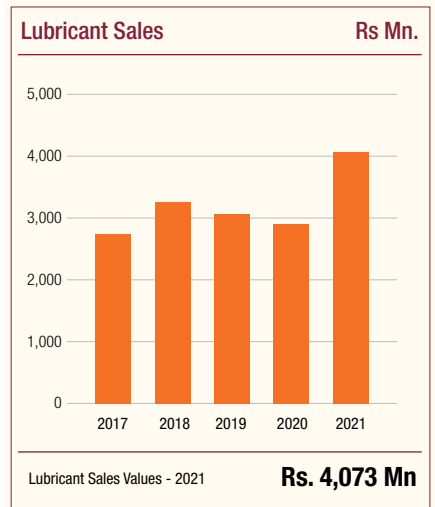
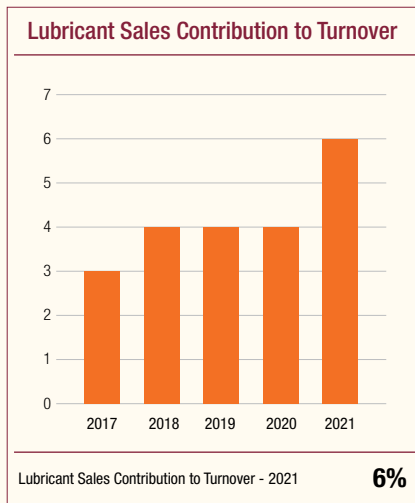


Performance

Despite the COVID-19 pandemic that impacted the demand for lubricant products especially during the first quarter of the year, the segment was able to perform exceptionally well recording the highest ever annual sales depicting an annual growth of 40%. The month of March 2021 recorded the maximum monthly production and Sales in the history of operations demonstrating LIOC's market strength and resilience. The import constraints imposed by the government together with the changes in import duty structures, considerable depreciation of the Sri Lankan rupee and increasing cost of raw materials such as base oils and additives posed a threat to the performance of the segment. However, LIOC was able to face these challenging conditions in a positive manner, maintaining its focus on value re-engineering, cost efficiencies and strengthening the distribution network, thus successfully authorising its market share.

The segment also sought to widen its base of channel partners during the year, adding new distributors to its network and special focus was given to institutional customers. The business was secured through competitive bidding and marks a prominent milestone in the history of the segment's operations.

The segment also upgraded its market offerings with new product grades such as Premium Wedbrick oil for the tractor segment.

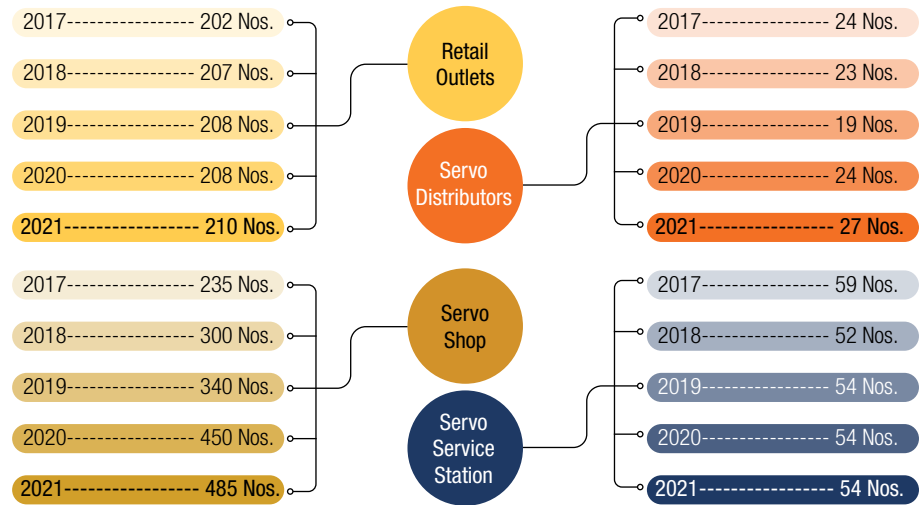


Infrastructure

The Company is currently equipped with robust marketing and lube blending infrastructure. The lubricant products are distributed through an island-wide network of 210 modern Retail outlets, 27 lube distributors, 54 service stations and 485 Servo shops. During the year, we widened our geographical reach by adding 42 contact points comprising 07 Lubes Distributor and 35 Servo shops. The Company's extensive geographical reach has been a key factor enabling it to rapidly capture market share.



Lube Network



LIOC operates a state-of-the-art lube blending plant in Trincomalee, the first lube plant and laboratory to obtain the ISO 9001: 2015 certification in Sri Lanka. This laboratory was upgraded during the year with the installation of a Multi Cell Capillary High-Temperature High-Shear Viscometer and Cold-Cranking Simulator, to enhance operational efficiency. Furthermore, an automatic Aniline point tester, manufactured by Koehler Instrument Company Inc.- USA, capable to measure aniline point of petroleum products and hydrocarbon solvents, an important parameter for Process Oil Medium and Lubricants and an Automated Non-Woods Metal Noack

Evaporative Apparatus manufactured by Linetronic Technologies-Switzerland, used for determining the evaporation loss of lubricating oils, particularly engine oils were also added to equipment portfolio.

Development of the new finished product tank with a capacity 22.5KL was completed during the year to store the bulk of finished lubricants and improve the turnaround of the blending kettles.

LIOC also continued its development activities of the 3000MT Grease Plant in Trincomalee with the commissioning the plant in 2021.



Outlook

The domestic lubricants market is expected to be at same level in next year due to import restriction on vehicle and increasing base oil prices is likely challenge profitability margins and price competition. As competition intensifies in the domestic market, we will pursue growth opportunities in export markets. We will also continue to invest in enhancing our infrastructure through widening the network of touch points and capacity augmentation.

Key Strategic Responses

Challenges	LIOC Response
Default Risk	To maintain adequate liquidity levels LIOC ensured supplies were made to distributors with an adequate bank guarantee. LIOC took measures to ensure perfect financial discipline was maintained by its customers and the distributors.
Sourcing of Raw Materials	The import restriction and devaluation of Sri Lanka Rupee are beyond the control of the Company. Due to this restriction the material prices are at higher level. However, LIOC ensured that input materials were sourced by entering into long-term contracts to avoid exposure to volatile prices.
Competition	To combat competition LIOC focused on increasing its customer base by increasing its touch points, improving product range and offering the products at competitive prices.

BITUMEN AND PETROCHEMICALS

Bitumen



- In spite of the pandemic the Company focused on Bitumen exports to mitigate the downfall in the domestic market.
- Continued focus on expansion of local sales through long term tie-ups with major customers

Petrochemicals



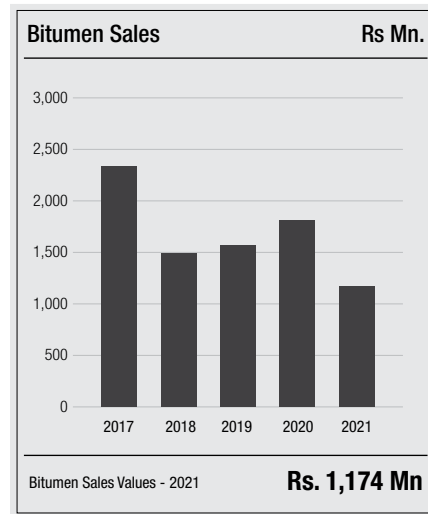
- Continued focus on enriching the customer base by meeting exact requirements
- Penetrating new grades to expand market share

Performance

LIOC is currently a leading supplier of bitumen in Sri Lanka supplying four variants of bitumen. However, the slowdown in government-led infrastructure and construction projects triggered by the COVID-19 lockdowns had a direct impact on the overall bitumen market leading to a contraction in demand. The continuous depreciation of Sri Lankan Rupee coupled with the increase in import and freight charges led to an increase in raw material costs. Despite the industry drop in demand for bitumen, LIOC achieved a total sales volume of 18,096MT during the year.

Amidst the challenging environment LIOC maintained its market leadership position, underpinned by its strong reputation and good procurement practices. The Company also continued its exports to the neighboring nations. With the easing of travel restrictions and the gradual recommencement of construction activities, sector performance is expected to turnaround in the upcoming year.

In terms of the petrochemical segment the Company ventured into its third year of supply supporting its goal of diversification. The segment recorded a top line growth to 508MT sales volumes depicting an increase of 35% compared to the previous year. Being a relatively new player in the petrochemical market LIOC is yet to expand its market reach and is exploring opportunities to serve various market segments.



Outlook

Despite the challenging industry conditions, the gradual recommencement of government-led infrastructure projects is expected to drive better demand for bitumen in 2021-22 and the Company is well positioned to benefit from these prospects by its strong reputation and good procurement practices.

Key Strategic Responses

Challenges	LIOC Response
Depreciation of the Sri Lankan Rupee and rising import costs	Since this is an element beyond the control of the Company, LIOC ensured that input materials were sourced at competitive rates to avoid exposure to volatile prices. Additionally, prices of products too were increased in line with the rising cost of imports.
Extended credit terms	Due to the drastic depreciation of the Sri Lankan rupee, with the view of curtailing imports the government imposed a 90-day payment term on sourcing material. This posed a threat to the imports as suppliers were unwilling to come forward on such extended credit terms. In response LIOC built in these credit terms to the product pricing.



A NATION FIRST ETHOS

We pursue progressive and resilient performance whilst striking a balance across a spectrum of parameters.



FINANCIAL CAPITAL



Pursuing progressive performance



At LIOC we are guided by our determination to optimise the returns for the providers of our Financial Capital. We strive to manage our finances prudently taking the best possible routes towards maximising surplus funds from both business operations and monetisation of assets and investments. We have taken bold strides towards progressive performance, embracing attractive growth opportunities within the industry and have continued on our journey of managing our financial capital in the best possible way, adapting to the prevailing market conditions and challenging economic circumstances.



Highlights of 2020-21

Revenue **66.7 Bn**

Finance Income **1.3 Bn**

Net Profit **883 Mn**

Long-term Deposits **10.2 Bn**

Strategic Relevance

Material Issues Addressed

- *Profitability
- *Growth
- *Dividend consistency

Revenue from Lubricants demonstrated a remarkable growth recording a historically high Rs. 4.07 Bn in 2020-21 showing an increase of 40% over the preceding year. Despite the COVID-19 pandemic that impacted the demand for Lubricant products especially during the first quarter of the year and the resultant import constraints and upward duty revisions imposed by the government, LIOC was able to reap high yields in this segment owing to its proactive and vigilant strategic approach. Bitumen and Petrochemicals together contributed 2% to the total turnover.

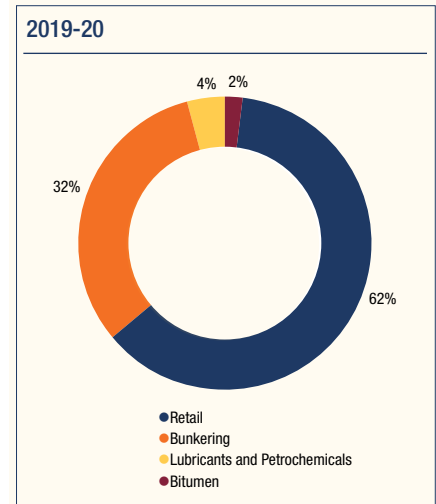
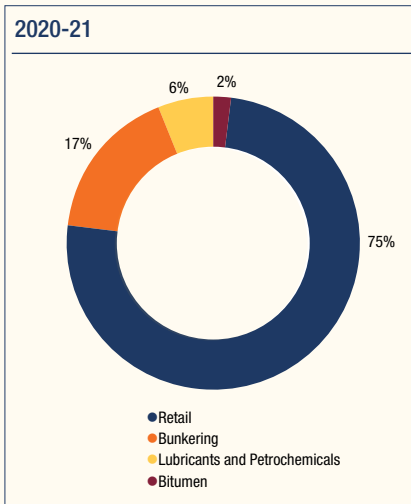
Impact on SDGs



Financial Performance

Revenue

LIOC recorded a revenue of Rs. 66.69 Bn during the year under review denoting a decline of 19%, mainly due to the volume loss in the Bunkering segment in comparison to the preceding year. As a result of the continuous lock downs, reduction of vessel movements and declining international oil prices the Company had to liquidate the bunker stock at the beginning of the financial year at below procured cost. The Auto Fuel segment showed a marginal drop in sales value despite the volume increase of 3% in the year under review due to the levelling of generic fuel prices in the duopoly market. Accordingly, revenue from Auto Fuels which accounted for 62% of the total revenue in 2019-20 rose upto 75% of total revenue in year 2020-21.

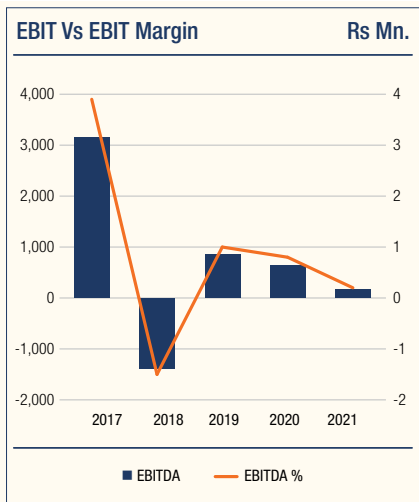
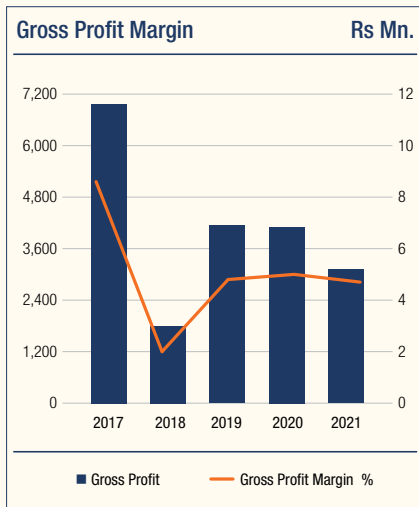


Revenue Breakdown

Segment	2020-21	% Share	2019-20	% Share
Retail	50,324	75%	50,491	62%
Bunkering	11,004	17%	26,712	32%
Lubricants and Petrochemicals	4,184	6%	2,929	4%
Bitumen	1,174	2%	1,815	2%
Total Revenue	66,686	100%	81,947	100%

Gross Profit

During the year under review LIOC's gross profit dropped to Rs. 3.11 Bn from Rs. 4.11 bn reported in the previous year, in direct correlation with the negative margins emerging from the Auto Fuel and Bunkering segments. Additionally, upward duty revisions at the onset of the financial year negated the prospects of reaping the benefit of declining international oil prices. The considerable reduction in the movement of ships in both Trincomalee and Colombo ports impacted the demand for oil, leading to reduced prices, thus directly affecting the gross margins. Recovery of these lost margins remained impossible even with the high gross mark-up derived from the Lubricant segment.



Earnings Before Interest Expense, Tax, Depreciation And Amortisation

During the year under review, earnings before interest expense, tax, depreciation and amortisation (EBITDA) decreased by 46% to Rs. 564 Mn mainly as a result of the drop in gross margins of the auto fuel and bunkering segments. However, the EBITDA margin remained static at 1% despite the decline in operating profits during the year under review, as a result of the increase in other income by Rs. 169 Mn and reduction in Administration, Selling and Distribution costs by Rs. 104 Mn and Rs. 246 Mn respectively.

LIOC maintained its administrative expenses at Rs. 1,401 Mn during the year, indicating a 7% reduction in comparison to last year, while the sales and distribution expenses reduced by 12%. Other income rose mainly with the dividend received from the associated company amounting to Rs. 120 Mn.

	2020-21	2019-20	%
Gross Profit	3,113	4,106	-24%
Other Income	252	83	204%
Administration Cost	(1,401)	(1,505)	-7%
Selling and Distribution Cost	(1,803)	(2,049)	-12%
Operating Profit	161	635	-75%
Depreciation and Amortisation	403	401	>0%
EBITDA	564	1,036	-46%

Finance Income/Expenses

The finance income of the Company rose to Rs. 1,303 Mn during the year under review showing a 38% increase over the preceding year. The improved liquidity position enabled the Company to strengthen its investment capabilities amidst the pandemic and optimise its returns. The composition of finance income is demonstrated below.

Finance Income (Rs. Mn)	2020-21	2019-20	%
Interest income on STI and Deposits	1,279	925	38%
Interest on Others	24	16	50%
Total	1,303	941	38%

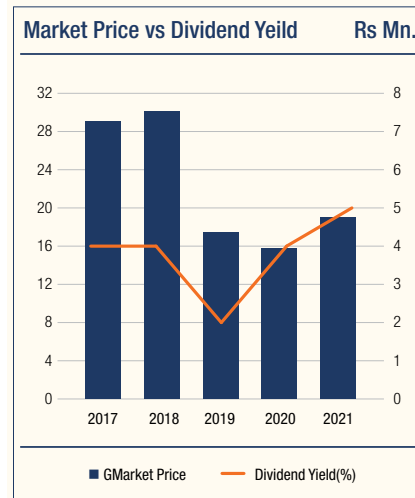
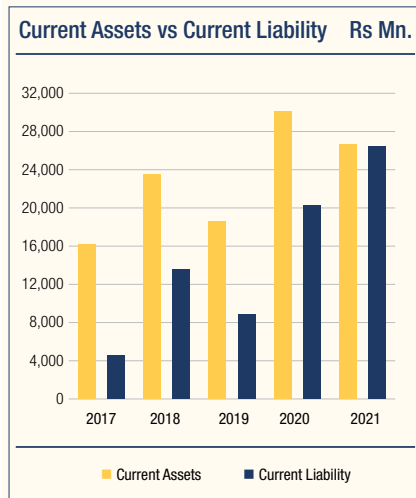
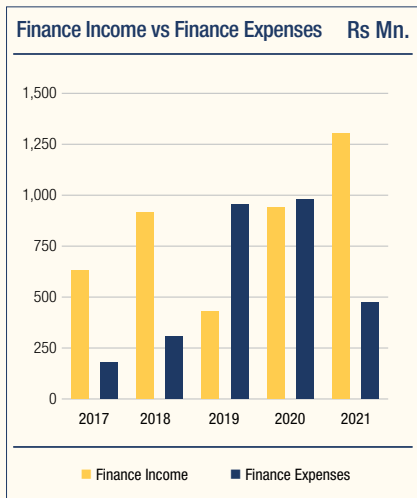
Finance Expenses

Finance expenses other than exchange loss/gain for the financial year under review amounted to Rs. 643 Mn, against Rs. 499 Mn reported in the preceding year.

The Government undertook a series of measures including import controls to preserve reserves and ease pressure on the currency, which depreciated by 5.5% during the year under review. LIOC being heavily dependent on import products and acknowledging that these fluctuating exchange rates can severely hamper the business' profitability of the business by weakening product margins, maintained its net foreign exposure at a minimum level. Accordingly, the Company was able to realise an exchange gain of Rs. 167 Mn as opposed to the exchange loss of Rs. 478 Mn recorded in the preceding year.

Finance Expenses (Rs. Mn)	2020-21	2019-20	%
Interest Expense	643	499	29%
Exchange (Income)/Loss	-167	478	-135%
Total	476	977	-51%

FINANCIAL CAPITAL

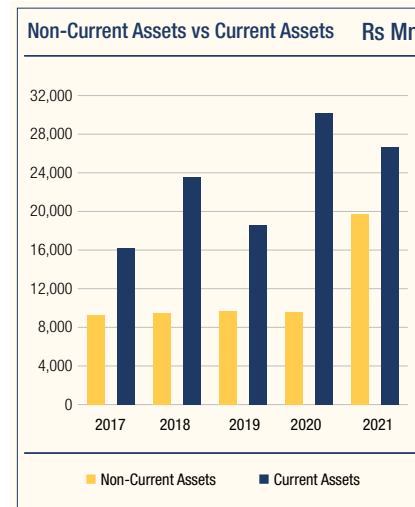
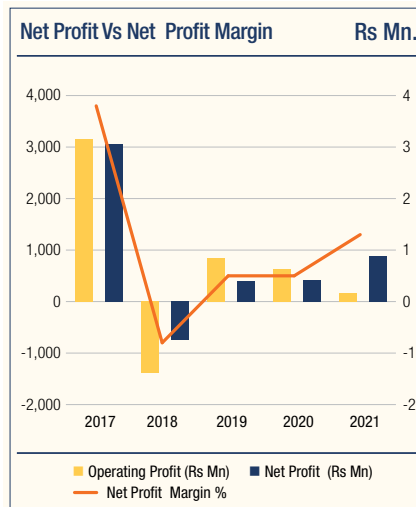


Income Tax

The Company recorded an income tax expense of Rs. 105 Mn, During the year under review the company has created Net deferred taxes assets of Rs. 71.7 Mn and as on 31 March 2021 the total deferred tax assets stand at Rs. 261.4 Mn.

Net Profit

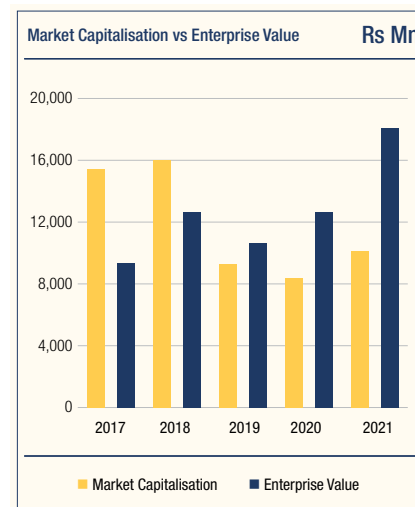
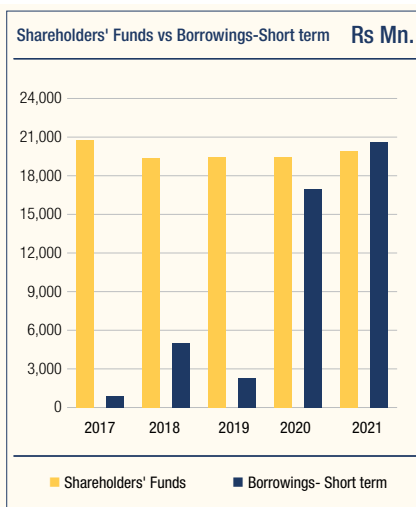
The Company's net profit after tax increased notably during the year to Rs.883 Mn from Rs. 422 Mn recorded in 2019-20. The Company effectively redirected its strategic focus towards its high yielding segments to minimise the losses arising from Auto Fuels and Bunkering thus sustaining satisfactory performance levels. The finance income and revenue generated from the Lubricant segment were the chief contributors towards the Company's bottom line.



Dividend

The Board of Directors has proposed a final dividend of Rs 0.85 per share to be approved at the next AGM.

Balance Sheet Strength



Extracts from the Statement of Financial Position

Finance Expenses (Rs. Mn)	2020-21	2019/20
Non-Current Assets		
Property, Plant and Equipment	4,019	4,113
Investment	4,394	4,394
Intangible Assets	674	675
Right -of-use Assets	63	91
Other Receivables at Amortised Cost	119	149
Bank Deposits	10,222	-
Deferred Tax Asset (Net)	261	189
	19,753	9,610
Current Assets		
Inventories	9,625	13,295
Trade Receivables	2,585	3,568
Other Receivables at Amortised Cost	1,707	323
Other Current Assets	79	65
Income Tax Receivables	18	186
Short Term Investments	12,041	12,660
Cash and Bank Balances	599	51
	26,654	30,149
Total Assets	46,407	39,760

Total assets of LIOC as at 31 March 2021 stood at Rs. 46.4 Bn in comparison to Rs. 39.8 Bn of the previous year. This increase of Rs. 6.6 Bn is mainly attributable to investments made in non-current bank deposits.

The Company also invested Rs. 310 Mn in revenue generating assets as capital expenditure with the expectation of future benefits that would flow in. Through its investments in the network infrastructure, the Company hopes to expand its capacity with a sharper focus on enhancing its brand and facilitating superior customer experience.

Working Capital/Liquidity

(Rs. Mn)	2020-21	2019/20
Current assets	26,654	30,149
Current liabilities	26,431	20,239
Working capital	223	9,910
Current Ratio (times)	1.01	1.50
Quick Ratio (times)	0.64	0.83

Prudent cash management is crucial to LIOC's business and the Company has strategically optimised its working capital to support smooth business functionality, make routine payments, cover unexpected costs, and optimise materials purchased. During the year under review the Company's current ratio and quick ratio stood at 1.01 times and 0.64 times against 1.50 times and 0.83 times reported in 2019-20. The drop in current and quick ratios was mainly due to the pursuit of an aggressive finance strategy directed towards transferring short term investments into long term to reap the interest rate benefits. However, the Company continues to monitor and assess these hedging strategies on an ongoing basis to ensure optimum performance.

Debt and Capital Structure

(Rs. Mn)	2020-21	%	2019/20	%
Equity	19,924	49%	19,446	53%
Debt	20,590	51%	16,955	47%
Total	40,514		36,401	

LIOC assets were funded via 49% equity and 51% short-term loans during the year under review. The Company's debt rose by 21% to Rs. 20.6 Bn during the year due to increased short-term borrowings in foreign currency sought to take advantage of the comparatively lower cost of foreign currency debt, thereby hedging against adverse interest rate and exchange rate movements. The executed strategy led the Company to witness the highest ever finance income in the history of its operations while making an exchange gain for financial year 2020-21

Shareholder Value Creation

Item	2020-21	2019/20
Earnings per share	1.66	0.79
Net asset value per share (Rs.)	37.42	36.52
Market Price per Share (Rs.)	19.00	15.80
P/E ratio (Times)	11	20
Price to book value (Times)	0.51	0.40
Dividend per share paid (Rs.)	0.75	0.75
Market capitalisation (Rs. Mn)	10,117	8,413

During the year under review, the Company paid a dividend of Rs. 0.75 per share on par with the preceding year. Despite the prevalent negative market sentiments in a post COVID-19 backdrop, the Company's share price rose from Rs. 15.80 to Rs. 19.00. The P/E ratio recorded a significant improvement from 20 times to 11 times in line with increased earnings. The Company's net asset value per share marginally rose to Rs. 37.42 which indicates that the Company's share is under-priced and poses high potential for appreciation.

Cash Flow Generation

The Company's operating cash flow amounted to a net inflow of Rs. 5.96 Bn against the net outflow of Rs.2.7 Bn of the prior year. Heightened focus on rigorous working capital management which endorsed efficient procedures of debt collection across all segments including lube distributors and stringent inventory optimisation mechanisms largely contributed towards this positive shift. Inventory and trade debtors reduced by Rs. 3,670 Mn and Rs. 983 Mn respectively during the year enabling the Company to utilise its funds effectively.

The Company's cash flows from investments amounted to a net outflow of Rs. 9.1 Bn against the net inflow of Rs. 738 Mn recorded in 2019-20. The decline was due investment made in non-current bank deposits and capital expenditure of Rs. 310 Mn.

FINANCIAL CAPITAL

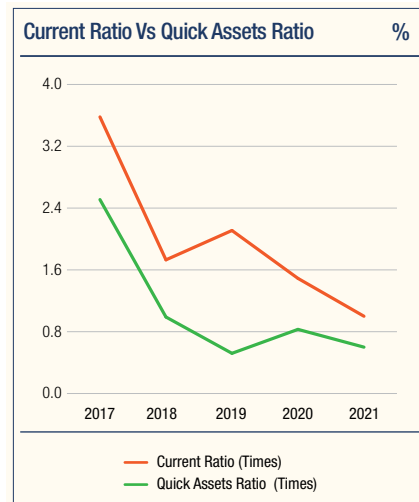
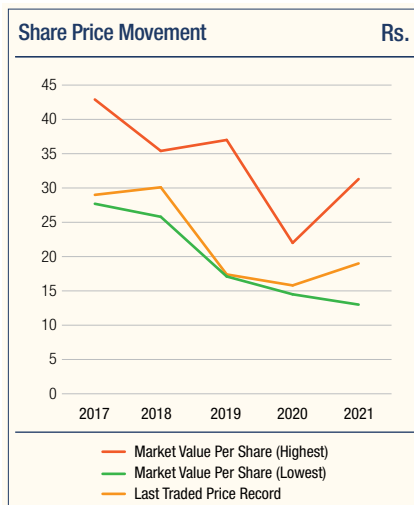
Net cash inflow from financing activities was Rs. 3.07 Bn compared to the cash inflow of Rs. 13.7 Bn recorded in the previous year. Overall, the Company's cash and cash equivalents declined by Rs. 72 Mn during the year under review.

(Rs. Mn)	2020-21	2019/20
Net Cash Flows from Operating Activities	5,961	(2,713)
Net Cash Flows from/ (used in) Investing Activities	(9,107)	739
Net Cash Flows from/ (used in) Financing Activities	3,074	13,741
Net Increase / (Decrease) in Cash and Cash Equivalents	(72)	11,767

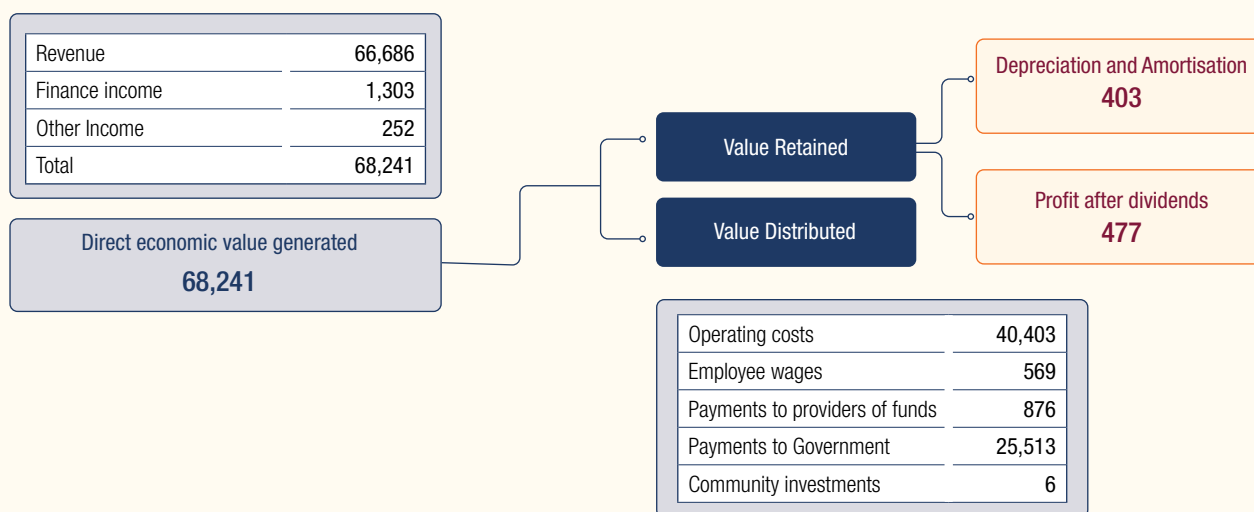
Statement of Financial Value Added

The economic value-added statement depicted below demonstrates the distribution of financial value created by the Company among other stakeholders.

(Rs. Mn)	2020-21	2019/20
Direct economic value generated		
Revenue	66,686	81,947
Finance income	1,303	942
Other Income	252	83
	68,241	82,972
Economic value distributed		
Operating costs	40,403	66,191
Employee wages	569	550
Payments to providers of funds	876	1,377
Payments to Government	25,513	14,435
Community investments	6	1
	67,367	82,554
Economic value retained		
Depreciation and amortisation	403	401
Profit after dividends	477	19



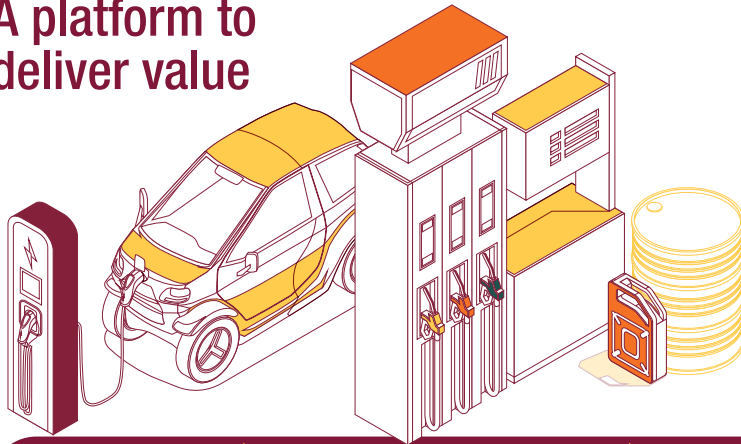
(Rs. Mn) 2020-21



MANUFACTURED CAPITAL



A platform to deliver value



Manufactured Capital is a vital element of the value creation process and developing a high-quality asset base facilitates consistent operational efficiency, equipping the Company with a distinctive competitive advantage. The Manufactured Capital of LIOC comprises the physical infrastructure of retail outlets, the Trincomalee based plant with oil storage terminals, Lubes blending facilities, the quality control laboratory as well as the digital infrastructure.



Highlights of 2020-21

Addition to Revenue Generated Assets **310 Mn**

Increased Storage Capacity LPB **20MT**

PPE **4 Bn**

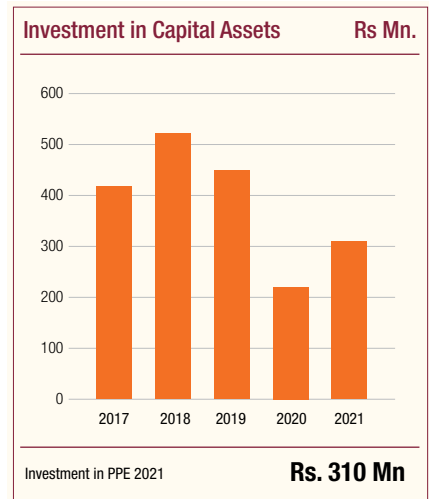
Manufacturing Inputs	Value addition during 2020-21	Strategic Relevance
Storage Infrastructure	Conversion of IFO storage tank into LAD Solarisation of Trincomalee Terminal with 20 KWP Solarisation of Retail Outlets	Optimising the cost of procurement Moving to sustainable energy sources in line with country's Sustainable Development Goal
Lube Blending Plant	Storage Capacity increased from 40KL to 60KL Installation 2 Nos. of Taping machines at Trincomalee Terminal	Optimising the cost of procurements Highest even lube production
A state-of-the-art quality control Lab	Commissioned 3 new lab equipment at Trinco Laboratory Auto Aniline Point Tester, Knock Volatility, HTHS Apparatus Cold Cranking Simulator	Improved product quality and productivity
Grease Plant	To build a 3,000 MT Grease Plant under WIP	Meet the Grease requirement of the country
Conservation of coastal and marine environment	Provision of Oil Spill Response equipment including Multi Skimmer as per MEPA recommendations at Trincomalee	LIOC awarded for the conservation of coastal and marine environment by MEPA

Capital Value Addition

Capital expenditure incurred for the period under review amounted to Rs 310 Mn, consisting of new investments and regular up gradation to the existing asset base, with the net book value of property, plant and equipment (PPE) to Rs 4,019 Mn. The Capital expenditure during the year primarily invested in the development the physical infrastructure of retail outlets, oil storage terminals, Lubes Blending facilities, the quality control laboratory as well as the digital infrastructure. In addition to these an investment was made for the Grease Plant in Trincomalee which is expected to be commissioned in year 2021. This is a pioneering and innovative venture endeavoring to manufacture and meet the entire local market demand for grease thereby eliminating the need for grease imports.



Storage Tank at Trincomalee



MANUFACTURED CAPITAL

Additionally, LIOC commissioned new equipment obtained in its laboratory facility, in support of its vision to enhance the operational efficiency of the facility. Installation took place at the premises with the support of the foreign technicians and our laboratory team members.

LIOC also brought its Oil Spill Contingency Plan to completion at the Trincomalee Terminal and the equipment is ready and in position to mitigate any risks involved in case of oil spills during loading and unloading of petroleum products at the oil jetty. The equipment comprises of a 100-meter long fence boom, multipurpose oil skimmer, oil absorbent pads and rolls and floating buoys.

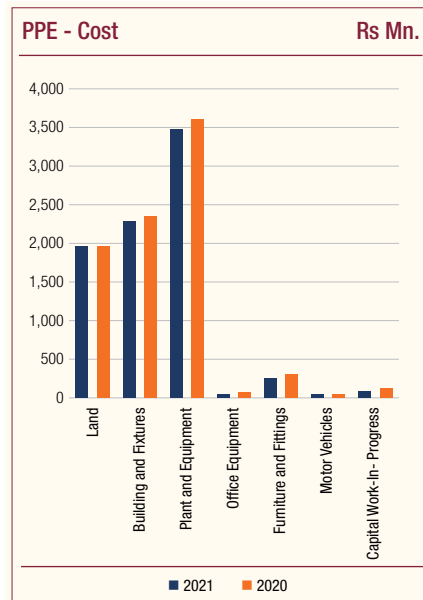
The Company also continued its solarisation drive completing a further 16 rooftop installations in pursuit of its vision to meet the electricity demand of all retail outlets through solar photovoltaic systems.

Market Reach

LIOC focused on upgrading the visual identity of its retail outlets with the view of providing customers a more pleasing experience. Retail outlets have been equipped with modern facilities and digital solutions to enhance customer experience and provide an efficient service, added 02 more Retail Outlet and 35 Servo shops to our customer reach.

LIOC also signed an agreement with Leading Company for the provision of a lube storage facility and supply of oil in bulk. The team completed and commissioned this 20 KL bulk lube process oil medium storage tank in November 2020.

In addition to the existing thirteen ATMs. Plans are underway to add more ATM's/ CDM's in the near future to ensure greater customer convenience. Reinforcing our commitment to promote sustainable consumption, and to serve the growing population of electric vehicles in Sri Lanka, one Electric Vehicle (EV) charging stations were added during the year to bring the total to 5 EV charging station at LIOC Retail Outlets across the island.



Utilising Digital Technology

Catering to the rapidly increasing demand for digital payment solutions, LIOC together with HNB PLC launched the contactless payment option via the 'Solo Digital Payment App' provided by HNB at all LIOC Retail Outlets across the island. HNB Solo users now can complete transactions via the application App and avoid the exchange of cash or cards when refueling their vehicles. This partnership built amidst a COVID-19 landscape, offers customers a safe and convenient payment option where social distancing measures will be in force for the foreseeable future.

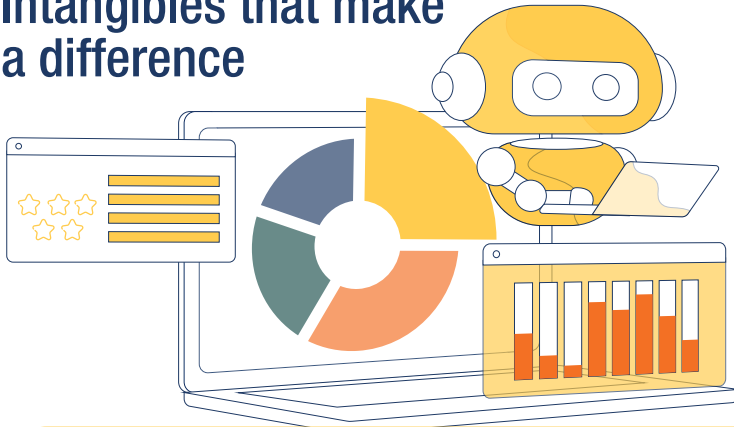
LIOC also continued its development of its tracking system to manage the inefficiencies identified at the Retail Outlets and in the long run this would support to create a strong platform to build customer engagement. A complaint management procedure has been established to record contractor complaints via a mobile application which will then be directed through the call center representatives to the contractor for remedial action and prevention of similar future occurrences.



Lube blending plant

INTELLECTUAL CAPITAL

Intangibles that make a difference



Our Intellectual Capital is a blend of a well-recognised brand, knowledge and skills, research and development capabilities, strong governance framework and the relationship with our stakeholders, which facilitates service excellence and long-term value. These intangible elements permeate the Company's operations at all levels, enabling greater competitive advantage over its competitors

Highlights of 2020-21

Best Integrated Annual report award conducted by CMA Sri Lanka

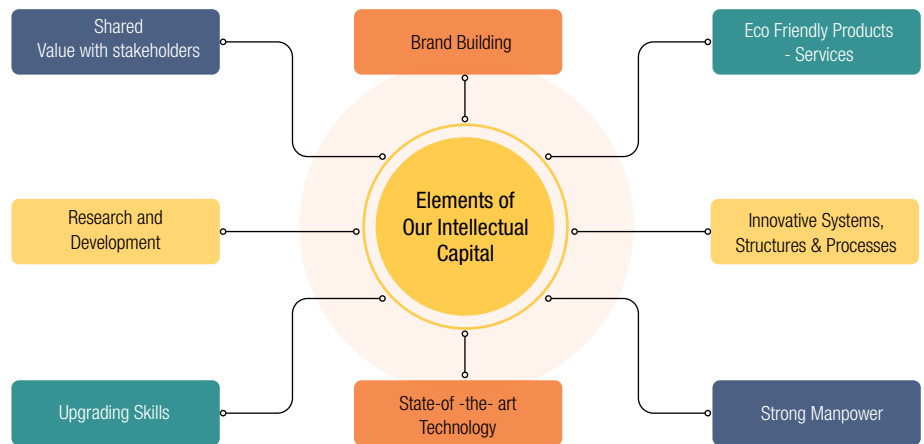
Brand value	3,676 Mn	Rank 31st Position in most valuable brand in Sri Lanka (Brand Rating A)	123 Mn	investment on brand development	New product of wedbric Premium oil for the tractor segment.
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Strategic Relevance

Material Issues Addressed

- Sustaining brand value and reputation
- Business initiatives
- Product and operational efficiency
- Regulatory challenges

Impact on SDGs



Our Brand

LIOC upheld its brand reputation attaining 31st ranking among the top 100 Consumer Brands with a brand rating of A- and a brand value of Rs. 3.68 Bn during the year under review. During the year we continued our promotions extolling the benefits Servo brand. These investments paid off handsomely as we were able to achieving the highest ever sales volumes in the Lubricant segment.



SERVO is a brand recognised throughout the world which has over the years proven the strength of its quality becoming the brand of choice to many leading automobile companies.

SERVO is also a preferred choice of lubricant among vehicle owners in Sri Lanka due to its product quality.

LIOC currently exports SERVO lubricants to Maldives, Qatar, Oman and Indonesia.

Brand Building- Servo

During the year LIOC continued investing Rs. 123 Mn for brand building through various means like Bill Boards, Hoardings, Street Boards, Servo shops etc. these continues end to boost brand awareness and made highest ever sales volume in Lubricant segment.



XtraPremium Euro 3 is high-octane petrol with friction busters ensuring better fuel flow, better pickup, higher power and improved fuel efficiency, conforming to international Euro 3 standards recommended by vehicle owners worldwide. It is also the greenest fuel in the market designed to significantly reduce emissions.

XtraMile Diesel cleans and maintains the vehicle engine, removing harmful deposits and keeping fuel injectors clear to ensure maximum engine power. XtraMile Diesel conforms to the toughest international standards, with unbeatable fuel efficiency and is the highest quality Diesel available in Sri Lanka.

INTELLECTUAL CAPITAL

Our Products

The key product lines of LIOC are Auto Fuel, Bunkering, Lubricants, Bitumen and Petrochemicals.

AUTOMOTIVE FUELS	BUNKERING	LUBRICANTS	BITUMEN	PETROCHEMICALS
 <p>DIESEL Lanka Auto Diesel Lanka Super Diesel (LSD) XtraMile Diesel</p> <p>PETROL Lanka Petrol 92 Xtra Premium 95 Xtra Premium Euro 3</p>  <p>Scan to view the Online</p>	 <p>Fuel Oil (0.5% S) Marine Gas Oil IFO 380 cst</p>  <p>Scan to view the Online</p>	 <p>SERVO 100% PERFORMANCE. EVERYTIME.</p>  <p>Scan to view the Online</p>	 <p>Bitumen 60/70 Bitumen 80/100 Bitumen VG 10 Bitumen VG 30</p>  <p>Scan to view the Online</p>	 <p>HDPE BLOW PP Injection</p>  <p>Scan to view the Online</p>

Effective brand communication strategies were utilised to enhance the customer reach and further boost brand value.

Knowledge and Skills

Our individual skills, collective know-how and experience in the industry are indispensable elements of intellectual capital enabling us to work towards our corporate vision and mission. In reaching out to international markets, LIOC strengthened its international management and operational know-how, adding further value to its intellectual capital in terms of organisational expertise and skills base. This enables us to further explore new markets and business prospects overseas, building upon what we have learnt this year.

Research and Development

Upgrading our products, systems and processes to better manage our risks, improve productivity and consistently exceed our stakeholder expectations is a vital element of LIOC's corporate ethos. During the year, the Company engaged in the following product and system development activities.



Quality Checking

Product Innovation

M truck

Introduction of new product grades such as Premium Wedbrick oil for the tractor segment.

Indian Oil Corporation's dedicated Research and Development centre possesses superior capabilities for developing technologically and commercially viable energy solutions particularly in Lubricants technology, refinery process technology, petrochemicals and polymers and renewable energy, among others.

LIOC is a direct beneficiary of such capabilities and is aptly positioned to support Sri Lanka's energy sector through innovative solutions aimed at enhancing the depth and sustainability of the sector.

Indian Oil Information



1,165 Active Patents
169 New Patents Filed in 2020-21
106 New Lubes Formulation



Systems, Structures and Process Innovation

LIOC has been enhancing its robust foundation through its parent company’s proprietary and licensed technologies, software, licenses, procedures and protocols. The Company’s continuous focus on research and innovation not only enhances the operational efficiency but also helps in gaining a technical and commercial edge in the industry.

LIOC aspires to be the pioneer in leading energy solutions and is committed to develop, demonstrate and deploy novel, innovative, environment-friendly, customer-centric products and process technologies to address energy-related issues of national importance to attain self-reliance in the field of energy and allied areas.

Digital Transformation

- Head Office system dashboard
- SMS indenting system for dealers across the island
- Automation of retail outlets
- Remote SAP access to employees to work from home during the lockdown
- Online e-ledger access to our channel partners
- Development of Lubes secondary sales web based application

Process Improvements

- Reaching out to further export and international markets
- Technical training for staff
- LED screens for advertising and brand creations
- Enhanced retail network with a uniform RVI with



better facilities and ability to offer better customer service.

Ethics and Compliance

We ensure that operations are conducted in a fair and transparent manner demonstrating our commitment to uphold high standards of ethics and integrity. Our Governance structures and processes make sure that our activities are compliant with the relevant rules and regulations laid down by governing

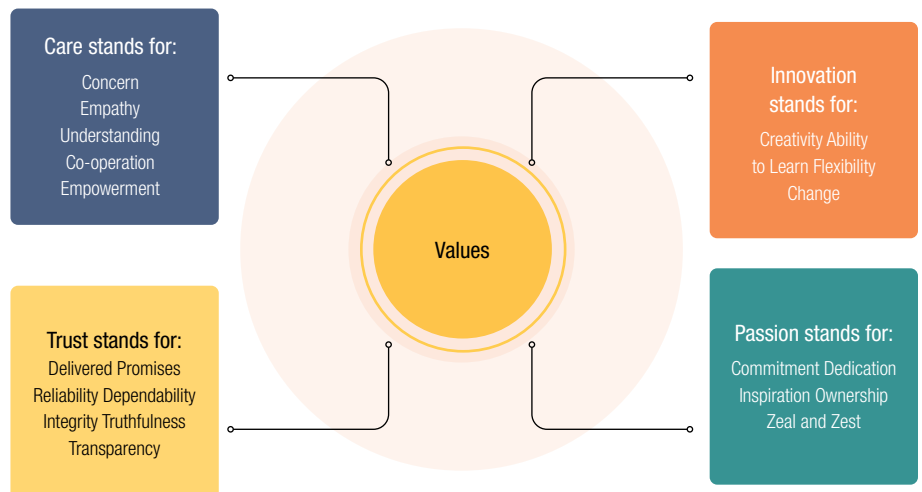
bodies. During the year there were no incidents of non-compliance with respective laws and regulations governing the Company.

Organisational Tacit Knowledge

The Company’s tacit knowledge is nurtured through a culture of mentoring and knowledge sharing among employees .The Parent Company’s extensive expertise and deep industry insights in the energy sector and secondment of industry professionals with extensive experience in the oil and gas sector from India has contributed significantly towards enhancing the Company’s organisational capital and tacit knowledge base.

Corporate Values

Corporate values set the tone for its interaction with stakeholders, embodying the collective conscience of the Company and its people. The corporate values and what they emulate is presented alongside.



HUMAN CAPITAL



Creating a motivated and committed workforce

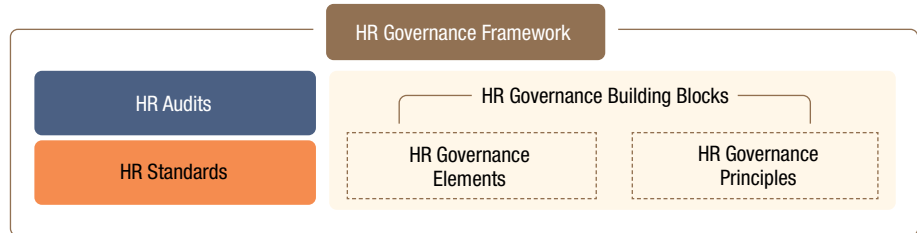


We firmly stand by the belief that it is the Human Capital resource that makes the difference in delivering superior value, and thus we place utmost importance towards establishing the happiness and well-being of all our employees. We nurture this resource by ensuring that their career aspirations are met and their performance is rewarded fairly by adopting a strategic and coherent human resource management framework. Especially during this turbulent year with the pandemic triggering the need for improved working conditions and a 'people first' approach to human capital management, the Human Resource function at LIOC played a pivotal role in ensuring that the needs of all employees were met.

Highlights of 2020-21	585 Mn Remuneration and benefits paid	Total training hours 846	12 Mn Total investment in health and safety
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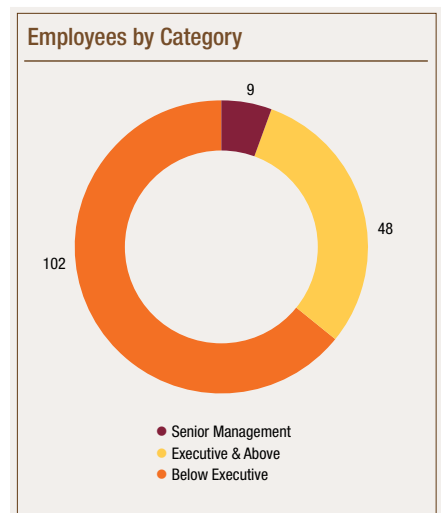
Strategic Relevance
Material Issues Addressed

Competitive remuneration
--No pay-cuts
--Job Security



Impact on SDGs

- Our key HR focus areas:**
- Talent management practices
 - Training and professional development
 - Career development
 - Performance management
 - Rewards and recognition
 - Fair pay and other benefits
 - Employee diversity and equal opportunity



HR Governance

Our human resource governance framework consists of strong HR policies centered on attracting, developing and retaining our human capital. The Board, Remuneration Committee and Heads of Departments constantly review and update the HR policy framework while ensuring compliance with the policies. Our comprehensive HR policy framework aligned to that of our parent company, Indian Oil Corporation is designed to comply with local and international regulations, standards and industry best practices.

Our Team

Composition

As at 31st March 2021 our team comprised of 159 employees all of whom were employed on permanent basis.

Employees by age and gender

Age Category	No of Employees	
	Male	Female
25 - 30	5	2
31-35	13	5
36-40	19	3
41-45	19	8
46-50	28	4
50<	52	1
	136	23

Note: Including expatriates seconded from parent company.

Note: Including expatriates seconded from parent company.

New recruits

A systematic process is in place aimed towards attracting and retaining the best talent capable of adding superior value to the business operations. Based on the job requirements specified by each department and the appropriate competencies required to deliver the expected targets, we aim to place the right individuals in the right places with the ultimate aim of creating a powerful and capable workforce.



Strategic HR Goals

- ◆ Administration of HR policies and programmes effectively and efficiently, while maintaining internal customer satisfaction and meeting budget constraints
- ◆ Embracing a performance-based work culture, aligning employee performance to corporate goals
- ◆ Recruiting and retaining a diverse workforce to meet the needs of the organization
- ◆ Continued investment in enhancing the skills and knowledge of the workforce
- ◆ Encouraging creativity and innovation among staff
- ◆ Maintaining a positive, values based work environment



New recruits by employee category, age and gender

Category	Gender	Age	
		<30	30-60
Executive	Male		1
Below Executive	Male	1	1

Employee retention after maternity leave

	Count
Number of Employees on Maternity Leave	01
Retention after Maternity Leave	100%

Diversity and Equal Opportunity

LIOC continues to believe that a diverse workforce drives superior performance, widens perspectives and boosts resilience, and thus remained committed to the principles of equal opportunity irrespective of gender, age, race or religion in all its HR management processes and practices. The Company also conducted a special motivational session for all female employees with the founder of the ‘Women in Management’, Dr. Sulochana Sigera, demonstrating its commitment towards gender equality. Equal pay is provided to all employees irrespective of gender, based on their qualifications and performance.



Appreciation award for Facilitating Women in Management Seminar

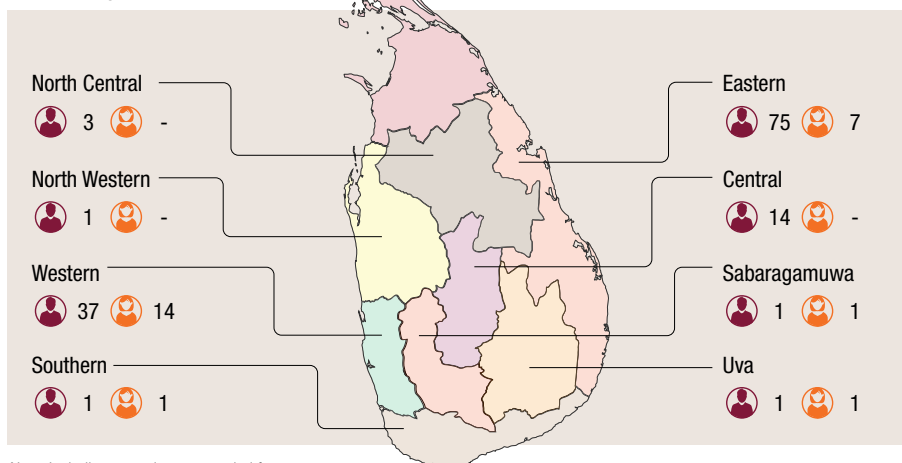
Staff Turnover

The Company is constantly looking for ways to retain the right talent to achieve sustainable growth. Continuous dialogue with our employees provides us many insights which we critically evaluate and take proactive action on to improve our employee retention ratio.

Workplace practices that promote gender parity

- ◆ Equal Pay
- ◆ Prioritising Work-life Balance
- ◆ Strict and Effective Policies against Harassment and Workplace Offence
- ◆ Creating an open-minded atmosphere
- ◆ No special privileges based on gender
- ◆ Special measures to improve the status of women
- ◆ CDA Rules
- ◆ Open door policy

Total Employees: Province-wise



Note: Including expatriates seconded from parent company.

There were no complaints or incidents of discrimination reported at LIOC during the year.

Remuneration and Benefits

During the year LIOC maintained its remuneration standards and policies while ensuring 100% job security of its workforce. Salary increments, performance bonus and fixed bonus payments were carried out as planned and in a time of crisis, made sure all its staff financial commitments were met and the employees were kept motivated and satisfied.

	2020-21
Salaries (Rs. Mn)	569.27
Benefits (Rs. Mn)	15.86

HUMAN CAPITAL

LIOC continued offering generous benefits to all its permanent employees as detailed below.

Employee Benefit	Description
Maternity Leave	84 working days
Retirement Provision (Gratuity)	Statutory gratuity payments after completion of five years of service
Additional gratuity under Thrift Society	Over and above the statutory gratuity
Distress Loans	Simple concessional interest rate and recoverable in 60 months.
Housing Loans	Simple concessional interest rate and recoverable in 300 months.
Car Loan	Carrying a simple concessional interest rate and recoverable in 120 months.
Medical Leave	14 to 21 days
Welfare Related Benefits	<ul style="list-style-type: none"> • House repair loans • Office transport facility • Furniture loans • Three months loan
Medical Benefits	<ul style="list-style-type: none"> • In-house medical doctor at Trincomalee and provision of free medicine. • Unlimited medical reimbursement • Reimbursement of spectacle expenses
Insurance Cover	<ul style="list-style-type: none"> • Insurance cover for partial and permanent disability and life insurance. • Unlimited OPD cover
Other facilities	<ul style="list-style-type: none"> • Provision of uniforms • Support to family members such as operating buses for school children • Residences for Trincomalee employees • Long service awards • Scholarships to children • Death benefits amounting to Rs 500,000 • Accidental death benefit of Rs 1 Mn. • Payment for unutilized medical leave • PAYE borne by the Company • Reimbursement of cost of mobile handsets • Cash rewards for completion of higher studies depending on qualification earned. • Sports club • 40 residential quarters in Trincomalee were refurbished during the year. • Enhancement of the reimbursement of fuel costs for Junior Executives and Officers in the field.
New facilities introduced in 2020-21	<ul style="list-style-type: none"> • Enhancement of Housing Loan facility • Provision of a Laptop Loan for staff at concessional rate recoverable in 60 months.

LIOC recognise individuals' talents and placing employees in positions that make the best use of their skills. Therefore employees feel more confident in their skills and enjoy using their strengths every day at work. As a result Lanka IOC.

Employee Turnover

High employee turnover increases the expenses and also has a negative impact on the organization's morale. At Lanka IOC, we have implemented an employee retention program effectively to make sure the pivotal workers remain employed while balancing and maintaining job performance and productivity. Further, LIOC recognise individuals' talents and placing employees in positions that make the best use of their skills. Therefore employees feel more confident in their skills and enjoy using their strengths every day at work. As a result Lanka IOC.



Performance Management

The Company carried out its annual performance reviews ensuring employees were rewarded based on their performance and employees displaying outstanding conduct were felicitated in response to their contribution to the Company during tough times.

LIOC also expressed its gratitude and appreciation towards loyal and long-standing employees by providing long service awards to those completing 10 years of service.

Training and Development

LIOC makes every effort to build a corporate culture where employees can perform well, meet their potential, and truly connect with the vision of the organisation. In a rapidly evolving business environment LIOC aims to create a game changing workforce that is up to date with the latest technological developments and technical standards by fostering a culture of continuous learning. The year under review was not a conducive one for large scale in-person trainings as the safety and well-being of employees took precedence. However, LIOC carried out several on-site training sessions in small groups with strict adherence to social distancing regulations and also conducted online job training and quiz programmes aimed at ensuring the staff held the necessary competencies to perform their duties as expected.

Average training hours by employee category

Average training hours by employee category	
Average training hours: Executive staff	0.5
Average training hours: Non-executive staff	4.8

Average training hours per employee by gender

Average training hours per employee by gender	
Average training hours per employee-Male	4.54
Average training hours per employee-Female	0.76



Team building activity

Types of training activities conducted

- ◆ Seminar on latest amendments
- ◆ Awareness on 5S
- ◆ Implementation of 5S
- ◆ Job Safety Analysis and Work Permit System
- ◆ Leadership development program by IOCL
- ◆ Fire and Safety trainings
- ◆ First aid training

Health and Safety

Operating in the midst of a pandemic, paramount importance was placed on ensuring the health and safety of the LIOC workforce. Health and safety measures were adopted across all our work locations including the installation of sanitisation facilities at entry points, mandatory temperature checks and the provision of masks and gloves to staff coming into contact with external parties such as customers and suppliers.

Regular awareness speeches were organised for the bowser crew and our employees through Health Ministry officials. With regular co-ordination and the support of Public Health Officials (PHI), No Objection Certificates for inter district movement of bowser crew were obtained to ensure unhindered fuel supply to the entire island. As a humanitarian gesture, refreshments were provided for the bowser crew operating on curfew days, since all the hotels and restaurants were closed.

To prevent exposure to the virus while simultaneously ensuring uninterrupted business operations, protocols were established to enable employees to work from home. Remote log-in facilities were enabled and employees were provided laptops to work in the safety of their homes with online platforms serving as the primary means of corporate meetings. Transport facilities were arranged for critical staff required to report to work and office spaces were reorganised to

Operating in the midst of a pandemic, paramount importance was placed on ensuring the health and safety of the LIOC workforce.



ensure distance was maintained in accordance with the safety regulations.

The Company introduced an ID card for employee access instead of the thumbprint mechanism to further ensure employee safety and also upgraded its dining room to ensure minimum contact between employees.

The Company also carried out random PCR testing of employees and bowser crew at the Trincomalee terminal and as at 31st March 2021 carried out a total of 353 tests. This effort not only checked community transmission among LIOC workforce but also promoted confidence among the staff to carry out their duties. Effective coordination was done with Health Authorities to ensure all staff members are vaccinated against Covid-19.



PCR tests at Trincomalee Terminals

Number of workplace accidents during the year- Nil

Apart from the above safety measures the Company continued to maintain its operational safety standards and protocols to avoid any hazards or work-related accidents.

HUMAN CAPITAL

The Company in its endeavor to promote a conducive environment has a dedicated grievance handling mechanism for harassment related grievances. Relevant division heads are available to address and resolve grievances and the open-door policy encourages employees to voice their concerns to even the Top Management without fear.



Employee Engagement

This was an year that tested the spirit and camaraderie of the employees and the Company made sure employee preferences were understood and the differences in family situations and health conditions were taken into consideration. The HR function played a key role in ensuring clear communication lines were established and flexibility was provided during these critical times. The department heads led by the Managing Director made sure they were personally available to provide professional assistance to those in need and employee morale was boosted to prevent stress and burnout.



LIOC Day celebration of Trincomalee



International Women's day Celebration at Head office

With adherence to health and safety guidelines various team building programmes including a treasure hunt, fireless cooking competition and adventure run were organized to provide a balanced work culture.



Cooking competition of Trincomalee



New Year celebrations at Head office

Grievance Handling

The Company in its endeavor to promote a conducive environment has a dedicated grievance handling mechanism for harassment related grievances. Relevant division heads are available to address and resolve grievances and the open-door policy encourages employees to voice their concerns to even the Managing Director without fear. An employee suggestion box is available for employees to make their views and concerns and these suggestions are reviewed on a weekly basis. LIOC also hosts an open forum where employees can voice their concerns.



Chairmen addressing employees for year 2021 at head office

Anti-Corruption

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



Women in Leadership Programs at Head office

Child Labour and Forced Labour

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

Minimum Notice Period for Operational Changes

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

SOCIAL & RELATIONSHIP CAPITAL

Embracing meaningful relationships



Our relationships with customers, channel partners, local and overseas suppliers, industry stakeholder associations and the community have a huge impact on our business and improving those relationships is one of the key objectives embedded in our strategy of sustainability. Our ability to constantly deliver value to stakeholders and maintain cordial working relationships with them and the communities in which we work is a significant factor driving our success.

Highlights of 2020-21	Sales campaigns gaining additional customers	Appointment of new lubricant distributors	6 Mn investment for livelihood development
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Strategic Relevance

- Compliance
- Pricing
- Quality performance
- Timeliness
- Continuing mutually beneficial relationships
- Fair credit terms
- Energy stability

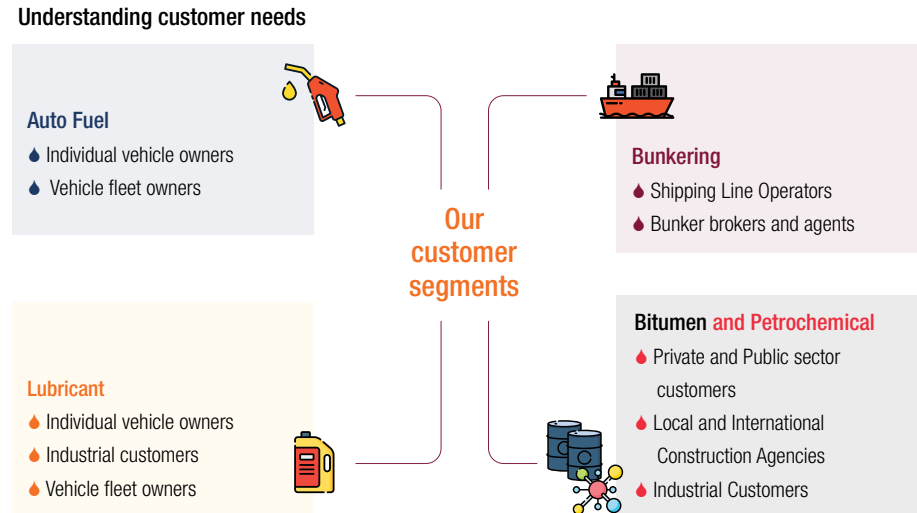
- Social and Environmental consciousness
- CSR

Impact on SDGs

Accessibility	Island-wide network of 210 Auto-Fuel Retail Outlets across Sri Lanka	485 SERVO shops	27 Lube distributors	54 SERVO service stations
Innovation	Enhanced Retail Visual Identity at 101 outlets	Automation of 25 Retail Outlets	Partnering with HNB Solo for contactless transactions	13 ATMs, 15 e-Commerce kiosks, and 05 EV charging stations installed at Retail Outlets
Engagement	Numerous customer engagement initiatives, promotional events, competitions and publications	Social media presence with more than 4000 followers		
Product Quality	Quality assurance provided by well-equipped lab facilities and research backed by IOC research labs in India	ISO 9001:2015 SLS ISO 9001:2015		

Customers

We work continuously to enhance our customer service proposition with the ultimate goal of strengthening our relationships with them and maintaining the trust and confidence placed on us. With its varied product offerings, LIOC engages with a wide range of customers and does its best to understand the evolving needs of these customers to stay ahead and serve them better. Customer feedback is taken seriously and wherever possible improvements are made and corrective action is taken to improve customer experience.



SOCIAL & RELATIONSHIP CAPITAL

We respond to social changes caused by COVID-19 and make appropriate contributions through Social Innovation.

Contactless pay

In order to provide superior customer service and stay ahead in the business world we explore the latest technological developments which are able to provide easier and more convenient solutions to our customers. LIOC has over 500 corporate customers currently using the Dialog Touch Card facility offered at 120 of our retail outlets. This provides convenience to customers in terms of fast and secure transactions, tap and go payments and monitoring of fuel costs. Customers can keep track of their fuel usage as they also receive an SMS immediately after each transaction, thus providing a competitive advantage to the Company.

In addition to the above, LIOC also partnered with HNB PLC and launched a contactless payment option via the HNB Solo digital payment application. Users now have the opportunity to complete transactions when refueling their vehicles at LIOC Retail Outlets across the island simply through installing the App application and accessing the unique QR code generated through this. In a scenario where social distancing is a necessity, such innovative solutions provide customers the added confidence of transacting with LIOC.



Introduction of Solo App to LIOC Retail Outlet

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

Service Excellence

Since the employees of our fuel stations including the pump attendants are a vital part of the customer experience, we have ensured that these teams are well trained, well attired, and knowledgeable about our products. Pump attendants are a key point of contact for our customers and, therefore, play a critical role in customer education, especially with regard to the benefits and economies of branded fuels.

Product Responsibility

Customer health and safety is a key priority of the business and LIOC ensures that strict quality assurance protocols are in place throughout its sourcing, production and distribution process, facilitating the maintenance of high standards of product safety and responsibility. All formulations for blending each product variant of the Lubricants we market come from our parent company. All these products are tested for product quality, safety and usage by LIOC in the laboratory at Trincomalee and CPSTL LAB. Additionally, due to the flammability and safety risks inherent in Auto Fuel sales, LIOC has installed all necessary safety earthing systems to protect the facilities against fire hazards and carried out regular maintenance and safety checks of the pumping machines. Fire extinguishers are available at all outlets, with staff trained on effective use of these. During the year under review, there were no incidents of non-compliance to any product responsibility/customer health and safety related laws or regulations.

Additionally, in compliance with the set of guidelines issued by the International Maritime Organisation on the implementation of the 0.5% Sulphur cap for Marine Fuel supplies, the Company shifted to the supply of low Sulphur fuel oil. This shift demonstrates the high level of product responsibility the Company embraces, aimed towards protecting human health as well as preserving the environment.



COVID-19 safety measures

- ◆ Adherence to the health and safety protocols imposed by the government health authorities.
- ◆ Placement of hand sanitisers and foot pedal hand wash stations at the entry points of all locations.
- ◆ Provision of recommended Personal Protective Equipment (PPE) for staff coming into close contact with customers.

Product Marketing and Labelling

We also ensure that our marketing communications and product labelling is done with strict adherence to the required regulations and all business dealings are conducted in an ethical manner as per our Code of Ethics. Our Lubricant products are sold to consumers with the following information:

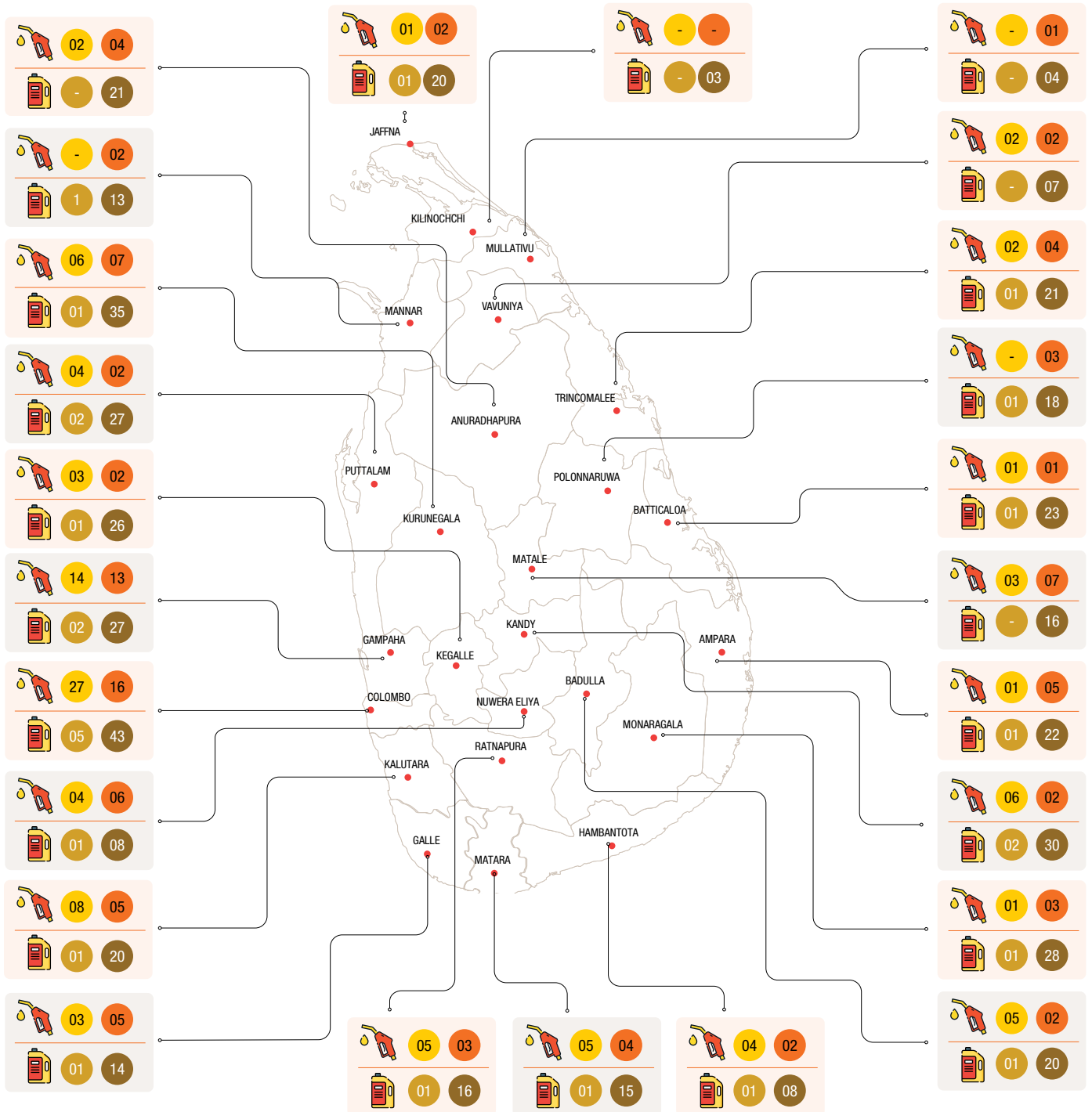
- Usage information
- Safety warnings
- Form of materials used
- Material safety data
- OEMs health and safety information

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

There were no incidents of non-compliance concerning product and service information and labelling in local or in our export markets during the year.

Channel Partners

We work hand in hand with our channel partners including 210 dealers in the Auto Fuel network, 27 Lubricants distributors, 485 SERVO shops and 54 SERVO stations to ensure our customers are served in an efficient and timely manner.



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

SOCIAL & RELATIONSHIP CAPITAL



Suppliers

We aim to build sustainable relationships with our suppliers and focus on engaging with suppliers who support the vision of LIOC. The suppliers are selected following a strict evaluation process which includes checks on quality, reliability, business practices, and ethics, social and environmental compliance.

Supply chain

Our suppliers are predominantly global energy giants, including our parent company Indian Oil Corporation Limited (IOC), India and market intermediaries. Petroleum products are procured through a global tendering process according to Board approved procurement policies that clearly spell out the process of supplier registration and tendering.

Our transactions with our parent company are conducted purely on commercial terms at arm's length. Conditions in relevant contracts are similar to conditions in contracts with other suppliers and IOC is treated just as any other supplier of similar goods without any preferences. During the year, LIOC engaged with a variety of suppliers and potential suppliers in pursuance of its business strategies.

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

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



Over 1,000 local suppliers



Over 100 foreign suppliers

Suppliers screened on social and environmental criteria in 2020-21

Memberships of Associations

LIOC strives to carry out its business affairs striving to cultivate cordial and mutually beneficial contacts with local and international business organizations that help us accomplish our vision and mission. As such, we are affiliated with a number of local and international business chambers and associations.

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



Regulators

LIOC maintains a close relationship with the Government and all the relevant ministries and agencies and ensures that it acts in compliance with all laws and regulations relevant to the business and operating environment. LIOC also acts in compliance with the Marine Pollution Prevention Act No. 35 of 2008 and upgrades its Oil Spill Contingency Plan every two years as required by the Marine Environment Protection Authority.

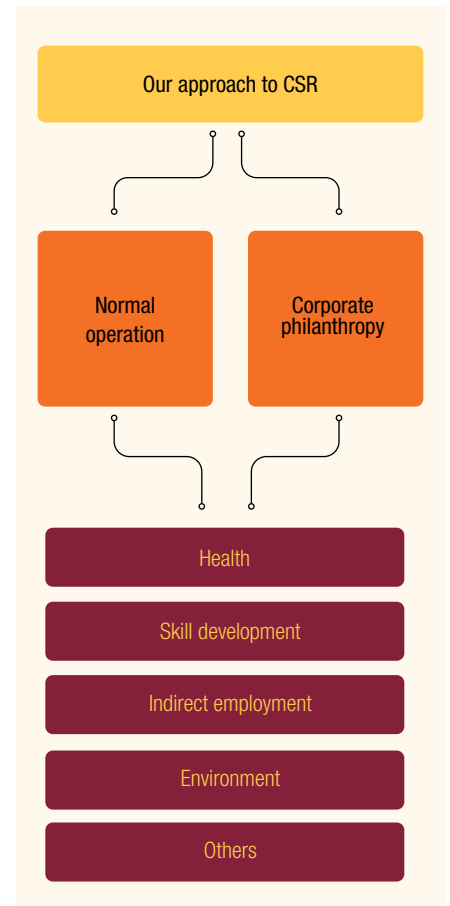


Community

We believe that being a socially responsible corporate citizen is an important aspect of the business strategy and sustainability and therefore engage in various social, environmental and economic development and upliftment initiatives to make the world a better place.



School Bags Donations



Philanthropic Value Proposition

 Health and well-being

Provision of medical supplies to the Apeksha Cancer Hospital



Donation of wheelchairs, mattresses and food trolleys to the Rheumatology and Rehabilitation Ward (No. 06) of Lady Ridgeway Hospital.



A Donation of 200 white sticks made to the Sri Lanka Welfare Society of Blind Women, Ja-Ela



Donation of essential items to an orphanage by the employees of the Trincomalee Terminal marking the 18th year anniversary of the Terminal operations.

 Religious Activities



Shramadana campaign to paint the Stupa of the Sri Bodhirajaramaya Temple-China Bay and contribution of Rs. 300,000 to renovate the Stupa and replace the Kotha with a precious gemstone.

 Environment

Coastal cleanup organised by the Trincomalee Terminal under the patronage of the MEPA along the LIOC coastal boundary and Uppuveli beach. 200 participants led by Senior Vice President (Ops & LBP) engaged in this 3km long cleanup collecting:


- 100kg of trash
- 100 Nos bags filled.



250 numbers of used barrels were donated by the Trincomalee Terminal to the Eastern Navy Commander

With the effort of employees of the Trincomalee Terminal, 1000 Nos of seed balls made with Neem tree seeds and Java plum tree seeds were sown at designated areas where the natural flora has been reduced.



 COVID-19 aid

Donation of Rs 5Mn to the COVID-19 healthcare and social security fund.

Contribution of Rs 1Mn to the Ceylon Petroleum Storage Terminals Limited for distribution of hand sanitisers to police and government departments.

Donation of Covid 19 prevention equipment- peddle push washbasins, thermometers and masks to selected schools in Colombo.



Handing over a consignment of urgently required 100ML hand sanitisers to the Sri Lanka Police.



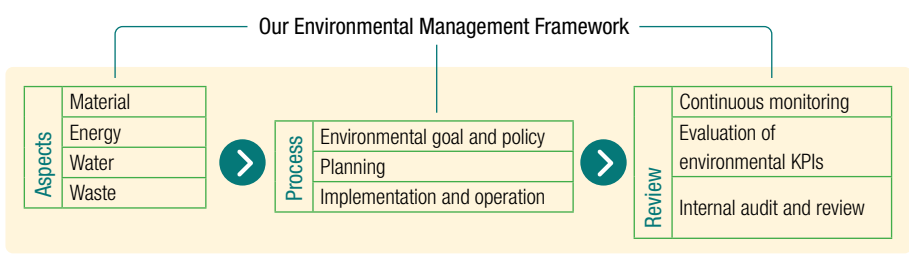
NATURAL CAPITAL

Preserving our planet



We place great importance on preserving a habitable and healthy natural environment for the future generations. Given our status as the single largest private oil company in Sri Lanka we consider it is our duty to contribute towards environmental conservation and act responsibly towards preserving the planet. Environmental consciousness and awareness is instilled in the minds of all our staff and permeates through all our operations resonating our commitment towards sustainability

Highlights of 2020-21
Solarization of Trincomalee Terminal **20 KWP**
Biogas plant for Garbage dispense
40 Mn Investment for Solarization of rooftops



Material Management

The Company's primary raw materials are imported petroleum based non-renewable resources. We maintained stringent quality standards and supplier screening to ensure that products are sourced through sustainable methods. Company policy mandates that all material procurement be undertaken following a global tender process with suppliers being selected after thorough evaluation and stringent screening processes.



Energy Management

The Company's main energy sources are Diesel, Furnace Oil and Electricity sourced from the national grid. Energy is consumed primarily in the head office premises, Company owned retail outlets and the Trincomalee Terminal, of which the latter is the most energy intensive.

The Company's total energy consumption for the year decreased by 511KWh compared to the previous year, reflecting our ongoing efforts to drive energy efficiency across the organisation.

Energy Management Initiatives

- ◆ Conversion of 30 retail outlets to solar power.
- ◆ Installation of energy efficient lighting and cooling solutions.
- ◆ Development of a 20kW solar energy facility at the Trincomalee terminal aimed towards achieving a 5% saving in electricity units consumed.
- ◆ Installation of higher capacity equipment capable of reducing energy consumption.

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

Source	Unit of measure	Consumption in 2020-21
Diesel	KL	21.8
Furnace Oil	KL	34.2
Electricity	kWh	404,134

Water Management

Our operations are not water intensive and the main source of water consumption is employee use. Water from the municipality lines serves 83% of our annual water requirement and we also have rainwater harvesting plants which help manage our water usage in a more efficient manner. Water consumption during the year is as follows:

	Unit of measure	Quantity
Water withdrawn	KL	9,000
Rainwater harvested	KL	14.5
Municipal water usage	KL	43,857

Water Pollution Prevention

LIOC has established strict protocols that ensure prevention of water pollution. All planned water discharges from our tanks are carried out in strict compliance with the environmental laws in accordance with Sea Dumping License issued by the Marine Environment Pollution Authority (MEPA). The key discharge from our operations consists of the oil water discharge flushed out of the terminal and retail outlets. Unplanned water discharges arise from storm water discharged during heavy rain fall. All planned and unplanned discharges are sent through a network of drains to the Oil Water Separators (OWS) to be cleaned and treated before release, ensuring there is no pollution of water resources. Water from the outer chamber of the OWS are tested once in three months at the Central Environmental Authority (CEA) licensed laboratory to ensure conformity to environmental standards. Sludge, yet another main discharge from our operations collected after cleaning black oil tanks, is considered hazardous in nature and thus is disposed according to CEA guidelines and stored in isolation in concealed containers.



Biogas plant

Oil Spill Contingency Plan: In accordance with the regulations of the Marine Pollution Prevention Act No. 35 of 2008, which requires every owner, operator, master, or agent of a port, harbour terminal, repair yards of ships or drydocks, or a pipeline or any other apparatus used for transferring of oil to and from a ship or an offshore installation utilised for receiving and transferring of oil to have an Oil Spill Contingency Plan. LIOC too has set up the required apparatus and infrastructure at the Trincomalee port.

Sludge	2020-21
Sludge disposal (KL)	37
No. of tanks cleaned	04

Continuous monitoring is carried out to make sure no accidents occur during operations and transport that may pollute the water resources and the Oil Spill Contingency Plan in place, approved by the MEPA is equipped with the appropriate capabilities to manage any such accidents and impacts of oil spills. With this equipment in place, the Company was able to assist in the firefighting operations of the MT New Diamond, carrying 270,000 MT of crude oil from Kuwait to IOCL India which occurred off the east coast of Sri Lanka and avert a major environmental disaster. During the year no incidents of oil spills were reported.

Waste Management

Scrap waste

A major quantity of scrap consisting of old disposable pipes, valves and mild steel scrap amounting to 207 MT was disposed from the Trincomalee terminal during the year. Such scrap waste is disposed via tender through authorised parties.



Food and other solid waste

Waste segregation is managed methodically and disposal of food and other solid waste is carried out through the local authorities.

Waste Management Initiatives

During the year, a Biogas plant was developed at the Mahaweli Guest House at the Trincomalee Oil Terminal with the aim of promoting a clean green environment. LIOC expects a major turnaround in terms of garbage management within the terminal with this plant and perceives the following benefits:

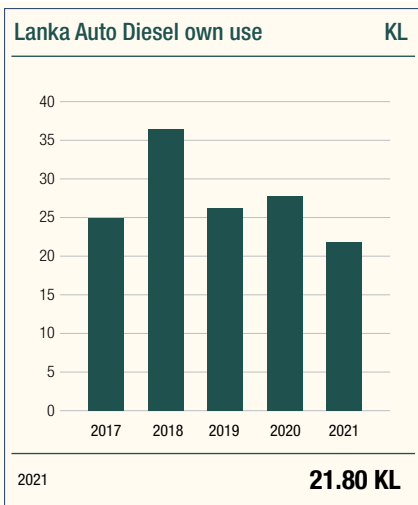
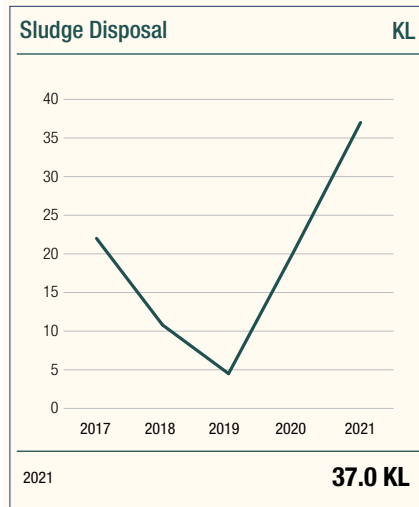
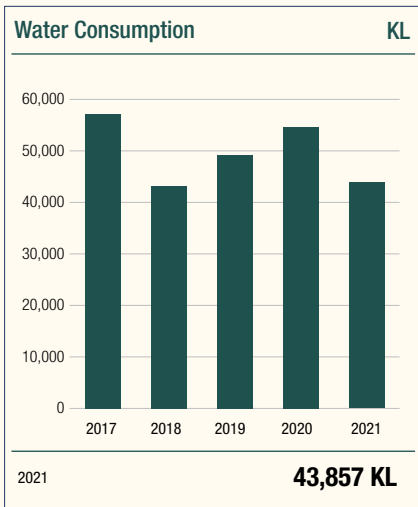
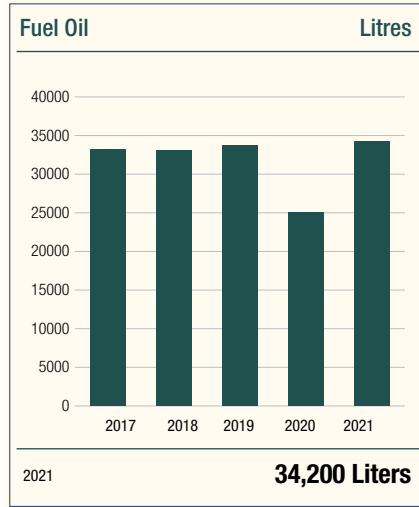
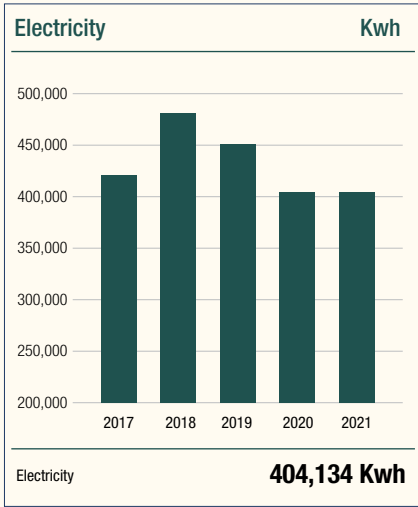
- ◆ The terminal generates approximately 1,000 Kg of food and other organic waste per annum resulting from consumption by employees and is generally disposed of through local authorities at a cost to the company. This initiative will help cut down this cost while recycling this waste into a renewable energy.
- ◆ The food waste collected at the plants attracts pests and rodents to the terminal resulting in damage to our light poles, cables, building rooftops, garden plants etc. Thus, regular disposal of this waste via the biogas plant will help resolve this issue.
- ◆ Saving of 6-8 cylinders of gas per year, which would yield an approximate savings of Rs 18,000 per year.
- ◆ Organic slurry, a by-product of the anaerobic digestion process in biogas plant is a very rich fertilizer for plants. The quantity of slurry generated will be approximately 10-15 liters per month and can be utilized for our plants and trees.



Solarization

NATURAL CAPITAL

Energy consumption



Carbon Footprint

The carbon footprint of the Company is assessed according to the guidelines specified by the GHG Protocol of the World Resources Institute. The main form of emissions in our operations arises through non-toxic vapours which evaporate from retail outlets and the Company's energy consumption. We adopt our parent company's processes and standards in ensuring that vapours

have a minimal impact on the environment and all vapor discharge is in accordance with pre-set guidelines.

As a supplier of fuel-based products, we are aware of the impact we have on the environment in the form of the emissions arising from our products. Supported by the research and development capabilities of our parent, we are committed towards developing and retailing ecologically sustainable products in Sri Lanka, thereby contributing towards reducing the country's overall carbon footprint.

Compliance

All actions at LIOC are taken in compliance with the relevant environmental laws and regulations pertaining to the operations. During the year under review, we acted in conformity with all relevant environmental laws and regulations and were not fined for any incidents of non-compliance.

SOUND CORPORATE GOVERNANCE

Through ethical and transparent business processes we strive to maintain stability and resilience which is a key enabler of our business success.

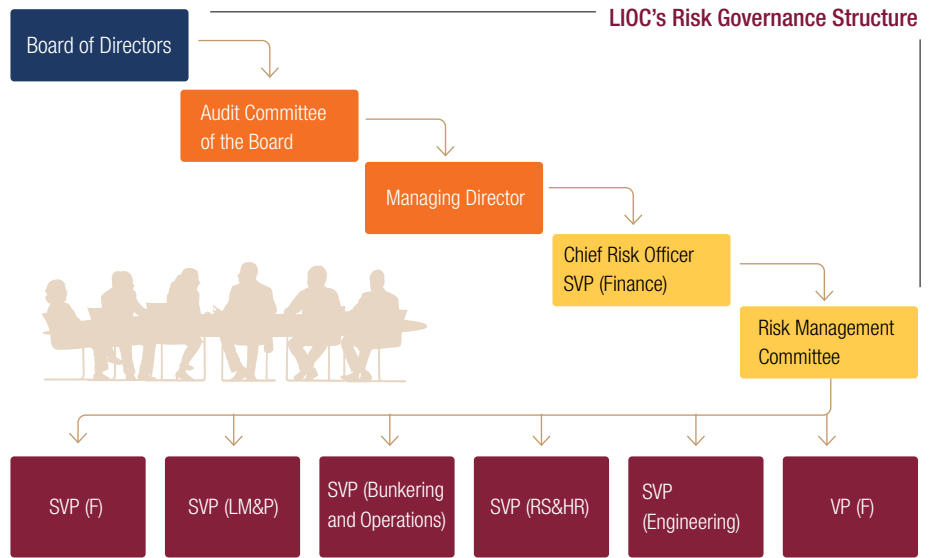


RISK MANAGEMENT

In a turbulent and unpredictable operating landscape, it is imperative that the Company has a well-defined risk management framework to manage risks and optimize shareholder value. Minimizing the negative effects of risks and determining the best trade-off between risk and return is vital towards gaining the trust of the stakeholders and enhancing the long-term value of the business. The year under review was a challenging one for the country's economy with the COVID-19 pandemic disrupting business operations across the nation, emphasizing the importance of having a robust risk management framework in place. LIOC's proactive and systematic risk management approach guided by a clear policy framework, governance structure and reasonable levels of empowerment played a significant role in ensuring the stability and uninterrupted flow of business operations while displaying resilient performance through this year.

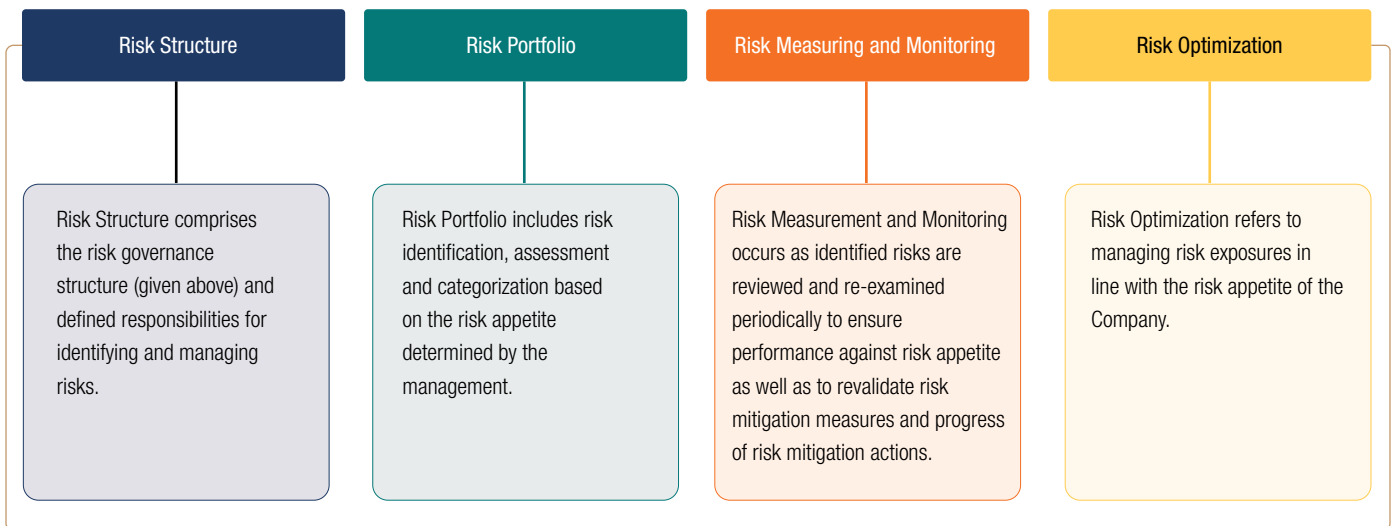
Risk Governance

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



Risk Management Framework

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



Risk Appetite

The Board holds ultimate responsibility for setting the risk appetite of the business Management is responsible for implementation of the same. The

Risk appetite is determined based on the level of risk that the Company is willing to accept in reaching its business objectives and quantifiably expressed through risk tolerance limits. The risk

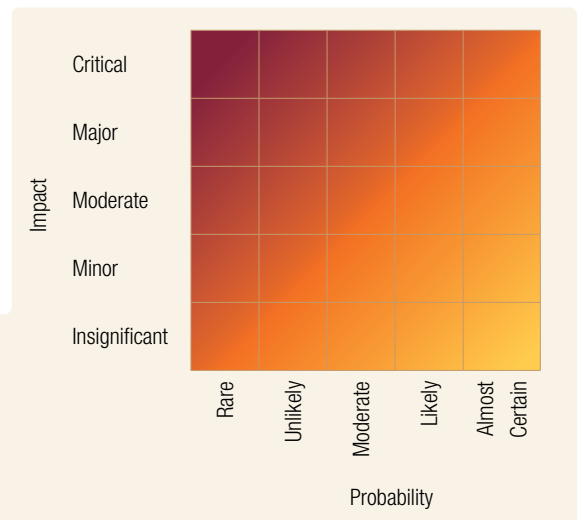
appetite is reviewed by the Board regularly to ensure the relevance of each risk category and defined parameters.

Rating criteria – impact

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

Rating Criteria – Likelihood

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



RISK MANAGEMENT

Risk	Impact	Mitigating Actions	Net Risk Assessment
Category 'A' Risks			
Disruptions caused by COVID-19 related restrictions	<ul style="list-style-type: none"> Reduced revenues and profitability of certain product lines. 	<ul style="list-style-type: none"> Continue engagement with Government to facilitate supplies of fuel to all users. 	●
Price fluctuations of crude oil and related products	<ul style="list-style-type: none"> Price fluctuations have a direct impact on our profitability margins and cash flows. Declining prices could also impact our inventory values. 	<ul style="list-style-type: none"> Monitoring global crude oil prices on a consistent basis. Optimization of supply chain management in line with international market prices. Maintaining optimum stock based on the movements. 	●
Inability to revise retail selling prices of Petrol and Diesel in line with global market prices	<ul style="list-style-type: none"> Due to non-revision of retail selling prices in line with international prices, Company suffers losses on Auto Fuels. 	<ul style="list-style-type: none"> Focus on expanding the branded and premium fuel segment. Diversification by expanding to other segments to offset under recoveries on Auto Fuel. 	●
Depreciation of the Sri Lanka Rupee	<ul style="list-style-type: none"> Auto Fuels, Lubricants and Bitumen import are done in USD and sales are carried out in Sri Lankan Rupees. Thus, the company is exposed to exchange losses. 	<ul style="list-style-type: none"> Engagement with Banks to enter currency forward contracts. Import loans taken for a shorter period. Proactive strategy to monitor exchange fluctuation risk. Hedge foreign borrowings against foreign deposits. Engagement with the Central Bank of Sri Lanka. 	●
Health and safety	<ul style="list-style-type: none"> The flammability of our key products exposes our staff to a wide range of health and safety risks that can result in regulatory action, legal liability, and reputational losses. 	<ul style="list-style-type: none"> Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same. Retail outlet safety handbook is distributed to all retail outlets. At the Trincomalee terminal, regular safety drills are conducted with employees, transporters, and contractors to create awareness amongst them. Further, the Company has positioned adequate safety equipment to deal with emergency situations. Ensuring all safety equipment and procedures are in place at retail outlets. 	●
Entry of new players in the Lubricants, Bunkering and Bitumen segments	<ul style="list-style-type: none"> The entry of new players to an already crowded market could affect our margins and market share. New small players may not strictly adhere to the best international practices. Commencement of Bunkering operations at Hambantota may have substantial impact on Bunkering volume at Colombo and Trincomalee. 	<ul style="list-style-type: none"> Implementing various marketing and pricing strategies to protect its market share. Expanding branding and product awareness campaigns More innovative products are being introduced to the market. Optimization of supply chain management. Focusing on excellence in customer satisfaction by automation and digitalization of processes and improving customer convenience. 	●
Product quality	<ul style="list-style-type: none"> Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/legal action. 	<ul style="list-style-type: none"> Stringent quality control mechanisms. All fuels and lubricants are evaluated for health and safety standards by the parent company's Research Centre. Compliance with regulations and certifications. 	●
Risk to stocks, property and equipment	<ul style="list-style-type: none"> Due to the flammable nature of our products any inadequacy/ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies. 	<ul style="list-style-type: none"> Insurance obtained from reputed companies with strong re-insurance support. Company has taken adequate insurance policies like Fire & Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy, etc. 	●
Demurrage due to inadequate port infrastructures	<ul style="list-style-type: none"> Due to inadequate infrastructure at the Port, and non-availability of required pipelines, ships coming to the Colombo Port are compelled to wait for berthing and take more than normal discharge time leading to exposure to the Company for demurrage. 	<ul style="list-style-type: none"> Comprehensive planning framework for import of Petroleum goods. Discussions are carried out with Port Authorities and CPSTL to create desired infrastructure at the port. Lay time allocation is planned upon giving due consideration to the operational constraints. 	●
Credit risks	<ul style="list-style-type: none"> The Company's Bunkering, Lubes and Bitumen segments are exposed to credit risk and can result in loss of earnings and cash flow. 	<ul style="list-style-type: none"> Regular credit evaluation from reputed independent credit agencies. Consistent monitoring of the debtor's aging profile. Strict credit policies on customers who seek credit facilities. Effort to give secured credit. 	●

Risk	Impact	Mitigating Actions	Net Risk Assessment
Government policy	<ul style="list-style-type: none"> Government policies on duties/taxes, interest rates, exchange rates, inflation, energy prices, and wages have a direct impact on our margins and cash flow. Non-receipt of timely approvals for various Government licenses, permissions and approvals, will have direct bearing on the operations of the Company. 	<ul style="list-style-type: none"> Duties and taxes, interest rates, exchange rates, and wages are monitored and strategies reviewed and revised to minimize impact where possible. Regular engagement with policy makers to strengthen and enhance the industry frameworks in place. Timely action is taken to renew various licenses, permissions and approvals. 	●
Operating environment	<ul style="list-style-type: none"> Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests. 	<ul style="list-style-type: none"> Continuous engagement is done with policy makers and our legal counsels. 	●
Category 'B' Risks			
Product responsibility	<ul style="list-style-type: none"> Given the flammable nature of the product, customer health and safety impacts are critical. 	<ul style="list-style-type: none"> Compliance with all national health and safety standards at customer touch points. Regular training provided to business associates in the handling, transportation, and storage of products 	●
Waste and effluents including oils spills	<ul style="list-style-type: none"> Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal. Any possible oil spills in or around Trincomalee oil jetty would have severe consequences for LIOC. 	<ul style="list-style-type: none"> Responsible disposal of all waste and effluents. Compliance with the regulations of the Central Environmental Authority (CEA) and the Marine Environmental Protection Authority. Oil sludge is disposed by contracting third parties licensed by the CEA. Provide OSCE to Trincomalee oil jetty to harmonize possible negative impact. 	●
Employee relations	<ul style="list-style-type: none"> Around 60% of our employees are unionized as we recognize the right to freedom of association. 	<ul style="list-style-type: none"> Open door policy for employees to discuss areas of concern. Regular structured dialogue with union representatives to identify areas of concern. Balanced HR policies applied in a consistent manner building trust with employees. 	●
Employee retention	<ul style="list-style-type: none"> Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labor migration. 	<ul style="list-style-type: none"> Strong employee value proposition which features attractive remuneration packages. Continued investment in training and development. Opportunities for career progression. 	●
Non availability/limited availability of contractors for specialized works related to Oil Terminalling/Lube Plant	<ul style="list-style-type: none"> Impacts the speed of execution Higher cost 	<ul style="list-style-type: none"> Local parties being developed by entrusting them with jobs. Enabled participation of foreign capable parties as consortium partners with the local parties. 	●
Energy	<ul style="list-style-type: none"> Energy is critical to the Company's day to day operations at the retail outlets, head office and the LIOC Terminal in Trincomalee. 	<ul style="list-style-type: none"> Solarization at retail outlets and Trincomalee. Encouraging retail outlets to adapt energy efficient lighting systems. Investing in energy efficient machinery and equipment. Continuous monitoring of energy intensity ratio to drive required action. 	●
Climate change	<ul style="list-style-type: none"> National policies could increase costs and reduce future revenue and strategic growth opportunities. There is also a direct impact through our carbon footprint and compliance with the CEA license. Increasingly pronounced impacts of climate change including erratic weather. 	<ul style="list-style-type: none"> Introduction of low carbon emitting Auto Fuel products. Investments in energy efficient technology. Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications. 	●
Local community relations	<ul style="list-style-type: none"> Empowering and contributing towards the socio-economic progress of the communities we operate in is crucial for the image of the Company. 	<ul style="list-style-type: none"> High levels of community engagement and nurturing meaningful relationships with our communities. Investments in ongoing community development projects. 	●
Training and development	<ul style="list-style-type: none"> Training and development is a key aspect at all levels to drive employee productivity, and safety, and enhance the tacit knowledge of our team which gives us our competitive edge. 	<ul style="list-style-type: none"> Structured training programs in place for all employees. Training needs identified through a robust performance management system. 	●

CORPORATE GOVERNANCE



Chairman’s Message on Corporate Governance

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

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

Board Focus Areas

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

Employee salary revisions were also a key topic of discussion during the financial year 2020-21.

Compliance

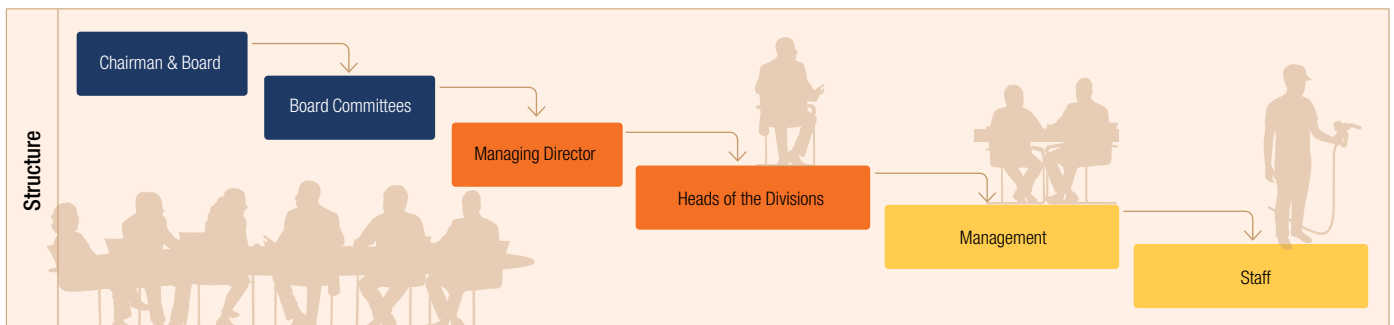
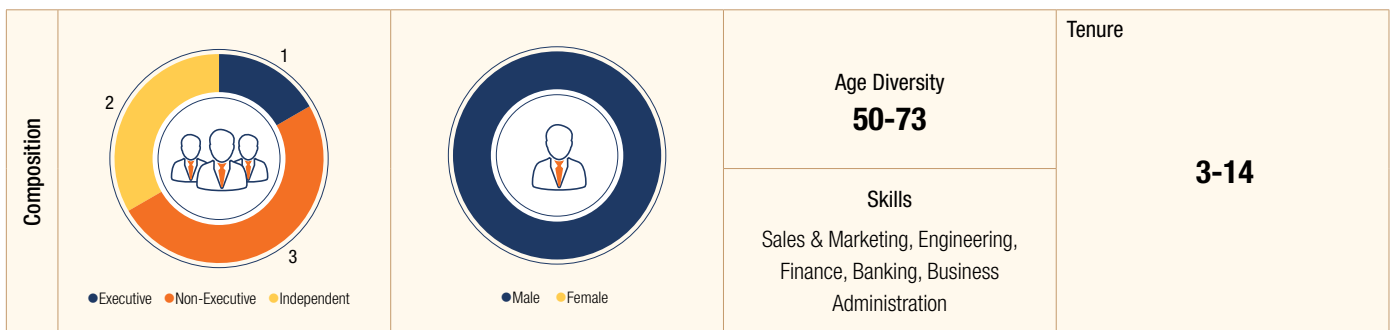
This Report sets out our approach to governance in practice, how the Board operated in 2020-21 and discharged its duties during the year. The Company has complied with the mandatory regulatory requirements and has voluntarily adopted the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017. I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the Directors of the Board.

Ranjan Kumar Mohapatra
Chairman

10th May 2021

Our Approach to Corporate Governance

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



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

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

Being a subsidiary of one of the largest energy organisations, LIOC adopts and embraces the sound governance procedures and policies stemming down from its parent company. The key elements of our governance framework comprise the governance structure and a compliance framework as set out above.

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



Board Highlights of 2020-21
<ul style="list-style-type: none"> Salary Revision 2021 Setting up of Grease Plant Investment in Unit Trusts Signing of MOU's with Prospective parties Declaration of Dividend to shareholders Personal Loan scheme for staff

Directors
<ol style="list-style-type: none"> A1. The Board A2. Chairman & Chief Executive A3. Chairman's Role A4. Financial Acumen A5. Board Balance A6. Supply of Information A7. Appointments A8. Re-election A9. Board Appraisal A10. Annual Report Disclosures A11. Appraisal of the CEO

A.1 The Board

Functions

The Board of Directors are the representatives of the shareholders of the Company holding the ultimate responsibility of determining the strategic direction and risk appetite of the Company while ensuring a sound governance framework is in place. The Corporate Management team led by the Managing Director holds the responsibility of executing the corporate strategies whereas the Board assumes a supervisory role in overseeing the management and its performance. As drivers of corporate governance, the Board dedicates sufficient time to attend the Board and Board Committee meetings and provide independent judgement on matters relating to strategy, performance, risk management, governance and business conduct when discharging their duties.

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

Roles and responsibilities

Roles	Responsibilities
<ul style="list-style-type: none"> Represent and serve the interests of the shareholders by overseeing and appraising the strategies, policies and performance Optimise performance and build sustainable value for shareholders in accordance with the regulatory framework and internal policies. Establishing an appropriate governance framework encompassing compliance with the company values Ensure regulators are apprised of the company performance 	<ul style="list-style-type: none"> Setting the strategic direction and monitoring its effective implementation Establishing systems of risk management, internal control and compliance Ensuring integrity of financial reporting processes Developing a suitable corporate governance framework, policies and procedures

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

Sub-Committee	Composition	Areas of oversight	Executive Support
Audit Committee	2 Independent Directors and 1 Non-executive Director	<ul style="list-style-type: none"> Financial Reporting Internal Controls Internal Audit External Audit 	<ul style="list-style-type: none"> Managing Director Senior Vice President (Finance) Vice President (Finance)
Remuneration Committee	2 Independent Directors and 1 Non-executive Director	<ul style="list-style-type: none"> Remuneration of Managing Director and Key Management Personnel HR Policies including Remuneration Policy Organisation structure HR Systems including Performance Evaluation 	<ul style="list-style-type: none"> Managing Director Senior Vice President (RS & HR)

CORPORATE GOVERNANCE



Sub-Committee	Composition	Areas of oversight	Executive Support
Related Party Transaction Review Committee	2 Independent Directors, 1 Non-executive Director and the Managing Director	<ul style="list-style-type: none"> Related Party Transaction Policy and processes Market disclosures on related party transactions Quarterly and annual disclosures of related party transactions 	<ul style="list-style-type: none"> Managing Director Senior Vice President (Finance) Vice President (Finance)
Risk Committee	Managing Director and all Head of Divisions	<ul style="list-style-type: none"> Categorize and monitor risks Analyze mitigating factors 	- SVP (Finance) as the Chief Risk Officer

Board Meetings

Board meetings are held quarterly and during the year the Board convened 04 times in Colombo. Sub-committees meet quarterly to discuss matters pertaining to each Committee as per their delegated responsibility and Terms of Reference. Meeting agendas and Board papers are circulated to all Board members well in advance of each meeting to ensure

adequate time is dedicated for preparation. Any Director can call for a resolution to be presented to the Board if deemed necessary. All proceedings of the Meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board Minutes. The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors on a need basis.

Board and Sub-committees Meetings Attendants

Name of Director	Directorship Status			
		Board	Audit Committee	Related Party Transactions Review Committee
No of meetings held in year 2020-21		4	4	4
Mr. Ranjan Kumar Mohapatra	Chairman/Non-executive Director	4	-	-
Mr. Manoj Gupta	Executive Director	4	-	4
Prof. Lakshman R Watawala	Independent Director	4	4	4
Mr. Amitha Gooneratne	Independent Director	4	4	4
Mr. Vigyan Kumar	Non-executive Director	4	-	-
Mr. D R Paranjape	Non-executive Director	3	3	3

Independent judgement

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

The Board collectively and the Directors individually act in accordance with the laws of the country of operation which are applicable to the business

enterprise. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations and present a compliance checklist to the Audit Committee.

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

Responsibilities of the Company Secretary

- Handling matters pertaining to the conduct of Board Meetings and General Meetings
- Conduct of proceedings in accordance with the Articles of Association and relevant legislation
- Coordinating the publication and distribution of the Company's Annual Report
- Maintaining registers of shareholders, company charges, directors and secretary, directors' interests in shares and debentures, interests in voting shares, debenture holders, interests register and the seal register
- Filing statutory returns/information with the Registrar of Companies
- Adoption of best practice on corporate governance including facilitating and assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice
- Acting as a channel of communication and information for non-Executive Directors and shareholders
- Disclosures on related parties and related party transactions required by laws and regulations
- Monitoring and ensuring compliance with the listing rules and managing relations with the Stock Exchange
- Obtaining legal advice in consultation with the Board on company law, SEC, CSE and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations

Board Induction and Development

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

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

A.2 Chairman and Chief Executive Officer

Functions of the Chairman and Managing Director are vested in two separate individuals to ensure balance of power and authority. The Chairman is a Non-Executive Director while the Managing Director is an Executive Director. Both are appointed ex-officio by the parent Company Indian Oil Corporation.

A.3 Chairman’s Role

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

Chairman
<ul style="list-style-type: none"> • Ensure that Board proceedings are conducted in a proper manner, including the circulation of information to Directors and maintenance of proper records • Facilitating and encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions • Ensuring compliance to all applicable laws and regulations • Ensuring shareholder concerns are addressed
Managing Director
<ul style="list-style-type: none"> • Implement the decisions of the Board • Be in charge of the overall operation and management of the Company • Operate facilities of the Company including quality control

- To formulate rules and regulations of operation and management of the Company and the division of responsibilities and functions of various departments
- Propose the organizational structure suitable for the needs of the Company’s business
- Representing the Company externally and act as key point of contact for shareholders on all matters related to Corporate Governance
- Submit the marketing, finance, and investment plans and quarterly and annual financial statements to the Board
- Annual capital and revenue budget
- Manage assets and day to day business operations of the company
- To execute and accept all contract, orders for the purchase and sale of materials, goods and services within limits stipulated in the Articles and Association.
- To enter into property leases on behalf of the company within limits stipulated in the Articles and Association.

A.4 Financial Acumen

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

A.5 Board Balance

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

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

Independence

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

A.6 Supply of Information

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

CORPORATE GOVERNANCE

A.7 Appointments

IOC holds responsibility for the appointment of new Directors, other than Independent Directors. In the event of a vacancy of an Independent Non-Executive Director, the Board reviews resumes presented by the Managing Director. Appointments of new Directors are communicated immediately to shareholders through the Colombo Stock Exchange and Registrar of Companies within 20 working days. The communications typically include a brief resume of the newly appointed Director, relevant expertise, key appointments, shareholding and status of independence.

A.8 Re-election

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

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

A.9 Board Appraisal

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

A.10 Annual Report Disclosures

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

A.11 Appraisal of the CEO

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

B.1 Remuneration Procedures

Directors Remuneration



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

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

B.2 Level and Makeup of Remuneration

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

The remuneration package of the Managing Director is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term interests of the Company.

The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary, to ensure that the remuneration is on par with market standards.

B.3 Disclosure of Remuneration

The Remuneration Sub-Committee Report conforms to Schedule D-Specimen Remuneration Committee Report. The names of the Remuneration Sub-Committee members are set out on page 89 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 130 Note 23.2 to the Financial Statements.

C.1 Constructive use of the AGM

Relations with Shareholders



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

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

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

C.2 Communication with shareholders

Shareholders may, at any time, request for publicly available information through the Company Secretary. The Company Secretary maintains a record of all correspondence received and delivers as soon as practicable such correspondence to the Board or individual Director/s as applicable, for a response. The Company will focus on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. At the AGM, the Company openly welcomes any suggestions from the shareholders and the Board of Directors is prepared to provide comprehensive explanations for queries of shareholders.

C.3 Material transactions

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

D.1 The Annual Report

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

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

D.2 Risk Management and Internal Control

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

D.3 Audit Committee

The Board has established an Audit Committee holding supervisory responsibility on how the Company should select and apply accounting policies, financial reporting and internal control principles while maintaining an appropriate relationship with the external auditors. Further detail is provided in the Audit Committee Report set out on page 88.

D.4 Related Party Transactions Review Committee

The Related Party Transactions Review Committee has oversight responsibility for related party

transactions. Further detail on the committee's functions is provided in the Related Party Transactions Review Committee report set out on page 90.

D.5 Code of Business Conduct and Ethics

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

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

D.6 Corporate Governance Disclosures

The Corporate Governance Report set out on pages 84 to 86 describes the extent to which LIOC adheres to established principles and practices of good corporate governance.

E.1 & F.2 Shareholder Voting

Institutional and Other Investors 	
E1.	Shareholder voting
E2.	Evaluation of governance disclosures
F1.	Investing/divesting decision
F2.	Shareholder voting

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

E.2 Evaluation of Governance Disclosures

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

F.1 Investing/divesting decision

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



G. Internet of things and cyber security

The board is greatly aware of the need for management of internet and cyber risk and management of this risk has been assigned to SVP (Finance) who is responsible for implementation of IT policy. Internet and cyber security are also an agenda of monthly Senior management committee meeting and same is apprised to the risk management committee of the Board wherever necessary based on the significance. The IT policy and security are also part of annual statutory audit of financial statements. A summary of IT & security policy is given below.

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


















H. Environment Society and Governance (ESG) Reporting

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

CORPORATE GOVERNANCE

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



Code Ref.	Requirement	Reference	Complied	Page Ref
A	Directors			
A.1	The Board	Board Composition Governance and Structure		Page 77 to 78
	Board Meetings	Board Meetings		Page 78
A.1.2	Role & Responsibilities of the Board	Roles & Responsibilities		Page 77
A.1.3	Independent Professional Advice	Independent Judgement		Page 78
A.1.4	Access to advice and services of Company Secretary	Company Secretary		Page 78
A.1.5	Independent Judgement	Independent Judgement		Page 78
A.1.6	Dedicate Adequate Time and Effort Board Pack	Board Meetings		Page 78
A.1.7	Calls for Resolutions	Board Meetings		Page 78
A.1.8	Board Induction and Training	Board Induction and Development		Page 78-79
A.2	Chairman & Chief Executive Officer	Roles and Responsibilities-The Chairman		Page 79
A.3	Chairman's Role in Preserving Good Corporate Governance	Roles and Responsibilities-The Chairman		Page 79
A.4	Availability of Financial Acumen	Financial acumen		Page 79
A.5	Board Balance	Board Composition Independent Judgement Board Meetings Board of Directors		Page 76 Page 78 Page 78 Page 78
A.6	Provision of Appropriate and Timely Information	Board Meetings Supply of information		Page 78 Page 79
A.7	Appointments to the Board	Appointments		Page 80
A.8	Re-election of Directors	Re-election		Page 80
A.9	Appraisal of Board Performance	Board Appraisal		Page 80
A.10	Disclosure of information in respect of Directors	Profiles Board Sub-Committees Attendance at Meetings		Page 22 to 24 Page 77 to 78 Page 78
A.11	Appraisal of the Chief Executive Officer	Appraisal of the CEO		Page 80
B.	Directors' Remuneration			
B.1	Remuneration Procedure	Remuneration Procedure		Page 80
B.2	Level & Make up of Remuneration	Level and Make up of Remuneration		Page 80
B.3	Disclosures related to Remuneration in Annual Report	Disclosure of Remuneration Report of the Remuneration Committee		Page 80 Page 89
C.	Relations with Shareholders			
C.1	Constructive use of the AGM	Constructive use of the AGM		Page 80
C.2	Communication with shareholders	Communication with shareholders		Page 80
C.3	Disclosure of Major and Material Transactions	Material transactions		Page 80

Code Ref.	Requirement	Reference	Complied	Page Ref
D.	Accountability and Audit			
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and outlook	The Annual Report Chief Executive Officer's and Chief Financial Officer's Responsibility Statement Statement of Directors' Responsibilities in Relation to the Annual Financial Statements Annual Report of the Board of Directors on the Affairs of the Company Independent Auditors' Report Related Party Transactions 1.Note 23 in the Financial Statements 2.Report of the RPTRC In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds, the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken.		Page 81 Page 98 Page 97 Page 92 to 95 Page 99 Page 128 to 130 Page 90
D.2	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Risk Management Risk Committee Report		Page 72 to 75 Page 91
D.3	Audit Committee	Board Audit Committee Report		Page 88
D.4	Related Party Transactions Review Committee	Board Related Party Transactions Review Committee report		Page 90
D.5	Code of Conduct and Ethics	Chairman's Perspective Code of Conduct and Ethics		Page 14 to 17 Page 81
D.6	Corporate Governance Disclosures	Corporate Governance Report		Page 76 to 86
E/F.	Institutional and Other Investors			
E.1&F.2	Encourage voting at AGM – institutional and other investors	Shareholder voting		Page 81
E.2	Evaluation of governance disclosures	Evaluation of governance disclosures		Page 81
F.2	Investing/divesting decisions	Investing/divesting decisions		Page 81
G.	Internet of Things & Cyber security			
G.1	Identify connectivity and related cyber risks	Internet of Things and Cyber security		Page 81
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	Internet of Things and Cyber security		Page 81
G.3	Include cyber security on Board agenda	Internet of Things and Cyber security		Page 81
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Internet of Things and Cyber security		Page 81
G.5	Disclosures in Annual Report	Internet of Things and Cyber security		Page 81
H.	Environment, Society & Governance			
H.1	ESG Reporting	Strategy and Value Creation (pages 34 to 37) Operational Review (page 38 to 46) Capital Reports (pages 48 to 70) Corporate Governance (pages 76 to 86)		Page 81




CORPORATE GOVERNANCE

Compliance with Section 7.10 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange

Rule No.	Applicable Requirements	Complied	Page Ref
7.10.1	Non – Executive Directors		
7.10.1(a)	Non-Executive Directors (NEDs) on the Board Two or one third of Directors should be NEDs		Board Composition -Pages 76-77
7.10.2	Independent Directors		
7.10.2(a)	Independent Directors Two or one-third of NEDs (whichever is higher) should be independent		Board Composition -Pages 76 and 77
7.10.2(b)	Declaration of Independence Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format		A Declaration of independence have been given by the Independent Directors
7.10.3	Disclosures relating to Directors		
7.10.3(a)	Names of Independent Directors should be disclosed in the Annual Report		Board of Directors -Page 22-25
7.10.3(b)	The basis for determining the independence of NEDs, if criteria for independence is not met The Board has determined that criteria for independence is met for IDs		Corporate Governance -Page 79
7.10.3(c)	A brief resume of each Director should be included in the Annual Report, including his area of expertise		Board of Directors -Page 22-25
7.10.3(d)	Upon appointment of a new Director a brief resume of the Director should be submitted to the Exchange		Corporate Governance -page 80
7.10.4(a-h)	Determination of Independence Requirements for meeting the criteria for an Independent Director		Corporate Governance -page 79
7.10.5	Remuneration Committee		
7.10.5(a)	Composition of Remuneration Committee The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director		Corporate Governance Report of the Remuneration Committee - Page 76-78
7.10.5(b)	Functions of Remuneration Committee The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role		Report of the Remuneration Committee - Page 89
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out the names of the members of the Committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors		Report of the Remuneration Committee - Page 89
7.10.6	Audit Committee		
7.10.6(a)	Composition of the Audit Committee <ul style="list-style-type: none"> The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director Unless otherwise determined by the Committee, the CEO and the CFO shall attend meetings Chairman or one member of the Committee should be a member of a recognized professional accounting body 		Board of Directors - Page 88 Corporate Governance - Pages 88 Report of the Audit Committee - Page 88

Rule No.	Applicable Requirements	Complied	Page Ref
7.10.6(b)	<p>Functions of the Audit Committee</p> <ul style="list-style-type: none"> Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the LKASs and SLFRSs Overseeing compliance with financial reporting related regulations and requirements Overseeing the processes to ensure that internal controls and risk management are adequate Assessing the independence and performance of the external Auditors Recommending to the Board the appointment, re-appointment and removal of the external Auditors and approving their remuneration and terms of engagement 		<p>Corporate Governance - Pages 88</p> <p>Report of the Audit Committee - Page 88</p>
7.10.6(c)	<p>Disclosure in the Annual Report relating to the Audit Committee</p> <ul style="list-style-type: none"> The names of the members of the Audit Committee The basis of determination of the independence of Auditors A report of the Audit Committee setting out the manner of compliance with their functions 		<p>Corporate Governance - Pages 76 - 86</p> <p>Report of the Audit Committee - Page 88</p>

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

Rule No.	Applicable Requirements	Complied	Page Ref
9.3.2	Disclosures in the Annual Report		
9.3.2(a),(b)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower and in the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the specified format.		Notes to the Financial Statements (Note 23)
9.3.2(c)	<p>Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:</p> <ul style="list-style-type: none"> -Names of the Directors comprising the Committee -A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors -The policies and procedures adopted by the Committee for reviewing the Related Party Transactions -The number of times the Committee has met during the Financial Year 		Report of the Related Party Transactions Review Committee - Page 90
9.3.2(d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.		Annual Report of the Board of Directors - Pages 92 - 95

CORPORATE GOVERNANCE

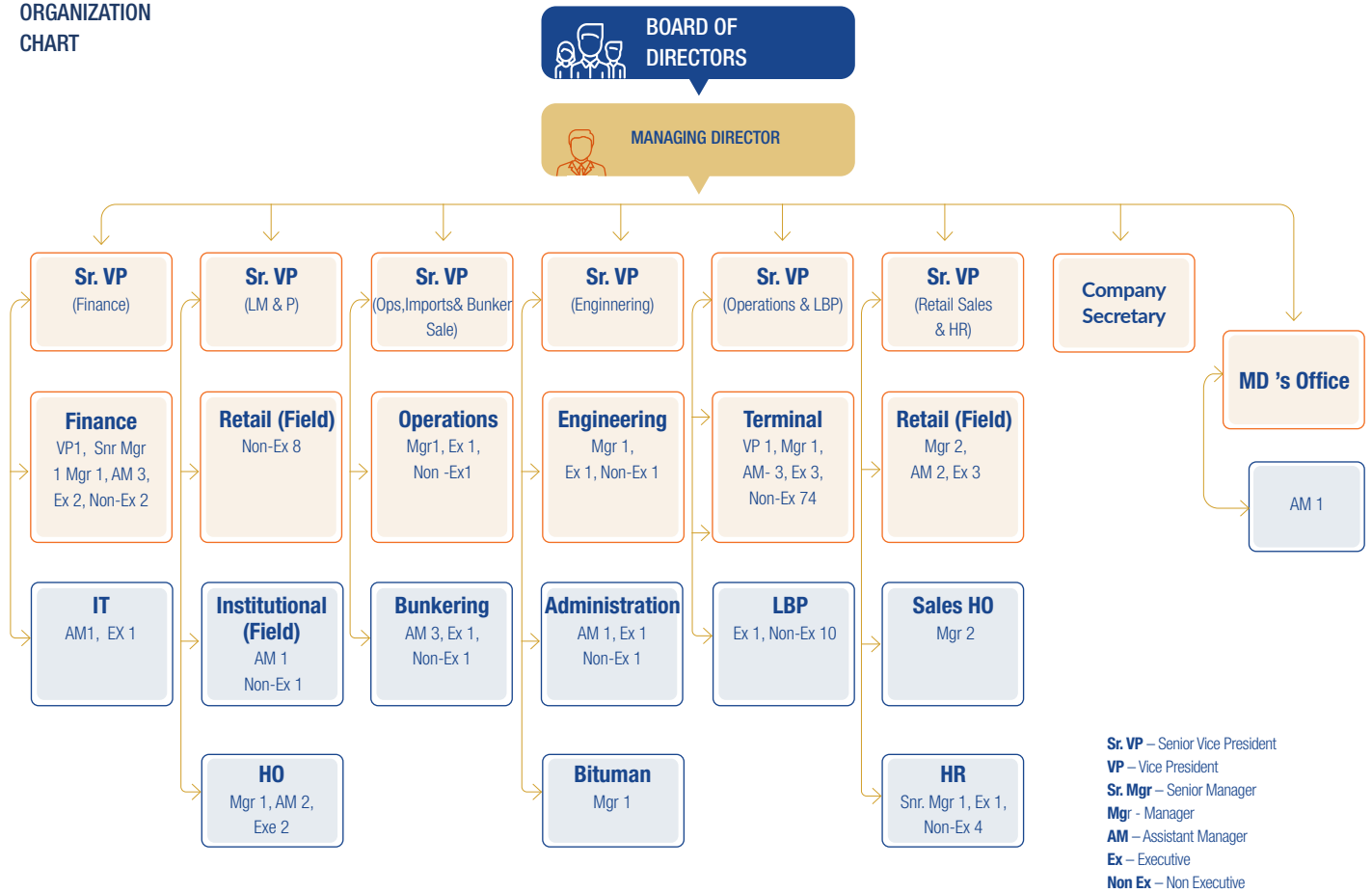
Compliance with Section 7.6 -Continuing Listing Rules issued by the Colombo Stock Exchange (CSE)

Rule No.	Applicable Requirements	Complied	Section Ref
7.6.i	Names of persons who during the financial year were Directors of the entity		Board of Directors - Page 78
7.6.ii	Principal activities of the Company		Annual Report of the Board of Directors - Pages 92 - 95
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held		Share information - Pages 140 - 143
7.6.iv	The public holding percentage		Share information - Pages 140 - 143
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year		Share information - Pages 140 - 143
7.6.vi	Information pertaining to material foreseeable risk factors of the entity		Risk management - Pages 72 - 75
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity		Corporate Governance - Pages 76 - 86 Human Capital - Page 58
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties		Pages 138-139
7.6.ix	Number of shares representing the entity's stated capital		Share information -Page 140
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories		Share information - Pages 140 - 143
7.6.xi	List of ratios and market price information		Financial Highlights Five Year Summary - Pages 10
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value		Notes to the financial statements (Note 11)
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue, and private placement		No funds were raised in this manner
7.6.xiv	Employee Share Option Schemes and Employee Share Purchase Schemes		No of shares have been allocated in this manner
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules		Corporate Governance - Pages 76 - 86
7.6.xvi	Related Party transactions exceeding 10% of Equity or 5% of the total assets of the entity as per audited financial statements whichever is lower and details of investments in related party transactions		Notes to the Financial Statements (Note 23)

Disclosures required by the Companies Act No. 7 of 2007

Section Reference	Disclosure Requirement	Page Ref.
168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors on the Affairs of the Company - Page 92-95
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Financial statements and Notes to the financial statements - Page 103
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Independent Auditors' Report - Page 100-101
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements - Page 106 - 115
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors - Page 92
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the financial statements - Note 23.2
168 (1) (g)	Corporate Donations made by the Company during the accounting period	Annual Report of the Board of Directors on the Affairs of the Company - Page 95
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Board of Directors - Page 22-25
168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Notes to the financial statements - Page 117
168 (1) (j)	Auditors' relationship or any interest with the Company	Annual Report of the Board of Directors - Page 94
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Annual Report of the Board of Directors - Page 95

ORGANIZATION
CHART



AUDIT COMMITTEE REPORT

Composition

Prof. L R Watawala*-Chairman
Mr. Amitha Gooneratne*
Mr. D R Paranjape**

*Independent Non-Executive Director

**Non-Executive Director

Meetings

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

Attendees by Invitation

Mr. Manoj Gupta - Managing Director
Mr. Pramod Jain - Senior Vice President (Finance)
Mr. Ranjeet Bothra - Vice President (Finance)

Secretary to the Committee

Mrs. Mihiri Senaratne

Charter of the Committee

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

Key responsibilities of the Committee

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are true, sufficient and credible.
- Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems.
- Discussion with Internal Auditors on Annual Internal Audit Program, Significant Audit Findings and follow up on such issues.
- Assessment of the independence and performance of the external auditors
- Post-audit discussion to ascertain any concerns.
- Reviewing the Company's financial and risk management policies.
- Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditor.

Activities of 2020-21

Financial Reporting

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards. In reviewing the Financial Statements, special emphasis was given on the following aspects.

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

Internal Audit, Risk and Controls

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

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

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

External Audit

The Committee has reviewed the independence and objectivity of the Independent External Auditors and is satisfied that the independence of the External Auditors has not been adversely influenced by any

event or service that could result in a conflict of interest. The key audit matters were discussed with the External Auditors with due consideration placed on judgements, assumptions and measures taken by the company and Auditors to ensure reasonability.

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

As a good practice on corporate governance recommended by the Colombo Stock Exchange listing rules, the committee recommended to the Board replacing the existing auditors Ernst & Young, Chartered Accountants with Pricewaterhouse Coopers for the Financial year subject to the approval by the shareholders.

Compliance with financial reporting, statutory and regulatory requirements

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

Conclusion

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

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



Prof. Lakshman R Watawala
Chairman - Audit Committee

10th May 2021

REPORT OF THE REMUNERATION COMMITTEE

Composition

Prof. L R Watawala*- Chairman
Mr. Amitha Gooneratne*
Mr. D R Paranjape**

*Independent Non-Executive Director

**Non-Executive Director

Meetings

Name	No. of meetings attended
Prof. L R Watawala	Nil
Mr. Amitha Gooneratne	Nil
Mr. D R Paranjape	Nil

Attendees by Invitation

Mr. Manoj Gupta – Managing Director

Mr. Girish Ranjan - Senior Vice President (HR)

Secretary to the Committee

Mrs. Mihiri Senaratne

Charter of the Committee

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

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

Key responsibilities of the Committee

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

Professional Advice

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

Remuneration Policy

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



Prof. Lakshman R Watawala
Chairman - Remuneration Committee

10th May 2021

REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Composition

Mr. Amitha Gooneratne*- Chairman
Prof. L R Watawala*
Mr. D R Paranjape**
Mr. Manoj Gupta-Managing Director

*Independent Non-Executive Director

**Non-Executive Director

Meetings

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

Attendees by Invitation

Mr. Pramod Jain- Senior Vice President (Finance)

Mr. Ranjeet Bothra- Vice President (Finance)

Secretary to the Committee

Mrs. Mihiri Senaratne

Charter of the Committee

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

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

Key responsibilities of the Committee

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

Conclusion

The Committee ensures that all Recurrent and Non-Recurrent related party transactions are conducted at arm's length and prior approval is obtained from the Committee before entering into any such transaction, or if the transaction is expressed to be conditional on review prior to completion of the transaction. The Committee on quarterly basis, reviews and assesses

the ongoing relationships with any related parties to ensure compliance with listing rules. During the year under review, the Company has complied with the related party transactions rules set out in Section 9 of the Listing Rules.



Amitha Gooneratne

Chairman- Related Party Transaction Review Committee

10th May 2021

REPORT OF THE RISK COMMITTEE

Composition

Mr. Manoj Gupta- Managing Director- Chairman
Mr. Pramod Jain- Senior Vice President, Finance- Chief Risk Officer - Member
Mr. Girish Ranjan- Senior Vice President, Retail Sales & HR - Member
Mr. Suraj Patnaik- Senior Vice President, Bunkering & Operations - Member
Mr. T K Elamaram- Senior Vice President, Engineering & Admin - Member
Mr. S Nimkar- Senior Vice President, Lubricants - Member
Mr. Ranjeet Bothra- Vice President, Finance - Member

Secretary to the Committee

Mrs. Mihiri Senaratne

Meetings

The heads of divisions constantly monitor risks pertaining to their area of concern. Risk Management Committee Meetings are held as and when the requirement arises and 01 meetings were held during the year.

Charter of the Committee

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

Key responsibilities of the Committee

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

Risk management policy

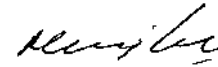
LIOC has a well-defined Risk Management Policy in place equipped with proper monitoring and reporting mechanisms to manage its business risks. The Policy provides the required Risk Management Framework for implementation of the policy by all concerned, effective monitoring and performance appraisal through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

Professional Advice

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

Activities of 2020-21

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



Manoj Gupta

Chairman – Risk Management Committee

10th May 2021

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

To the Shareholders

The Board of Directors have pleasure in presenting the 19th Annual Report of Lanka IOC PLC for the financial year ended 31st March 2021, that includes and covers the Audited Financial Statements, Chairman's Message, Managing Directors Review, Management Discussion and Analysis, Stakeholder Engagement Report, Capital Reports, Governance Reports, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non-Financial Reporting and other relevant information.

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

The Audited Financial Statements were approved by the Directors at the Board Meeting held on 10th May 2021.

REVIEW OF THE YEAR

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

FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended 31st March 2021, which include the comprehensive Income Statement, Financial statement, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements, are given from page 106 onwards.

PRINCIPAL ACTIVITIES OF THE COMPANY

The main activities of the Company are importing, blending, distributing, selling of petroleum products including Lubricants, Bitumen and Bunkering in Sri Lanka. Company also exports lubricants to Maldives and Qatar.

AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page No 100-101.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) effective from 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). The financial statements are prepared under the historical cost convention.

Accounting policies have been consistently applied by the Company in preparing the Financial Statements of the Company in conformity with SLFRS/LKAS which requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

PURCHASING AND PRICING POLICY

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

Government of Sri Lanka does not issue any directions to Lanka IOC PLC on the retail selling prices of Petroleum Products. However, the company indirectly gets affected by the retail selling prices of petrol and diesel as fixed by the Government of Sri Lanka controlled company Ceylon Petroleum Corporation [CPC]. Higher retail selling prices of Auto Fuels as compared to CPC significantly affects the selling volume and resultant market share.

ENTRIES IN THE INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in section 192(2) of the Companies Act No.07 of 2007. Note No.23 to the Financial Statements deals with Director's interests in contracts and related party transactions with the Company respectively.

DIRECTORS' INTERESTS IN SHARES

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

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The aggregate remuneration and other benefits of directors of the Company for the financial year 2020-21 amounts to Rs. 35.77 Mn.

DIRECTORS

The Directors of the Company for the F/Y 2020-21 were;

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

Prof.Lakshman R Watawala completed thirteen years as an Independent Non-Executive Director on 26.07.2020 and the Board at its meeting held on 11.05.2020, having assessed and reviewed the status, has found that his independence is not impaired and he is therefore suitable to continue serving as an independent director the financial year 2020-21, subject to his re-election at the AGM. Subsequently at the AGM held on 03.11.2020 he was re-elected as a Director of the Company by the Shareholders.

Mr. D R Paranjape, Non-Executive Director and Mr. Amitha Gooneratne, Independent Non-Executive Director shall retire by rotation in terms of Article 29(2) of Articles of Association of the Company and offer themselves for re-election as Directors of the Company, at the forthcoming Annual General Meeting.

Prof. Lakshman R Watawala, Independent Non-Executive Director will retire in terms of section 210 of the Companies Act No 07 of 2007 and will be subjected to re-appointment as Director of the Company by shareholders under section 211 of the said Companies Act.

RELATED PARTY TRANSACTIONS

The Board of Directors declares as follows:

The related party transactions during the FY 2020-21 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2020-21 are recurrent and exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

COMPLIANCE ON TRANSFER PRICING REGULATIONS ISSUED UNDER SECTION 104 OF THE INLAND REVENUE ACT NO 10 OF 2016

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during the period from April 1, 2020 to March 31, 2021 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

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

APPOINTMENT OF AUDITORS

A resolution on the replacement of Auditors will be proposed at the Annual General Meeting to appoint M/s Price Waterhouse Coopers (PwC chartered

accountants) as the auditors of the company for the year 2021-22

The Auditors' M/s Ernest & Young (E&Y chartered accountants) fee for the year 2020-21 was fixed at Rs. 1.75 Mn. (2019-20 Rs. 1.75 Mn) as disclosed in Note 6 to the financial statements on page 117 thereof.

AUDITORS RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. Ernst & Young were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of Rs. 0.33 Mn [2019-20 Rs. 1.68 Mn.]

M/s.KPMG were engaged as Internal Auditors and a remuneration of Rs. 1.11 Mn (2019-20 – Rs. 1.95 Mn) was incurred for the services rendered by them for internal audit and allied services.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year ended 31st March 2020 and 31st March 2021 are set out in Note.11 to the financial statements.

STATED CAPITAL AND RESERVES

There was no change in the stated capital of the Company during the year under review. Majority of the shares ie: 75.12% are held by the Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31st March 2021 amounted to Rs. 12,347 Mn (2019-20 – Rs. 11,870 Mn).

STATUTORY PAYMENTS

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

CONTRIBUTION TO THE EXCHEQUER

Your Company has been making enormous contribution to the exchequer. During the year, Rs. 25,513 Mn (2019-20 Rs. 14,435 Mn) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities.

STATED CAPITAL AND CONTROL

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

TURNOVER

The Turnover for the year 2020-21 recorded at Rs. 66.69 Bn as against Rs. 81.95 Bn in FY 2019-20 showing a decrease of 18.6% mainly due to impact of COVID-19 pandemic lockdowns and curfew imposition in the country intermittently during the year and reduction in Bunker revenue due to global slowdown in the economy and reduced vessel movement.

EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollars 60.64 Mn through its operations.

RETAIL SALES

As a responsible corporate, it becomes our social, moral, and business responsibility to align our business interests with the social aspirations. Accordingly, during this pandemic time we aligned our business and dealer network towards achieving excellence, in taking utmost care of our esteemed customers by ensuring compliance of COVID-19 protocols at forecourt of Petrol Sheds. We worked as a team with our channel partners during this unprecedented time and took advantages of available technology to meet goal and missions of company. It is always our endeavor to make Lanka IOC Petrol Sheds as an iconic one by delivering the best experience to our valued customers and enhancing their loyalty and trust. Also we further emphasized our network on RO safety and ensured adherence of Standard Operating Practices and safe TT decantation process on sustainable basis.

To enhance the uniform look and feel of network, we carried out new Retail Visual Identity (RVI) at 54 Retail Outlets. Also our channel partners showing their high. Adopting path of expansion of network, company added 2 more new Retail Outlet during the year, bringing the total to 210 ROs.

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

With focus on customer service and ensuring customer delight, during the year we started 'Automation' of our 25 Retail Outlets to enhance operational and customer excellence. This will significantly add value to billing system and ensure that the correct quantity is pumped, thereby improving the customer confidence and overall experience. The objective of such type of engagement was to motivate the dealer's network towards achieving the desired output and customer service level at RO forecourt leading to improve brand image of LIOC.

Despite the challenging industry landscape, we achieved commendable volume in XtraMile Diesel and XtraPremium Euro 3 Petrol. Above indicates our success in marketing of premium fuels and developing a connect with customers on its advantages of better performance.

As a part of our commitment to achieve sustainable development of energy sector through meeting the Social & Environmental demands of society, we further added 1 nos. of fast Electric Vehicle charging facility at strategically located ROs, bringing the total to 5 across the island. Going a step ahead, to reduce carbon foot prints across the island by adoption of renewal source of energy, we installed 30 nos. of roof top solar panels at Retail Outlets on revenue generation model.

In addition to the above, company focused on provision of customer convenience facility at ROs and accordingly added 1 no of ATM of Bank of Ceylon, Sri Lanka's largest State owned Bank, bringing the total to 13 nos. Also we provided platform at our ROs to M/s, Ceylinco General Insurance, Emerging Media, Banks and other reputed advertising agencies for advertisement of their value added products through LED screen/ hoarding and in turn we generated non fuel revenue.

This unprecedented times also lead us to many opportunities and accordingly we engaged our customers in making our Retail Outlets a place of contactless transaction. We joined hand with HNB Bank, one of leading banks of Sri Lanka and launched SOLO app for making contactless payment by our valued customers at ROs. It further enhanced connect and bonding with our customers in offering value added service always.

LUBES

Lube Segment is one of the very important segments contributing to the bottom line of the company. Both, by way of volumes as well as value, SERVO is the one of Sri Lanka's largest lubes brand. Over the years, it has established its authority and, on the strength of its proven quality, has built exceptional relationships with automobiles and specialty engine manufacturers. SERVO's vast portfolio of lubricants caters to the needs of the automotive, industrial, marine and specialties segments. SERVO continues its robust growth story and is expanding its marketing touch points year on year basis.

BITUMEN

Lanka IOC remains as market leader in bitumen segment in Sri Lanka. With hands on experience for past 12 years in Bitumen, LIOC has now expanded its footprint in to neighbouring countries by exporting Bitumen.

PETROCHEMICALS

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

BUNKERING SALES

Total Bunker sales volume achieved was 136,134 MT during the year inspite of substantial drop in demand due to the Covid-19 Pandemic. In order to maintain a competitive edge in the market, LIOC took a number of steps for reducing fixed expenses in Bunkering like off-hiring the bigger capacity time chartered barge at Trincomalee and on-hiring a smaller capacity barge at much reduced charter-hire, liquidating the HSFO bunker stocks completely at Colombo and at Trincomalee thereby saving on storage costs etc. During the year, LIOC was able to secure a number of new customers.

In order to further broad base the Bunker fuel import source, LIOC registered a number of new suppliers during the year which helped the company to generate more numbers of competitive offers against import tenders.

TAXATION

The Company is a Board of Investment [BOI] registered entity, registered under section 17 (2) of the BOI Act No 4, 1978. Under this registration, the Company's profits from the main business operations were exempt from Income Tax for a period of 10 years from FY 2002-03 which has expired in February 2013. Taxes at a concessional rate of 15% have been charged for the Financial Year 2020-21 as per the agreement with BOI.

OTHER OPERATING INCOME

In continuous efforts to optimize its income from various sources, your company earned Rs. 252.4 Mn (2019-20 Rs. 83.2 Mn) during the year, through dividend from CPSTL, lease rentals of hoardings, space and amenities at the various retail outlets terminal services and from other resources.

FUNDING OPERATIONS

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks based in Colombo at very attractive interest rates.

INTERNAL CONTROL

The company has adequate internal controls in place commensurate with the size, growth and span of business operations. Policies and procedures covering HR, Finance, Engineering, Secretarial, Plant and Terminal Operations are in place. Adequacy of Internal Control is being evaluated and strengthened on regular basis. The Internal Auditors of the Company are M/s KPMG, Chartered Accountants, Colombo and the scope of their audit covers internal procedures, controls and systems, risk analysis, financial operations, statutory compliance etc. Auditors directly report their observations to the Audit Committee of the Board with recommendations. Monthly reports are presented to the Company Management, discussed and appropriate actions taken wherever required as recommended by the Internal Auditors. Management committee reviews the systems and practices, risks faced by the company due to changes in the business environment, developments in the market, Govt policies etc, and regularly initiate appropriate actions to mitigate the risks and reorient business strategies.

The Management holds Risk Management Meeting comprising of Managing Director and all its Heads of Departments to analyze the existing, impending risks etc., encountered or to be encountered by the company and take appropriate action to mitigate these risks.

CSR PROJECT

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

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

GOING CONCERN

The Directors have adopted the going concern basis in preparing the financial statements. The directors after making inquiry and following a review of the Company's budget, future cash flows and borrowing facilities, consider the Company has adequate resources to continue in operation.

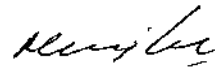
Also, subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been taken and continues to be implemented by the Government of Sri Lanka. The Company will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Company's businesses and financials. There is a drop in sales turnover for the financial year ended 31 March 2021.

The Government interventions including the curfews and lockdowns have resulted in contraction in our revenue. The ultimate extent of the impact of the COVID-19 outbreak on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, the short-term and long-term economic impact of the outbreak, the severity of the virus and the actions taken to contain the virus or treat, among others.

POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements.

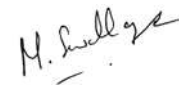
Signed on behalf of the Board



Manoj Gupta
Managing Director



Prof. Lakshman R Watawala
Director



Mihiri Senaratne
Company Secretary

10th May 2021

FINANCIAL CALENDAR

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

Period	
April-June 2020	27th July 2020
July-September 2020	21st October 2020
October-December 2020	29th January 2021
January-March 2021	11th May 2021

ANNUAL REPORTS

Period	
2019-20 (Fifth Integrated Report)	07th October 2020
2018-19 (Fourth Integrated Report)	28th May 2019
2017-18 (Third Integrated Report)	05th June 2018
2016-17 (Second Integrated Report)	02nd June 2017

ANNUAL GENERAL MEETING

Meeting	
18th Annual General Meeting	03rd November 2020
17th Annual General Meeting	19th June 2019
16th Annual General Meeting	29th June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

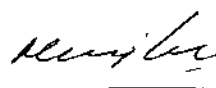
The Directors are also responsible, under Section 148 of the Companies Act No.07 of 2007, for ensuring that proper accounting records are kept to enable the determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements are being carried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

The Directors confirm that in preparing the financial statements exhibited on pages 102 to 137 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

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

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

By Order of the Board



Manoj Gupta
Managing Director

10th May 2021

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

The financial statements of Lanka IOC PLC as at March 31, 2021 are prepared and presented in conformity with the requirements of the following:

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007,

Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995, Listing Rules of the Colombo Stock Exchange,

Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and Other applicable statutes.

The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied as revealed in the Notes to Financial Statements. There are no material deviations from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Company has adopted New Sri Lanka accounting standards which is effective from 01st January 2020, during the year.

Application of Significant Accounting Policies and Estimate that involve a high degree of judgment and complexity were discussed with the Audit Committee and Independent Auditors.

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

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

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

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

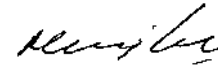
The Audit Committee of our company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence,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

We confirm to the best of our knowledge;

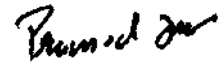
The Company has complied with all applicable laws, regulations and prudential requirements and there are no material litigations that are pending against the Company other than disclose in note 25.2 under Contingencies.

Financial Statements

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



Manoj Gupta
Managing Director



Pramod Jain
Senior Vice President (Finance)

10th May 2021

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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eysl@lk.ey.com
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TO THE SHAREHOLDERS OF LANKA IOC PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31 March 2021, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and 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 issue by The Institute of Chartered Accountant of 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in

forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Company's revenue consists of sale of petroleum products and due to the magnitude of revenue reported, we believe a higher risk is associated with revenue recognition and measurement.</p> <p>Accordingly, the recognition and measurement of revenue was considered a Key Audit Matter.</p>	<p>Our audit procedures which included, amongst others, the following:</p> <ul style="list-style-type: none"> ◆ Reviewing the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers. ◆ Testing the effectiveness of key controls over revenue recognition. ◆ Assessing the reasonableness of selling price for key products by comparing average price per unit derived by dividing product wise monthly revenue by quantity sold with respective approved sales prices for the period. ◆ Assessing the adequacy of related disclosures in Note 3 to the financial statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G S S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT



Other information included in the Company's 2020-21 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ◆ Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.



10 May 2021
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2021 Rs '000	2020 Rs '000
Revenue from Contracts with Customers	3	66,685,892	81,947,054
Cost of Sales		(63,572,855)	(77,840,925)
Gross Profit		3,113,037	4,106,129
Other Operating Income	4	252,430	83,240
Administrative Expenses		(1,400,609)	(1,505,307)
Selling and Distribution Expenses		(1,803,430)	(2,049,375)
Operating Profit		161,428	634,687
Finance Income	5.1	1,302,596	941,564
Finance Expenses	5.2	(476,276)	(977,628)
Profit Before Tax	6	987,748	598,623
Income Tax	7.1	(105,114)	(176,849)
Profit for the Year		882,634	421,774
Other Comprehensive Income/(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on Defined Benefit Obligations	8.3	(6,882)	(4,239)
Income tax on other Comprehensive income/(loss)	9.2	1,032	636
Other Comprehensive Income for the Year, Net of Tax		(5,850)	(3,603)
Total Comprehensive Income for the Year, Net of Tax		876,784	418,171
Earnings Per Share	10	1.66	0.79

The accounting policies and notes on pages 106 through 137 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

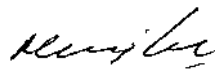
As at 31 March	Note	2021 Rs '000	2020 Rs '000
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	4,019,364	4,113,205
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,376	674,876
Right -of-use Assets	14.1	62,565	90,868
Other Receivables at Amortized Cost	17.2	118,675	148,842
Bank Deposits	22.3	10,222,477	-
Deferred Tax Asset (Net)	9.1	261,416	188,657
		19,752,873	9,610,448
Current Assets			
Inventories	15	9,625,050	13,295,317
Trade Receivables	16	2,585,212	3,568,421
Other Receivables at Amortized Cost	17.1	1,707,035	322,631
Other Current Assets	18	78,902	65,222
Income Tax Receivables		18,173	185,941
Short Term Investments	22.2	12,040,810	12,660,488
Cash and Bank Balances	19.1	598,950	51,333
		26,654,132	30,149,353
Total Assets		46,407,005	39,759,801
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	20	7,576,574	7,576,574
Retained Earnings		12,347,070	11,869,635
Total Equity		19,923,644	19,446,209
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	13,692	10,629
Right -of-use Lease Liability	14.2	38,205	63,485
		51,897	74,114
Current Liabilities			
Trade and Other Payables	21	5,808,435	3,250,663
Right -of-use Lease Liability	14.2	33,476	34,243
Interest Bearing Borrowings	22.1	20,589,553	16,954,572
		26,431,464	20,239,478
Total Equity and Liabilities		46,407,005	39,759,801

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



Vice President (Finance)

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



Director



Director

The accounting policies and notes on pages 106 through 137 form an integral part of the Financial Statements.

10 May 2021

Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Stated Capital Rs '000	Retained Earnings Rs '000	Total Rs '000
As at 1 April 2019	7,576,574	11,850,814	19,427,388
Dividends Paid	-	(399,350)	(399,350)
Profit for the Year	-	421,774	421,774
Other Comprehensive Income/(Loss)	-	(3,603)	(3,603)
As at 31 March 2020	7,576,574	11,869,635	19,446,209
Dividends Paid		(399,349)	(399,349)
Profit for the Year		882,634	882,634
Other Comprehensive Income/(Loss)		(5,850)	(5,850)
As at 31 March 2021	7,576,574	12,347,070	19,923,644

The accounting policies and notes on pages 106 through 137 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2021 Rs '000	2020 Rs '000
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss) before Income Tax Expense		987,748	598,623
Adjustments for			
Finance Income	5.1	(1,302,596)	(941,564)
Finance Expenses	5.2	476,276	977,628
Dividends Income	4	(120,000)	-
Increase/(Decrease) in Allowances for Impairment	16.1	-	10,160
Loss/(Profit) on disposal of property, Plant and Equipment	4	(3,317)	125
Defined Benefit Plan Cost	8.3	5,701	3,623
Depreciation	11.2	402,889	400,671
Amortisation of Intangible Asset	13.2	500	541
Amotisation Right-of- use Assets	14.1	32,275	30,290
Lease Interest - Right of - use Assets	14.2	9,957	11,510
Exchange (Gain)/Loss on borrowing		125,703	452,026
Operating Profit/(Loss) before Working Capital Changes		615,136	1,543,632
(Increase)/Decrease in Inventories		3,670,267	701,163
(Increase)/Decrease in Trade receivable, Other Receivables and Other Current Assets		(384,708)	(720,724)
Increase/(Decrease) in Trade and Other Payables		2,557,772	(3,232,968)
Cash Generated From/(Used in) Operations		6,458,467	(1,708,897)
Income Tax		(13,798)	(5,773)
Finance Expenses		(476,276)	(977,628)
Defined Benefit Paid		(7,639)	(20,410)
Net Cash Flows From Operating Activities		5,960,754	(2,712,708)
Cash Flows from Investing Activities			
Finance Income		1,302,596	941,564
Dividends Income		120,000	-
Acquisition of Property, Plant and Equipment	11.1	(309,659)	(220,006)
Proceeds from Property, Plant and Equipment		3,928	400
Net Investment in Gratuity Fund		(1,128)	16,662
Investment in Bank Deposits		(10,222,477)	-
Net Cash Flows From/(Used in) Investing Activities		(9,106,740)	738,620
Cash Flows From Financing Activities			
Proceed from Interest bearing borrowings		55,863,217	53,892,049
Repayments of Interest bearing borrowings		(52,353,939)	(39,716,774)
Dividends Paid		(399,349)	(399,350)
Payment of Lease Creditor	14.2	(36,004)	(34,940)
Net Cash Flows From/(Used in) Financing Activities		3,073,925	13,740,985
Net Increase/(Decrease) in Cash and Cash Equivalents		(72,061)	11,766,897
Cash and Cash Equivalents at the Beginning of the Year		12,711,821	944,924
Cash and Cash Equivalents at the End of the Year	19.1	12,639,760	12,711,821
Analysis of Cash and Cash Equivalents			
Short Term Investments		12,040,810	12,660,488
Cash in Hand and at Bank		598,950	51,333
		12,639,760	12,711,821

The accounting policies and notes on pages 106 through 137 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Lanka IOC PLC ("Company") is a Public Quoted Company with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were importing, selling and distribution of petroleum products

The Company has been granted a Petroleum Products License by the Minister of Power and Energy which gives authority to import, export, store, transport, distribute, sell and supply petrol, auto diesel, heavy diesel (industrial diesel), furnace oil and kerosene, naphtha and other mineral petroleum including premium petrol and premium diesel but excluding aviation fuel and liquid petroleum gas. The license is valid for a period of 20 years from 22 January 2004 and renewable thereafter.

1.3 Parent Entity and Ultimate Controlling Party

The Company's immediate and ultimate parent enterprise is Indian Oil Corporation Limited headquartered in India and ultimate controlling party is Government of India.

1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 10 May 2021.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation and investment in unit trust which is measured at present value of the obligation and at fair value respectively.

2.3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company. All values are rounded to the nearest rupees thousand (Rs '000) except when otherwise indicated.

2.4 Going Concern

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future with no interruptions or curtailment of operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Financial Statements are prepared on the going concern basis.

2.5 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted

from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or
- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Segment Reporting

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

2.7 Changes in Accounting Policies

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

2.8 Comparative Information

Other than disclosed in Note 31, there is no changes to the comparative figures.

2.9 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires the application of certain critical accounting estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the

reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

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

2.9.1 Critical Judgments in Applying the Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

a) Investment in Ceylon Petroleum Storage Terminal Limited

The Company owns a 33 1/3% of stake in Ceylon Petroleum Storage Terminal Limited. The management has decided to carry the investment at cost on the grounds that the Company has no significant influence on the financial and operating decisions of Ceylon Petroleum Storage Terminal Limited due to the government influence and the sensitivity of the industry towards the national economy. Further information is disclosed in Note 12.

2.9.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a) Estimation of net realizable value for inventory

Inventory disclosed in Note 15 is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

b) Impairment losses on Trade Receivables

The Company reviews its individually significant Receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

In accordance with SLFRS 9, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the Trade Receivables.

Simplified Approach

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application

of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates provision on trade receivables at the reporting date. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense.

The impairment loss on Trade Receivables is disclosed in Notes 16

c) Defined Benefit Obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS

Other key assumptions for gratuity obligations are based in part on current market conditions; additional information is disclosed in Note 8.

d) **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Further information is disclosed in Note 13.

e) **Estimation of Useful Lives of Property, Plant and Equipment**

The Company reviews annually the estimated useful lives of Property, Plant and Equipment disclosed in Note 11 based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of Property, Plant and Equipment would increase the recorded depreciation charge and decrease the Property, Plant and Equipment balance.

2.10 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2.10.1 **Foreign Currency Translation**

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.10.2 **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. 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 significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. There is no contract asset as at reporting date.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract.

b) **Rental Income**

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

The lease term is the fixed period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in the Statement of Comprehensive Income when they arise.

c) Finance Income

Finance Income is recognized using the effective interest rate method unless collectability is in doubt.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

e) Others

Other income is recognized on an accrual basis.

Net gains and losses on the disposal of property, plant & equipment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.10.3 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement for the period.

2.10.4 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit for the year, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current Taxes

The Company has entered into agreements with the Board of Investment of Sri Lanka (BOI), as specified below. Such agreements specify that the sections of the Inland Revenue Act relating to the imposition, payment and recovery of income tax should

not apply to the company, as explained below.

Pursuant to the agreement between the Company and the Board of Investment of Sri Lanka, the Company was entitled to a ten year "tax exemption period" on its profits and income, commencing from the first year of making profit.

The 10 year tax exemption period commenced in the year of assessment 2002/2003 and ended in the year of assessment 2012/2013. Thereafter, the Company is taxed at 15% on its business profits.

Current Income Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The Provision for Income Tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislation.

Deferred Taxation

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

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be

available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply 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 reporting date.

Sales Tax (Value Added Tax and Nations Building Tax)

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.10.5 Financial Instruments

2.10.5.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other

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comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 2.7 Changes in Accounting Policies and Disclosures.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (unless measured at amortised cost or FVTOCI)

- Financial assets at fair value through profit or loss

However, the financial assets of the company are limited to the categories of financial assets at amortised cost (debt instrument) and financial assets through profit or loss

a) Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and other financial assets.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The company's financial assets at fair value through profit or loss includes investment in unit trust.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.10.5.2 Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual

cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flow from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

ECLs are recognised in two stages, for credit exposures for which there has not been a significant increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.10.5.3 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, Right -to-use-

Lease Liability, bank overdrafts and loans and borrowings.

Subsequent Measurement

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

a) Loans and Borrowings (Financial Liabilities at Amortised cost)

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 22.1

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The

difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.10.5.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset

the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.10.5.5 Fair Value of Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows,

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based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Quantitative disclosures of fair value measurement hierarchy Note 29
- Financial instruments (including those carried at amortised cost) Note 16, 17, 19 & 22.

2.10.6 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold

in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:

Finished goods (Lubricants) -
Weighted Average Cost basis

Other Products - First in First out basis

Goods in Transit - At Purchase Price

2.10.7 Property Plant and Equipment

Property, Plant and Equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Capital work in progress represents all amounts on work undertaken, and still in an unfinished state as at the end of the year.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with

carrying amount and are included in the Income Statement.

2.10.8 Intangible assets

a) Goodwill

Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved under a court order. Due to the amalgamation and subsequent dissolution of this acquired company no consolidated financial statements are prepared.

Goodwill is attributed to the future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses

on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) License fees on computer software

License fees represent costs pertaining to the licensing of software applications purchased. License fees are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.10.9 Investment in Ceylon Petroleum Storage Terminal Limited

Investment in the associate company is accounted for at cost and is classified as a long term investment in the statement of financial position. The Company has no significant influence in the financial and operating policy decisions of the investee as more fully explained in Note 12.

2.10.10 Cash and Short-Term Deposits

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks net of outstanding bank overdrafts and Investments with original maturities of three months or less.

2.10.11 Impairment of non-financial assets

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

calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

2.10.12 Accounting for leases - where the Company is the lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and

right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building - Lease Period 4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease

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payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Right -to-use Lease Liability (see Note 14.2).

2.10.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.10.14 Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.10.15 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs Prime Actuarials Solutions who carried out actuarial valuation as at 31 March 2021.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise.

b) Defined Contribution Plans

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 15% and 8 % respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund for Trincomalee based (erstwhile CPC) and 12% and 8% for other employees.

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due.

2.11 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no changes in accounting policies and disclosures during the period.

2.12 EFFECT OF SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

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3. REVENUE FROM CONTRACT WITH CUSTOMERS

Year ended 31 March	2021 Rs '000	2020 Rs '000
Lanka petrol 92 octane	19,807,769	18,839,482
Lanka auto diesel	19,589,059	17,898,247
Bunkering	11,004,075	26,712,367
Lubricants	4,073,459	2,903,242
Xtrapremium 95	3,388,347	5,348,335
Xtrapremium Euro 3	3,283,132	3,974,091
Xtramile	2,857,608	2,343,402
Lanka super diesel	1,397,747	2,087,434
Bitumen	1,173,731	1,815,062
Petrochemical	110,965	25,392
Total Sales of Petroleum Products	66,685,892	81,947,054

3.1 Segment Information

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

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

Year ended 31 March	2021 Rs '000	2020 Rs '000
3.3 Contract balances		
Trade Receivables (Note 16)	2,585,212	3,568,421
Contract Liabilities (Note 21)	85,568	71,164

4. OTHER OPERATING INCOME

Year ended 31 March	2021 Rs '000	2020 Rs '000
Dividend Income	120,000	-
Rental Income	65,032	69,811
Sundry Income	64,081	13,429
Gain/(Loss) on Disposal of Property, Plant and Equipment	3,317	-
	252,430	83,240

5. FINANCE INCOME AND EXPENSES

Year ended 31 March	2021 Rs '000	2020 Rs '000
5.1 Finance Income		
Income from Short term Investments & Deposits	1,278,979	925,428
Interest on Others	23,617	16,136
	1,302,596	941,564
5.2 Finance Expenses		
Interest Expenses	642,895	499,330
Exchange (Gain)/Loss	(166,619)	478,298
	476,276	977,628

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Year ended 31 March	2021 Rs '000	2020 Rs '000
Stated after Charging /Crediting		
Directors' Emoluments	35,772	32,909
Salaries and Wages	536,301	550,403
Allowances for Impairment	-	10,160
Loss/(Gain) on disposal of Property, Plant and Equipment	(3,317)	125
Exchange (Gain)/Loss	(166,619)	478,298
Defined Benefit Obligation : Charge for the year	5,701	3,623
Audit Fee - Current year	1,750	1,750
Rent	36,143	41,106
Depreciation Charge for the year	402,889	400,671
Depreciation of right-of-use assets	42,232	41,799
Amortisation Charge for the year	500	541

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are as follows :

Year ended 31 March	2021 Rs '000	2020 Rs '000
7.1 Income Statement		
Current Income Tax:		
Current Tax Expense	178,017	187,236
Under/(Over) Provision of Current Taxes in respect of Prior Year	(1,176)	(25,527)
Deferred Tax:		
Deferred Taxation Charge/(Credit) (Note 9.2)	(71,727)	15,140
Income Tax Expense/(Credit) Reported in the Income Statement	105,114	176,849

NOTES TO THE FINANCIAL STATEMENTS

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2021 and 31 March 2020 are as follows :

Year ended 31 March	2021 Rs '000	2020 Rs '000
Accounting Profit (Loss) before tax	987,748	598,623
Tax calculated at a statutory income tax rate of 15% (2020 - 15%)	148,162	89,793
Tax impact of expenses deductible/not deductible for tax purpose	(90,093)	73,153
Tax impact of income taxable at different rate	(112,011)	(124,506)
Tax impact of income not subject to tax	(82,775)	(16,728)
Adjustment due to the estimated deferred tax base in previous year	64,990	(6,572)
Tax charge on profit from trade or business	(71,727)	15,140
Taxable Interest Income	741,739	705,888
Tax calculated at a tax rate of 28% (2020 - 28%)	-	124,764
Tax calculated at a tax rate of 24%	178,017	62,472
Adjustments in respect of prior years	(1,176)	(25,527)
Tax charge on Interest Income	176,841	161,709
Total tax charge for the year	105,114	176,849

8. DEFINED BENEFIT OBLIGATION

Year ended 31 March	2021 Rs '000	2020 Rs '000
Balance as at 01 April	97,124	98,731
Current Service Cost	5,374	4,534
Interest Cost	9,797	11,354
Actuarial (Gain)/Loss (8.4)	7,001	2,915
Benefits Paid	(7,639)	(20,410)
Balance as at 31 March	111,657	97,124

8.1 Reconciliation Of Fair Value Of Plan Assets

Balance as at 01 April	86,495	92,216
Contribution by employer	9,794	5,409
Expected return	9,196	10,604
Remeasurement	119	(1,324)
Benefit Paid	(7,639)	(20,410)
Balance as at 31 March	97,965	86,495

8.2 Reconciliation Of Fair Value Of The Plan Assets And Defined Benefit Obligation

Defined Benefit Obligation at the end of the year	111,657	97,124
Fair value of the plan assets at the end of the year	(97,965)	(86,495)
Amount recognised in statement of financial position	13,692	10,629

Year ended 31 March	2021 Rs '000	2020 Rs '000
8.3 Expenses recognised on Defined Benefit Plan		
Income Statement		
Current Service Cost for the year	5,566	4,534
Net Interest Cost for the year	602	750
Transfers	(467)	(1,661)
	5,701	3,623
Other Comprehensive Income		
Actuarial (Gain)/Loss (8.4)	7,001	2,915
Remeasurement	(119)	1,324
	6,882	4,239
8.4 Actuarial (Gain)/Loss during the year has resulted from the following:		
Changes in Financial Assumptions	(9,577)	5,401
Changes in Demographic Assumptions	-	(668)
Experience Adjustments	16,578	(1,818)
	7,001	2,915

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2021 was carried out by Messrs.Prime Acturials Solutions, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

	2021	2020
Discount Rate	10.5%	10.5%
Salary Incremental Rate	0.3-4%	1-7%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	10.5%	10.75%

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

As at 31 March	2021 Rs '000	2020 Rs '000
8.7 Maturity Profile of the Defined Benefit Obligation Plan		
Less than 1 Year	9,080	6,295
Between 2-5 years	71,008	53,059
Beyond 5 years	157,765	48,878

NOTES TO THE FINANCIAL STATEMENTS

8.8 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2021. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Increase/ (Decrease) in Staff Turn-over Rate	Sensitivity Effect on Statement of Comprehensive Income Rs '000	Sensitivity Effect on Defined Benefit Obligation Rs '000
1%			5,630	(5,630)
-1%			(6,250)	6,250
	1%		(6,782)	6,782
	-1%		6,178	(6,178)
		25%	(866)	866
		-25%	938	(938)

8.9 Defined Benefit Plan

As per company policy, plan assets is maintained under the assets liability matching strategy. Plan asset is invited to fund management entity and that entity is responsible for the administration of plan assets and for definition of the investment strategy.

A major categories of Plan assets is as follows :

	2021	2020
Insurer-managed funds	100%	100%

8.10 The weighted average duration of defined benefit Obligation is 8.16 years

9. DEFERRED TAX ASSETS - NET

Year ended 31 March	2021 Rs '000	2020 Rs '000
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9.1 Deferred Tax

Deferred Tax Relates to the Following:

Deferred Tax Assets Arising on:

Brought forward tax losses	446,147	315,018
Retirement Benefit Obligation	16,749	14,568
ECL Provision	7,217	-
	470,113	329,586

Deferred Tax Liability Arising on:

Property Plant & Equipment	(126,547)	(140,929)
Unrealized Exchange (Loss)/Gain	(82,150)	-
	(208,697)	(140,929)
Net Deferred Tax Asset/(Liability)	261,416	188,657

- 9.1.1** Deferred tax asset on account of taxable loss works out to Rs 446 Mn (2020- Rs 315 Mn). Management is in view that taxable losses can be set off in future and entire amount has been recognised as an deferred tax assets as on 31 March 2021.

Year ended 31 March	2021 Rs '000	2020 Rs '000
9.2 Deferred Tax Movement		
Balance brought forward	(188,657)	(203,161)
Deferred Income Tax (Credit)/Charge- Income Statement	(71,727)	15,140
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(1,032)	(636)
Net Deferred Tax (Asset)/Liability	(261,416)	(188,657)

10. EARNINGS PER SHARE

- 10.1** Earnings Per Share is calculated by dividing the net profit/loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

- 10.2** The following reflects the income and share data used in the Earnings Per Share computation.

Year ended 31 March	2021	2020
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share Rs ('000s)	882,634	421,774
Number of Ordinary Shares used as the Denominator:		
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share (Rs)	1.66	0.79

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2020 Rs '000	Additions Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2021 Rs '000
Freehold Land	1,960,347	-	-	(603)	1,959,744
Building and Fixtures	2,291,316	-	60,158	-	2,351,474
Plant and Equipment	3,480,371	777	127,222	(7,960)	3,600,410
Office Equipment	46,571	4,182	24,384	(6,678)	68,459
Furniture and Fittings	254,150	939	51,541	-	306,630
Motor Vehicles	43,971	-	-	(3,514)	40,457
Capital Work-In- Progress	82,772	303,761	(263,305)	-	123,228
	8,159,498	309,659	-	(18,755)	8,450,402

NOTES TO THE FINANCIAL STATEMENTS

At Cost	Balance as at 01.04.2020 Rs '000	Charge for the year Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2021 Rs '000
11.2 Depreciation					
Building and Fixtures	1,442,953	106,493	-	-	1,549,446
Plant and Equipment	2,391,459	247,962	-	(7,960)	2,631,461
Office Equipment	35,541	5,427	-	(6,670)	34,298
Furniture and Fittings	137,838	41,053	-	-	178,891
Motor Vehicles	38,502	1,954	-	(3,514)	36,942
	4,046,293	402,889	-	(18,144)	4,431,038
As at 31 March				2021 Rs '000	2020 Rs '000
11.3 Net Book Value					
Freehold Land				1,959,744	1,960,347
Building and Fixtures				802,028	848,363
Plant and Equipment				968,949	1,088,912
Office Equipment				34,161	11,030
Furniture and Fittings				127,739	116,312
Motor Vehicles				3,515	5,469
Capital Work-In- Progress				123,228	82,772
Total Carrying Value of Property, Plant & Equipment				4,019,364	4,113,205
11.4	During the financial year, the company acquired Property, Plant and Equipment to aggregate value of Rs 310 Mn (2020 - Rs 220 Mn).				
				2021	2020
11.5 The Useful Lives of the Assets are Estimated as Follows:					
Building and Fixtures				15 Years	15 Years
Plant and Equipment				8 Years	8 Years
Office Equipment				4 Years	4 Years
Furniture and Fittings				5 Years	5 Years
Motor Vehicles				5 Years	5 Years
12. INVESTMENT					
As at 31 March				2021 Rs '000	2020 Rs '000
At the beginning and end of the year				4,394,000	4,394,000

- 12.1** Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the “Common User Facility” (CUF). The Company paid US\$ 45 Mn to Treasury on 22 January 2004 for the acquisition of 250,000,000 shares. The Ceylon Petroleum Corporation owns 66 2/3% of 750,000,000 shares of CPSTL and controls through the nomination of six of the nine board members. Lanka IOC PLC nominates the balance three board members. Due to the government influence and the sensitivity of the industry towards the national economy, the directors nominated by Lanka IOC PLC do not have significant influence over decisions of CPSTL. As such, the investment is recorded at cost less accumulated impairment if any.

13. INTANGIBLE ASSETS

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
As at 31 March			
13.1 Gross Carrying Amounts			
As at 01.04.2020	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2021	759,298	14,437	773,734
13.2 Amortisation			
As at 01.04.2020	85,421	13,437	98,858
Charge for the year	-	500	500
As at 31.03.2021	85,421	13,937	99,358
13.3 Net Book Value as at 31.03.2020	673,877	1,000	674,876
13.4 Net Book Value as at 31.03.2021	673,876	500	674,376

- 13.5** Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the statement of financial position date amounting to Rs 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

- 13.6** Company assess the recoverable amount of the Goodwill using value in use calculation and found the recoverable amount exceeds its carrying value, as such Goodwill is not impaired.

The key assumptions used to determine the recoverable amount are as follows:

EBIT

The basis used to determine the value assigned to the budgeted EBIT is the EBIT achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to five years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

14. LEASES

As a lessee

The Company has lease contracts for the office building which has lease terms 4 years. The Company's obligation under its leases are secured by the lessor's title to the leases assets.

The Company also has certain leases with lease term of 12 months or less and leases with low value. The Company applies the 'short-term lease' and lease of low - value assets' recognition exemptions for these leases.

14.1 Right-of-use assets

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

As at 31 March	2021 Rs '000	2020 Rs '000
Cost		
Balance As at 01 April	121,158	-
Effect of Adoption of SLFRS 16 as at 01 April 2019	-	121,158
Addition and Improvement	3,971	-
Balance As at 31 March	125,129	121,158
Accumulated Amotisation		
Balance As at 01 April	30,289	-
Charge for the year	32,275	30,289
Balance As at 31 March	62,564	30,289
Net Book Value As at 31st March	62,565	90,868

14.2 Right -of-use Lease Liability

As at 31 March	2021 Rs '000	2020 Rs '000
Set out below are the carrying amounts of lease liabilities and the movements during the period		
Balance As at 01st April	97,728	-
Effect of Adoption of SLFRS 16 as at 01st April 2019	-	121,158
Accretion of Interest	9,957	11,510
Payments	(36,004)	(34,940)
Balance As at 31st March	71,681	97,728

As at 31 March	2021 Rs '000	2020 Rs '000
Current liability	33,476	34,243
Non current liability	38,205	63,485
	71,681	97,728

14.3 Maturity Analysis of Lease Liability

Not later than one month	3,357	3,125
Later than one month and not later than three months	6,714	9,374
Later than three months and not later than one year	30,213	24,998
Later than one year and not later than five years	41,836	79,641
	82,120	117,138

14.4 Following are the amounts recognised in profit or loss:

Depreciation expenses of right-of-use assets	32,275	30,289
Interest expenses on lease liability	9,957	11,510
Expenses relating to short term and low value leases included in administrative expenses	36,143	41,106
Total amount recognised in profit or loss	78,375	82,905

The total cashflows made with respect to leases is Rs 36 Mn. (2020 - Rs. 35 Mn)

15. INVENTORIES

As at 31 March	2021 Rs '000	2020 Rs '000
Auto Fuel	5,223,909	8,414,354
Base oil and other raw materials	2,684,500	928,021
Bunker Fuel	1,254,043	2,184,405
Lubricants	258,684	383,205
Bitumen	3,734	524,290
Petrochemical	-	110,020
Goods In Transit	200,180	751,022
	9,625,050	13,295,317

16. TRADE RECEIVABLES

As at 31 March	2021 Rs '000	2020 Rs '000
Trade Receivable from third- party customers	2,695,852	4,031,837
Allowance for Impairment	(110,640)	(463,416)
	2,585,212	3,568,421

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

As at 01 April	463,416	453,256
Provision for the the expected credit losses	-	10,160
Write off	(352,776)	-
As at 31 March	110,640	463,416

NOTES TO THE FINANCIAL STATEMENTS

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

At Cost	Total Rs '000	Neither Past due nor Impaired Rs '000	Past due nor Impaired				
			Less than 30 days Rs '000	31-90 days Rs '000	91-180 days Rs '000	181-365 days Rs '000	>365 days Rs '000
2021	2,585,212	2,573,224	7,252	336	551	2,337	1,512
2020	3,568,421	2,438,566	935,517	85,373	54,121	2,579	52,265

16.3 Allowance for impairment Rs 111 Mn (2020 Rs 463 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade receivables for which Company has applied the simplified approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 28.2

As at 31 March	2021 Rs '000	2020 Rs '000
16.4 The carrying amounts of trade receivables are denominated in following currencies:		
US Dollars	1,635,648	1,991,404
Sri Lankan Rupees	949,564	1,577,017
	2,585,212	3,568,421

17. OTHER RECEIVABLE AT AMORTIZED COST

As at 31 March	2021 Rs '000	2020 Rs '000
17.1 Other Receivable At Amortized Cost - Current		
Claims, Refunds, Staff loans and Others	992,821	238,306
VAT Receivables	632,851	4,086
Deposits	81,363	80,239
	1,707,035	322,631
17.2 Other Receivable At Amortized Cost - Non Current		
Staff Loan	97,247	124,433
Prepaid-deferred employee benefit	21,428	24,409
	118,675	148,842

17.3 The carrying amounts of other receivables are denominated in Sri Lankan Rupees

17.4 For the other receivable, the Company applies the three stage model approach permitted by SLFRS 9, which requires Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 were immaterial.

18. OTHER CURRENT ASSETS

As at 31 March	2021 Rs '000	2020 Rs '000
Advance payments	42,589	34,884
Prepayments	36,313	30,338
	78,902	65,222

19. CASH AND CASH EQUIVALENTS

As at 31 March	2021 Rs '000	2020 Rs '000
19.1 Cash & Cash Equivalent balances		
Cash and Bank Balances	598,950	51,333
Short Term Bank Deposits (Note 22.2)	12,040,810	12,660,488
Total Cash & Cash Equivalent balances	12,639,760	12,711,821

20. STATED CAPITAL

As at 31 March	2021	2020
20.1 Stated Capital as at 31 March (Rs '000)	7,576,574	7,576,574
20.2 Number of Ordinary Shares	532,465,705	532,465,705

21. TRADE AND OTHER PAYABLES

As at 31 March	2021 Rs '000	2020 Rs '000
Trade Payables-Related Parties (21.2)	759,693	494,173
- Others	3,503,512	1,612,237
Other Payables- Related Parties (21.3)	932,343	553,043
Sundry Creditors Including Accrued Expenses	612,887	591,210
	5,808,435	3,250,663

21.1 Trade payables consist of Rs 85 Mn (2020-Rs 71 Mn) contract liability received from Customers

As at 31 March	2021 Rs '000	2020 Rs '000

21.2 Trade Payables- Related Parties	Relationship		
Indian Oil Corporation Limited	Immediate Parent	759,693	494,173
		759,693	494,173

21.3 Other Payables	Related Parties		
Indian Oil Corporation Limited	Immediate Parent	135,555	104,691
Ceylon Petroleum Storage Terminal Limited	Significant Investee	796,788	448,352
		932,343	553,043

22. OTHER FINANCIAL ASSETS AND LIABILITIES

As at 31 March	2021 Rs '000	2020 Rs '000

22.1 Interest Bearing Borrowings		
Short Term Loans from banks (Note 22.1.1)	20,589,553	16,954,572

22.1.1 Short Term Loans from Banks		
Balance as at 01 April	16,954,572	2,327,271
Proceed from bank loans	55,863,217	53,892,049
Repayments of bank loans	(52,353,939)	(39,716,774)
Exchange (Gain)/Loss on bank loans	125,703	452,026
Balance as at 31 March	20,589,553	16,954,572

NOTES TO THE FINANCIAL STATEMENTS

22.1.2 The short term loans from banks Rs 20,590 Mn (2020- Rs 16,955 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 2,383 Mn (2020- Rs 1,955 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

As at 31 March		2021 Rs '000	2020 Rs '000
22.2	Short Term Investments		
	Investment in Unit Trust (Note 22.4)	7,866,496	4,344,920
	Investment Through Portfolio Management Services	3,437,671	770,894
	Short Term Bank Deposits (Note 22.3)	736,643	7,544,674
		12,040,810	12,660,488
22.3	Bank Deposits		
	Total Bank Deposits	10,959,120	7,544,674
	Less: Short Term Bank Deposits	(736,643)	(7,544,674)
	Long term Bank Deposits	10,222,477	-
As at 31 March		2021 Rs '000	2020 Rs '000
22.4	Investment in Unit Trust - Fair Value Through Profit or Loss		
	Balance as at 01 April	4,344,920	27,991
	Additions/(Withdrawals) (Net)	3,003,451	3,702,862
	Fair Value (Gain)/Loss	518,125	614,067
	Balance as at 31 March	7,866,496	4,344,920

22.5 The interest rates are as follows:

Short term loans LIBOR + Margin

22.6 The LIBOR rate (monthly) at the date of statement of financial position was 0.1085%

23. RELATED PARTY DISCLOSURES

		2021 Rs '000	2020 Rs '000
23.1	Transactions with the Related Entities		
23.1.1	Transactions with Parent		
	Nature of Transaction		
	Amounts Receivable as at 01 April	-	84,478
	Amounts Payable as at 01 April	(598,864)	(35,383)
	Fund Transfers/Payment Made	3,510,255	2,549,457
	Purchases of Goods/Services	(3,746,320)	(3,284,270)
	Sale of Goods	63,994	173,330
	Expenses Reimbursed	(124,313)	(86,476)
	Amounts Receivable as at 31 March	-	-
	Amounts Payable as at 31 March	(895,248)	(598,864)
	Net Balance as at 31 March	(895,248)	(598,864)

23.1.2 During the year, the Company paid a gross dividend of Rs 399 Mn with respect to the financial year ended 31 March 2020, out of which Rs 300 Mn was paid to Indian Oil Corporation Limited.

	2021 Rs '000	2020 Rs '000
23.1.3 Transactions with IOC Middle East FZE - Affiliated Company		
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	-	(6,345)
Sale of Goods	-	6,345
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-
23.1.4 Transactions with Indian Oil (Mauritius) Ltd - Affiliated Company		
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Received	(4,065)	-
Sale of Goods	4,065	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-
23.1.5 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Significant Investee		
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(448,352)	(320,883)
Fund Transfers/Payment Made	189,289	658,285
Services Rendered	(657,725)	(784,754)
Dividend	120,000	-
Sponsorship	-	(1,000)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(796,788)	(448,352)

23.1.4 Terms and Conditions

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Company is to settle such related party dues within a short term (less than one year).

NOTES TO THE FINANCIAL STATEMENTS

23.2 Transactions with Key Management Personnel of the Company or its Subsidiaries

a) The Key Management Personnel are the members of the Board of Directors, of the company.

Payments made to Key Management Personnel during the year were as follows:

Year ended 31 March	2021 Rs '000	2020 Rs '000
Fees for Directors	2,800	2,875
Emoluments	30,014	26,846
Short Term Employment Benefits	2,958	3,188
	35,772	32,909

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

The Company enters into transactions, arrangements and agreements with the Government of India related entities and the Summary of transactions have been reported in follows,

Year ended 31 March		2021 Rs '000	2020 Rs '000
	Nature of the transactions		
(a)	Items in Statement of Comprehensive Income		
	Finance Expenses	69,729	108,890
	Revenue	4,006	355,236
As at 31 March	Nature of the transactions	2021 Rs '000	2020 Rs '000
(b)	Items in Statement of Financial Position		
	Interest bearing Loans and Borrowings	(2,362,813)	(1,955,187)
	Investment in Gratuity Fund	97,964	86,495
(c)	Off statement of financial position Items		
	Trade Receivables	-	318,378
	Letters of credit	-	698,789

24. COMMITMENTS

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

24.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to Rs 137 Mn (2020- Rs 508 Mn).

24.2 Purchase Commitments

Letters of Credit opened with Banks Favours Suppliers as at 31 March 2021 amounted to Rs.5,415 Mn (2020 - Rs 4,022 Mn).

25. CONTINGENCIES

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

25.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2021 amounted to Rs 620 Mn (2020- Rs 891 Mn).

25.2 There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case was determined by the Tax Appeal Commission in favour of IRD for the assessment period Jan 2012 to June 2012 amounting to Rs 101 Mn including interest & penalty. Considering the merits of the case & expert opinion, LIOC filed the appeals in the Court of Appeal. The cases for the assessment period July 2012 to December 2015 is pending before the Tax Appeal Commission amounting to Rs 740 Mn including interest & penalty. For the assessment period Jan 2016 to March 2018 amounting to Rs 818 Mn including interest & penalty, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Apr 2018 to November 2019 is Rs 329 Mn for which assessment orders have not yet been issued by Inland Revenue Department. NBT has been abolished with effective from 01.12.2019. Therefore, total Contingent liability for the period Jan 2012 to November 2019 is Rs 1,988 Mn.

26. ASSETS PLEDGED

The short term loans Rs 20,590 Mn (2020- Rs 16,955 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 2,383 Mn (2020- Rs 1,955 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

Except above no assets have been pledged as at the reporting date.

27. DIVIDEND

Year ended 31 March	2021	2021	2020	2020
Equity Dividend on Ordinary shares	Per Share	Rs '000	Per Share	Rs '000
Declared and Paid during the year	0.75	399,349	0.75	399,350

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Audit Committee provides guidance to the Company's Board of Directors that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

28.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows.

	Denominated in Rs '000	Denominated in USD '000
As at 31 March 2021		
Cash at bank and in hand	201,169	397,781
Interest Bearing Loans & Borrowings	10,793,241	9,796,312
Investment in Unit Trust	7,866,496	-
Investment Through Portfolio Management Services	3,437,671	-
Bank Deposits	-	10,959,120
Trade Receivables	949,564	1,635,648
Other Receivables at Amotised cost	1,825,710	-
Trade and Other Payables	2,287,852	3,520,583
As at 31 March 2020		
Cash at bank and in hand	30,478	20,855
Interest Bearing Loans & Borrowings	5,160,234	11,794,338
Investment in Unit Trust	4,344,920	-
Investment Through Portfolio Management Services	770,894	-
Bank Deposits	-	7,544,674
Trade Receivables	1,577,017	1,991,404
Other Receivables at Amotised cost	471,473	-
Trade and Other Payables	859,003	2,391,660

NOTES TO THE FINANCIAL STATEMENTS

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations, Unit Trust investments and other investments. The Company manages its interest rate risk by daily monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favorable rates on borrowings.

	Increase/ decrease in interest rate	Effect on Profit Before Tax Rs '000
2021		
Sensitivity only using borrowings		
Increase	+1%	(205,896)
Decrease	-1%	205,896
Sensitivity using Investment in deposits		
Increase	+1%	222,633
Decrease	-1%	(222,633)
2020		
Sensitivity only using borrowings		
Increase	+1%	169,546
Decrease	-1%	(169,546)
Sensitivity using Investment in deposits		
Increase	+1%	75,447
Decrease	-1%	(75,447)

b) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's USD denominated loans, short term investments, Trade Receivables and Trade Payables.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of USD denominated liabilities).

	Average Value Rs '000	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax Rs '000
2021				
Bank Deposits (USD)	10,959,120	199.38	+/- 1%	+/- 109,591
Interest Bearing Loans and Borrowings (USD)	9,796,312	199.38	+/- 1%	+/- 97,963
Trade Receivables (USD)	1,635,648	199.38	+/- 1%	+/- 16,356
Trade and Other Payables (USD)	3,520,583	199.38	+/- 1%	+/- 35,206
2020				
Short Term Investments (USD)	7,544,674	189.73	+/- 1%	+/- 75,447
Interest Bearing Loans and Borrowings (USD)	11,794,338	189.73	+/- 1%	+/- 117,943
Trade and Other Receivables (USD)	1,991,404	189.73	+/- 1%	+/- 19,914
Trade and Other Payables (USD)	2,391,660	189.73	+/- 1%	+/- 23,916

The movement on the post-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars.

28.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The following policies are implemented within the group in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

For trade receivables, the Company has applied the simplified approach in SLFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Set out below is the information about the credit risk exposure on the Company's trade receivable using the provision matrix:

	2021		2020	
	Carrying amount at default Rs '000	Expected credit loss Rs '000	Carrying amount at default Rs '000	Expected credit loss Rs '000
Current	2,591,331	18,107	2,456,673	18,107
< 30 days	7,511	259	935,776	259
31-90 days	407	71	85,444	71
91-180 days	674	123	54,244	123
181-365 days	4,602	2,265	4,844	2,265
>365 days	91,327	89,815	494,856	442,591
	2,695,852	110,640	4,031,837	463,416

NOTES TO THE FINANCIAL STATEMENTS

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. Counterparty credit limits are reviewed by the Company's board of directors on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

For other receivable at amortized cost, bank deposits and cash and Bank balances the Company applies the three stage model approach permitted by SLFRS 9, which requires Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 were immaterial.

28.3 Liquidity risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
As at 31 March 2021			
Interest-bearing loans and borrowings	20,589,553	-	20,589,553
Right to Use-Lease Liability	33,476	38,205	71,681
Trade and Other Payables	5,808,435	-	5,808,435
	26,431,464	38,205	26,469,669
	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
As at 31 March 2020			
Interest-bearing loans and borrowings	16,954,572	-	16,954,572
Right to Use-Lease Liability	34,243	63,485	97,728
Trade and Other Payables	3,250,663	-	3,250,663
	20,239,478	63,485	20,302,963

28.4 Price Risk

The Company is exposed to the commodity price risk of petroleum products.

The Company monitors price of petroleum products on a dynamic basis and adjust inventory levels to minimise the impact.

28.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the desired gearing ratio within 40%.

Year ended 31 March	2021 Rs '000	2020 Rs '000
Total borrowings (Note 22.1)	20,589,553	16,954,572
Less :- Cash and cash equivalents (Note 19.1)	(12,639,760)	(12,711,821)
Net debt	7,949,793	4,242,751
Total Equity	19,923,644	19,446,209
Total Capital	40,513,197	36,400,781
Gearing ratio	20%	12%

29. FAIR VALUES

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

a) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March, the Company held the following financial instruments carried at fair value on the statement of financial position:

Year ended 31 March	2021 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Investment in Unit Trust (Note 22.4)	7,866,496	7,866,496	-	-

Year ended 31 March	2020 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Investment in Unit Trust (Note 22.4)	4,344,920	4,344,920	-	-

During the reporting period ended 31 March 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2021	Note	Financial Assets and Liabilities at FVTPL Rs '000	Financial Assets and Liabilities at Amortised Cost Rs '000	Total Rs '000
Financial Assets				
Other Receivables at amortised cost	17	-	1,825,710	1,825,710
Trade Receivables	16	-	2,585,212	2,585,212
Bank deposits	22.3	-	10,959,120	10,959,120
Investment in Unit Trust	22.4	7,866,496	-	7,866,496
Investment Through Portfolio Management Services	22.2	-	3,437,671	3,437,671
Cash and Bank Balances	19	-	598,950	598,950
Total Financial Assets		7,866,496	19,406,663	27,273,159
Financial Liabilities				
Trade and Other Payables	21	-	5,808,435	5,808,435
Interest Bearing Loans and Borrowings	22.1	-	20,589,553	20,589,553
Total Financial Liabilities		-	26,397,988	26,397,988

As at 31 March 2020	Note	Financial Assets and Liabilities at FVTPL Rs '000	Financial Assets and Liabilities at Amortised Cost Rs '000	Total Rs '000
Financial Assets				
Other Receivables at amortised cost	17	-	471,473	471,473
Trade Receivables	16	-	3,568,421	3,568,421
Bank deposits	22.3	-	7,544,674	7,544,674
Investment in Unit Trust	22.4	4,344,920	-	4,344,920
Investment Through Portfolio Management Services	22.2	-	770,894	770,894
Cash and Bank Balances	19	-	51,333	51,333
Total Financial Assets		4,344,920	12,406,795	16,751,715
Financial Liabilities				
Trade and Other Payables	21	-	3,250,663	3,250,663
Interest Bearing Loans and Borrowings	22.1	-	16,954,572	16,954,572
Total Financial Liabilities		-	20,205,235	20,205,235

31. RECLASSIFICATION

Reclassifications have been made to the prior year's statement of financial position to enhance comparability with the current year's financial statements. The items were reclassified as follows:

As at 31 March 2020	Previously reported March-20 Rs '000	Reclassification Rs '000	After classification Rs '000
Trade and other receivables	3,956,274	(3,956,274)	-
Trade receivables		3,568,421	3,568,421
Other receivable at amortized cost - current	-	322,631	322,631
Other current assets	-	65,222	65,222

32. EVENTS AFTER THE REPORTING DATE

32.1 COVID 19

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in year 2020 and early 2021, a series of measures to curb the COVID-19 outbreak have been taken and continues to be implemented by the Government of Sri Lanka. The Company will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Company's businesses and financials.

The ultimate extent of the impact of the COVID-19 outbreak on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, the short-term and long-term economic impact of the outbreak, the severity of the virus and the actions taken to contain the virus or treat, among others.

Extents, Locations & the No. of Buildings of Lanka IOC's Landholdings (CSE Rules 7.6 (viii))

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2021		NO. OF BUILDINGS	NO. OF CANOPIES
			Roots	Perches		
1	102389	SAMPATH ENTERPRISES,	01R	00.03P	1	2 (Main + 2-3wheeler Canopy)
2	102432	CADILLAC IOC FILLING STATION PVT LTD	01R	27.44P	1	1
3	102320	HOMAGAMA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD		32.30P	3 (PORTA CABIN + ELECTRICAL ROOM+wash Room)	1
4	102313	S.S. KOTALAWALA & CO		25.29P	1	1
5	102357	A.W. DAVITH APPUHAMY & SONS		30.70P	3 (Sales Room +Service station+Generator Room)	Nil
6	102362	PASSARA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD		24.32P	Nil	Nil
7	102334	SINHA ASSOCIATES		12.14P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
8	102402	SINHA AUTO IOC SERVICES (PVT) LTD		28.70P	1	1
9	102351	GAMPOLA MPCs LTD		26.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
10	102317	LANKA IOC SERVICE MART (PVT) LTD	01R	11.83P	1	1
11	102391	S & D ENTERPRISES		36.94P	1	1
12	102365	MRS. R.P. JAYASINGHE		21.98P	1	1
13	102350	DON DAMINDA JAYAMAL DIAS	02R	00.72P	2 (PORTA CABIN + ELECTRICAL ROOM)	2
14	102361	W. PALIHAWADANA & SONS		25.25P	1	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	01R	35.45P	2 (Sales Room+ Service Stn)	1
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD		24.29P	1	1
17	102380	DERANIYAGALA PANAWELA MPCs LTD		27.84P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
18	102431	MRS. WIMALA SIRISENA		34.11P	1	1
19	102424	DWM FERNANDO & SONS (PVT) LTD		36.94P	1	1
20	102449	M/S. THILAKA FILLING STATION		38.33P	1	1
21	102322	MAHARAGAMA MPCs LTD		36.67P	1	1
22	102324	KOLONNAWA MPCs LTD		29.73P	1	1
23	102383	HEWAGAM KORALE EAST MPCs LTD		20.00P	1	1
24	102390	HEWAGAM KORALE EAST MPCs LTD		34.76P	1	1
25	102406	MR. HARSHA D. WEERAKOON		38.56P	2 (Sales Room+ Service Stn)	1
26	102436	A.H.M. HUSSAIN HADJIAR SONS	01R	10.74P	1	1
27	102318	MRS. SOMA ABEYWARDHANA		24.00P	1	1
28	102321	KOTTAWA LANKA FILLING STATION		21.73P	1	1
29	102381	EHELIYAGODA MPCs LTD		34.52	2 (Sales Room+ Service Stn)	1
30	102410	W. CALISTUS PERERA & SONS	01R	19.34P	2 (Sales Room+ Service Stn)	1
31	102434	TANGALLE MPCs LTD		24.00P	1	1
32	102412	KATANA MPCs LTD		37.68P	1	1
33	102425	AMBALANGODA MPCs LTD		19.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
34	102409	MR. K.H. JAYASINGHE		22.44P	1	1
35	102445	RANGIRI DAMBULLA MPCs LTD		22.23P	1	1
36	102316	SLIPTO AGENCIES (PVT) LTD	01R	07.23P	2 (Sales Room+ Service Stn)	2 (Main+2-3wheeler)
37	102394	M/S. LIYANAGE ASSOCIATES		34.00P	2 (Sales Room+ Service Stn)	1
38	102450	MRS. C.R. SAMARASINGHE	02R	00.05P	2 (Sales Room+ Service Stn)	1
39	102429	MR. DUDLEY PARANAGAMA		23.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
40	102312	MINERAL SPRINGS (PVT) LTD	01R	12.94P	2 (Sales Room+ Service Stn)	1
41	102314	MR. A.W. RANASINGHE		15.39P	1	1
42	102336	MR. C.J. ABEYRATNE		17.20P	1	1
43	102426	MRS. K.A.A.H. DE SILVA		20.1P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
44	102341	MR. S.N. JAYASINGHE	01R	06.17P	1	1
45	102310	M/S. FELIX PEREIRA & SON	02R	01.15P	2 (Sales Room+ Service Stn)	1
46	102353	G.K. SAMIE & SONS		15.41P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
47	102319	M.G. SAMSON & SONS		36.78P	2 (Sales Room+Store Room)	1
48	102444	MR. M. SELVARAJAH		33.97P	1	1
49	102411	SANDALANKAWA NEW MPCs LTD	01R	08.36P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2021		NO. OF BUILDINGS	NO. OF CANOPIES
			Roots	Perches		
50	102433	KOTAPOLA MPCs LTD		13.27P	1	1
51	102385	RAIGAM UDAGAHAPATTU MPCs LTD		22.23P	0	1
52	102384	B.D.P. GUNASEKERA & SON		27.36P	1	1
53	102358	MR. P.G.W. SAMARASEKERA	01R	03.66P	2 (Sales Room+ Service Str)	1
54	102335	S.R.B. ENTERPRISES		39.44P	1	1
55	105601	PULLENDRAN FUEL STATION		43.62P	1	1
56	102387	KALUTARA MPCs LTD		28.15P	2 (Sales Room+Panel Room)	1
57	102311	MR. H.K.S. RANASINGHE		38.83P	1	1
58	102395	MR. SARATH COLONNE		35.50P	1	1
59	102379	BALANGODA MPCs LTD		34.39P	1	1
60	102356	W.A. PERERA & SONS	01R	14.84P	3 (Sales Rooms+ Service Str)	1
61	102396	RATNAPURA MPCs LTD		34.9P	1	1
62	102451	MUTTUR AGA DIVISION MPCs LTD	01R	29.86P	2 (Sales Room + Service Str)	1
63	102340	ATTANAGALLA MPCs LTD		12.10P	2 (Sales Room+Gen Room)	1
64	102342	LIANFIRM (PVT) LTD		36.89P	1	1
65	102352	HALIELA MPCs LTD		24.50P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
66	102388	MR. S.P. GUNASINGHE	01R	02.02P	1	Nil
67	102354	M/S. HUNNASGIRIYA AGENCIES		12.57P	1	1
68	102447	GALGAMUWA MPCs LTD		13.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
69	102386	KALAWANA MPCs LTD		12.89P	1	1
70	102343	POLGAHAWELA MPCs LTD		13.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
71	102363	YATINUWARA MEDA PALATA MPCs LTD		31.04P	1	1
72	102323	WIJERAMA ENTERPRISE		24.62P	1	1
73	102339	MAWANELLA HEMMATHAGAMA MPCs LTD		24.24P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
74	102423	A.H. WIMALATUNGE & SON (PVT) LTD		39.63P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
75	102427	MRS H N W PRIYANGANI DE SILVA		29.91P	1	1
76	102435	TISSAMAHARAMA MPCs LTD	01R	00.00P	1	1
77	102401	BINGIRIYA MPCs LTD		10.46P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
78	102430	WELDISI (PVT) LTD	01R	03.58P	1	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA		13.65P	1	1
80	102408	MR. L.P.P. PATHIRATNE	01R	01.94P	1	1
81	102446	GALEWELA MPCs LTD		23.36P	1	1
82	102315	SWASTHIKA MILLS LTD	01R	03.96P	2 (Sales Room+ MiniMart)	2 (Main+2-3wheeler)
83	102364	A.V. HINNIAPPUHAMY & COMPANY		26.37P	1	1
84	102404	JOE PERERA & SONS		14.81P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
85	102355	NOOHU MARIKAR		22.20P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
86	102403	DIVULAPITIYA MPCs LTD		06.68P	1	Nil
87	102392	PELMADULLA MPCs LTD		24.41P	1 (PORTA CABIN)	Nil
88	102407	MAWATHAGAMA MPCs LTD		11.93P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
89	102337	KEGALLE MPCs LTD		14.44P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
90	102448	KAHATAGASDIGILIYA MPCs LTD		39.77P	1	1
91	102378	D.H.J. JAYAKODY BROTHERS		25.62P	1 (Service Station)	1
92	102393	MR. P.D.H.P. KARUNARATNE		18.67P	1	1
93	102360	SS BANDARA ACQUIRING A LAND (13.75 P @ RS 475,000/-)		37.81	1	1
94	102338	E.P.B. DE SOYSA (PVT) LTD		13.00P	1	1
95	102359	MR. R.M. SENEVIRATNE		24.56P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
96	102428	WIPULA DHARMADASA		15.06P	1	1
97	102333	M/S PERERA & CO & SONS		26.50P	1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES		14.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPCs LTD		22.30P	Nil	Nil

In Compliance with Section 7.6 (viii) and (xii) of the CSE Listing Rules, the Company's lands were revalued as at 31.03.2016 by Mr. Kumar Subramaniam, Chartered Valuation Surveyor as an independent Consultant empanelled by M/s SJMS Associates, Chartered Accountants, based on the current open Market Value of lands for their existing use as lands approved for the establishment of Fuel retail outlets, amounting to Rs. 6,766 Mn. However, this has not been adjusted in the Financial Statements to conform to the existing cost model being followed by the company as per its Accounting Policy as stated in Note 2.10.7 which is in line with Sri Lanka Accounting Standards LKAS - 16

SHAREHOLDER'S INFORMATION

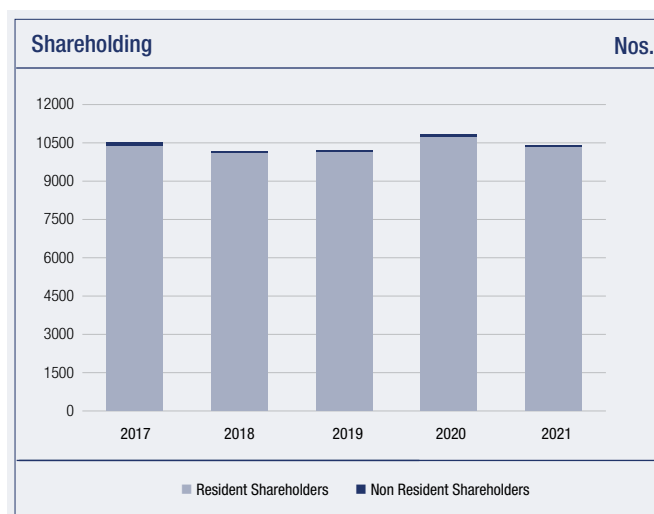
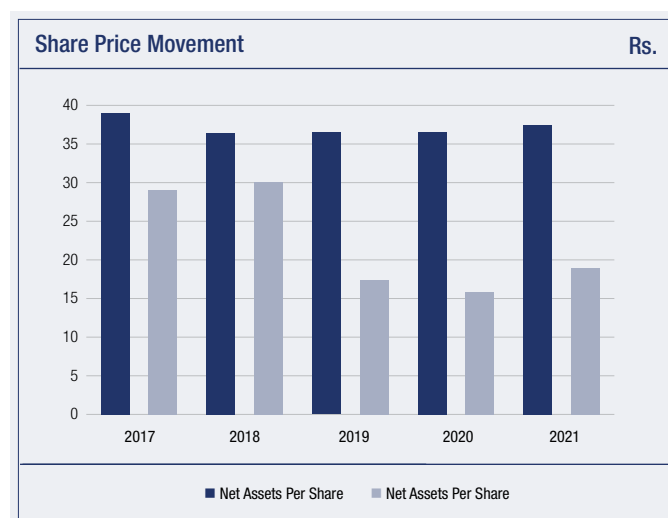
As at 31st March 2021

Share Range	RESIDENT			NON RESIDENT			TOTAL	
	No. of Shareholders	No. of Shares	Share Holding %	No. of Shareholders	No. of Shares	Share Holding %	No. of Shares	Share Holding %
1-1,000	5,934	2,346,972	0.440	21	11,237	0.000	2,358,209	0.440
1,001-10,000	3,658	10,592,444	1.990	49	237,905	0.040	10,830,349	2.030
10,001-100,000	587	18,961,803	3.560	24	781,402	0.150	19,743,205	3.710
100,001-1,000,000	105	26,286,914	4.940	7	2,848,738	0.540	29,135,652	5.480
1,000,001 & Above	22	66,690,440	12.520	3	403,707,850	75.820	470,398,290	88.340
Total	10,306	124,878,573	23.450	104	407,587,132	76.550	532,465,705	100

As at 31st March 2021

Share Range	COMPANY			INDIVIDUAL			TOTAL	
	No. of Shareholders	No. of Shares	Share Holding %	No. of Shareholders	No. of Shares	Share Holding %	No. of Shares	Share Holding %
1 - 1,000	52	24,334	0.000	5,903	2,333,875	0.440	2,358,209	0.440
1,001 - 10,000	104	509,597	0.100	3,603	10,320,752	1.940	10,830,349	2.040
10,001-100,000	123	5,003,958	0.940	488	14,739,247	2.770	19,743,205	3.710
100,001-1,000,000	51	14,749,724	2.770	61	14,385,928	2.700	29,135,652	5.470
1000001 & Above	22	465,687,797	87.460	3	4,710,493	0.880	470,398,290	88.340
Total	352	485,975,410	91.270	10,058	46,490,295	8.730	532,465,705	100

FINANCIAL YEAR	RESIDENT	NON RESIDENT	INSTITUTIONAL
	SHAREHOLDERS	SHAREHOLDERS	SHAREHOLDERS
01.04.2016- 31.03.2017	10,377	127	446
01.04.2017- 31.03.2018	10,080	110	378
01.04.2018- 31.03.2019	10,110	109	376
01.04.2019- 31.03.2020	10,722	106	391
01.04.2020- 31.03.2021	10,306	104	352



Twenty Major Shareholders as at 31.03.2021

	NAME	NO. OF SHARES	PERCENTAGE OF SHAREHOLDING %
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	13,886,574	2.61
3	Sri Lanka Insurance Corporation Ltd-Life fund	7,075,980	1.33
4	Bank of Ceylon A/c Ceybank Unit Trust	6,025,833	1.13
5	Deutsche Bank AG-AS Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
6	Employees Trust Fund Board	3,736,609	0.70
7	Peoples Leasing & Finance Plc/Mr. D.M.P.Disanayake	3,330,589	0.63
8	Assetline Leasing Co.Ltd/British American Technologies (Pvt)Ltd	3,236,992	0.61
9	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
10	GF Capital Global Limited	2,426,980	0.46
11	Employees Provident Fund	2,346,558	0.44
12	Timex Garments [Pvt] Ltd	2,146,926	0.40
13	Mr. A.S. Ashraf	2,077,181	0.39
14	Askold (Pvt)Limited	1,943,798	0.37
15	Bank of Ceylon A/C Ceybank Century Growth Fund	1,767,951	0.33
16	Mr. M.A. Jafferjee	1,382,030	0.26
17	Sri Lanka Insurance Corporation Ltd-General fund	1,310,128	0.25
18	Hallsville Trading Group inc.	1,280,865	0.24
19	Commercial Bank of Ceylon PLC/S.A.Gulamhusein	1,260,867	0.24
20	Mr. M .N Cader	1,251,282	0.24
	Total	464,547,501	87.24
	Public Holding as a % of issued Share Capital		24.88%
	Number of Public Shareholders		10,407

Directors' Shareholding as on 31 Mar 2021

Mr Ranjan Kumar Mohapatra	Nil
Mr Manoj Gupta	Nil
Prof. Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr Vigyan Kumar	Nil
Mr D R Paranjape	Nil

SHAREHOLDER'S INFORMATION

Twenty Major Shareholders as at 31.03.2020

	NAME	NO. OF SHARES	PERCENTAGE OF SHAREHOLDING %
1	Indian Oil Corporation Limited	400,000,005	75.12
2	J B Cocoshell (Pvt) Ltd	15,985,566	3.00
3	Bank Of Ceylon A/C Ceybank Unit Trust	6,038,103	1.13
4	Deutsche Bank AG AS Trustee For JB Vantage Value Equity Fund	5,533,553	1.03
5	Assetline Leasing Co.Ltd/British American Technologies (Pvt) Ltd	5,095,175	0.96
6	Peoples Leasing & Finance PLC/Mr.D.M.P.Disanayake	2,973,186	0.56
7	E W Balasuriya & Co. (Pvt) Ltd	2,526,800	0.47
8	GF Capital Global Limited	2,426,980	0.46
9	Employees Trust Fund Board	2,346,851	0.44
10	Employees Provident Fund	2,346,558	0.44
11	Bank Of Ceylon A/C Ceybank Century Growth Fund	2,027,884	0.38
12	Askold (Pvt) Ltd	1,921,550	0.36
13	Hatton National Bank PLC/Karuna Ranaraja Ekanayaka Mudiyansele Dharshan Maduranga Bandara Jayasundara	1,758,550	0.33
14	Timex Garments (Pvt) Ltd	1,712,503	0.32
15	Mr M A Jafferjee	1,382,030	0.26
16	Mr K A S R Nissanka	1,380,519	0.26
17	Mr M M C Cooray	1,350,001	0.25
18	Hallsville Trading Group Inc.	1,280,865	0.24
19	Commercial Bank Of Ceylon PLC/S A Gulamhusein	1,260,867	0.24
20	Jafferjee Brothers (Exports) Limited	1,226,200	0.23
	Total	460,573,746	86.48
	Public Holding as a % of issued Share Capital		24.88%
	Number of Public Shareholders		10,825

Directors' Shareholding as on 31 Mar 2020

Mr Ranjan Kumar Mohapatra	Nil
Mr Manoj Gupta	Nil
Prof. Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr Vigyan Kumar	Nil
Mr D R Paranjape	Nil

LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE)		01.04.2020-31.03.2021
No. of Share transactions for the year		28,963
No. of Shares traded		96,185,155
Value of Shares Traded (Rs)		2,209,376,761,,70
Price Movements (Rs)		
Highest (Rs)		31.30
Lowest (Rs)		13.00
Closing Price (Rs)		19.00
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)		10,117
Float Adjusted Market Capitalisation (Rs Mn) (Compliant under Option - 4)		2,517

LIOC SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE (CSE)		01.04.2019-31.03.2020
No. of Share transactions for the year		19,050
No. of Shares traded		57,376,367
Value of Shares Traded (Rs)		1,023,187,226.50
Price Movements (Rs)		
Highest (Rs)		22.00
Lowest (Rs)		14.50
Closing Price (Rs)		15.80
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)		8,413
Float Adjusted Market Capitalisation (Rs Mn) (Compliant under Option - 5)		2,093

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organization	5	-
	102-2 Activities, brands, products and services	6	-
	102-4 Location of operations	5	-
	102-5 Ownership and legal form	5	-
	102-6 Markets served	5	-
	102-7 Scale of the organization	5	-
	102-8 Information on employees and other workers	5	-
	102-9 Supply chain	N/A	-
	102-10 Significant changes to the organization and supply chain	N/A	-
	102-11 Precautionary Principle	5	-
	102-12 External Initiatives	5	-
	102-13 Membership of associations	66	-
	102-14 Statement from senior decision maker	14	-
	102-16 Values, principles, norms and standards of behaviour	76	-
	102-18 Governance Structure	76	-
	102-40 List of stakeholder groups	28	-
	102-42 Identifying and selecting stakeholders	28	-
	102-43 Approach to stakeholder engagement	28	-
	102-44 Key topics and concerns raised	30-31	-
	102-45 Entities included in the consolidated financial statements	7	-
	102-46 Defining report content and topic boundary	7	-
	102-47 Material topics	32-33	-
	102-49 Changes in reporting	7	-
	102-50 Reporting period	7	-
	102-51 Date of most recent report	7	-
	102-52 Reporting cycle	7	-
	102-53 Contact point for questions regarding Report	7	-
	102-54 Claims of reporting in accordance with GRI Standards	7	-
	102-55 GRI context index		-

GRI Standard	Disclosure	Page number	Omission
Material Topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	48	-
	103-2 The Management Approach and its components	48	-
	103-2 Evaluation of the Management Approach	48	-
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	52	-
	201-3 Defined benefit plan obligations and other retirement plans	60	-
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	66	-
	103-2 The Management Approach and its components	66	-
	103-2 Evaluation of the Management Approach	66	-
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	66	-
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	68	-
	103-2 The Management Approach and its components	68	-
	103-2 Evaluation of the Management Approach	68	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	68	-
	302-4 Reduction of energy consumption	68	-
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	69	-
	103-2 The Management Approach and its components	69	-
	103-2 Evaluation of the Management Approach	69	-
GRI 303: Water 2016	306-1 Water withdrawal by source	69	-
Effluents & Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	69	-
	103-2 The Management Approach and its components	69	-
	103-2 Evaluation of the Management Approach	69	-
GRI 306: Effluents and Waste 2016	GRI 306-1 Water discharge by quality and destination	69	-
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	70	-
	103-2 The Management Approach and its components	70	-
	103-2 Evaluation of the Management Approach	70	-
GRI 307 : Environmental Compliance	GRI 307-1 Non – compliance with environmental laws and regulations	70	-

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	58	-
	103-2 The Management Approach and its components	58	-
	103-2 Evaluation of the Management Approach	58	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	59	-
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	60	-
Labour Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	62	-
	103-2 The Management Approach and its components	62	-
	103-2 Evaluation of the Management Approach	62	-
GRI 402: Labour Management Relations	402-1 minimum notice periods regarding operational changes	62	-
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	61	-
	103-2 The Management Approach and its components	61	-
	103-2 Evaluation of the Management Approach	61	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	61	-
	103-1 Explanation of material topics and its boundaries	61	-
Training and Education			
GRI 103: Management Approach	103-2 The Management Approach and its components	61	-
	103-2 Evaluation of the Management Approach	61	-
	404-1 Average hours of training per year per employee	61	-
GRI 404: Training and Education	404-2 Programs for upgrading skills and transition assistance programs	61	-
	404-3 Percentage of employees receiving regular performance and career development reviews	61	-
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	59	-
	103-2 The Management Approach and its components	59	-
	103-2 Evaluation of the Management Approach	59	-
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	59	-
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	66	-
	103-2 The Management Approach and its components	66	-
	103-2 Evaluation of the Management Approach	66	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programs	67	-

GRI Standard	Disclosure	Page number	Omission
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	64	-
	103-2 The Management Approach and its components	64	-
	103-2 Evaluation of the Management Approach	64	-
GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	64	-
Marketing Communications			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	64	-
	103-2 The Management Approach and its components	64	-
	103-2 Evaluation of the Management Approach	64	-
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	64	-
	417-3 Incidents of non-compliance concerning marketing communications	64	-

CORPORATE INFORMATION

Name of Company :	Lanka IOC PLC
Company Registration Number :	PQ 179
BOI Registration No. :	2613/05/12/2002
Legal Form :	A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th August 2002 under the provisions of the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007
Stock Exchange Listing :	The Ordinary Shares of the Company are listed in the Colombo Stock Exchange
Registered Office :	Level 20, West Tower, World Trade Centre Echelon Square, Colombo 01, Sri Lanka Telephone : + 94 11 2475720 Facsimile : + 94 11 2391490
Website :	www.lankaio.com
Associates :	Ceylon Petroleum Storage Terminals Limited
Board of Directors :	Mr Ranjan Kumar Mohapatra (Chairman) Mr Manoj Gupta (Managing Director) Prof. Lakshman R Watawala Mr Amitha Gooneratne Mr Vigyan Kumar Mr D R Paranjape
Company Secretary :	(Ms) Amali Liyanapatabendi
Registrars :	Accounting Systems Secretarial Services (Private) Limited # 11, Castle Lane, Colombo 04
Auditors - Statutory :	Ernst & Young # 201, De Saram Place, Colombo 10
Auditors - Internal :	KPMG Chartered Accountants # 32/A, Sir Mohamed Macan Mawatha, Colombo 03
Lawyers :	F J & G de Saram, Attorneys-at-Law # 216, de Saram Place, Colombo 10
Bankers :	Standard Chartered Bank Deutsche Bank Citibank N. A. State Bank of India, Colombo HSBC Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank National Development Bank Cargills Bank

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