

TOGETHER with the NATION

LANKA IOC PLC
ANNUAL REPORT 2021-22



For over two decades, we have demonstrated fortitude and resilience in the midst of challenges. The financial year 2021-22 was no exception as we recorded phenomenal financial performance despite an extraordinarily tumultuous environment. As we embraced opportunities and challenges we were able to create transformative progress across our business. As we stepped forward we proved our credibility and unstinted support to the nation, our business partners and every stakeholder who has placed unyielding trust in us. This report sets out our journey of holistic value creation harnessing the potential of our strengths and the contribution of our people. With a strong foundation of financial success underpinned by our zeal and devotion, we are committed and optimistic of our journey onwards to create and build a bright future

TOGETHER
with the
NATION



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“Supported by the Line of Credit from the Government of India, CPC has been receiving regular shipments of Gasoil/Gasoline/ATF from Indian Oil Corporation Limited, the parent company of LIOC, which has ensured consistent availability of fuel for meeting the energy requirements of the country.”



“With our strong commitment to stand together with the nation as a reliable energy partner, over the last few months, LIOC has stepped up its activities towards attending to emergent needs of the nation.”

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<https://www.lankaioc.com/investors/>

OUR INTEGRATED ANNUAL REPORT

It gives us great pleasure to present Lanka IOC PLC's 7th integrated annual report - **"Together with the Nation"**.

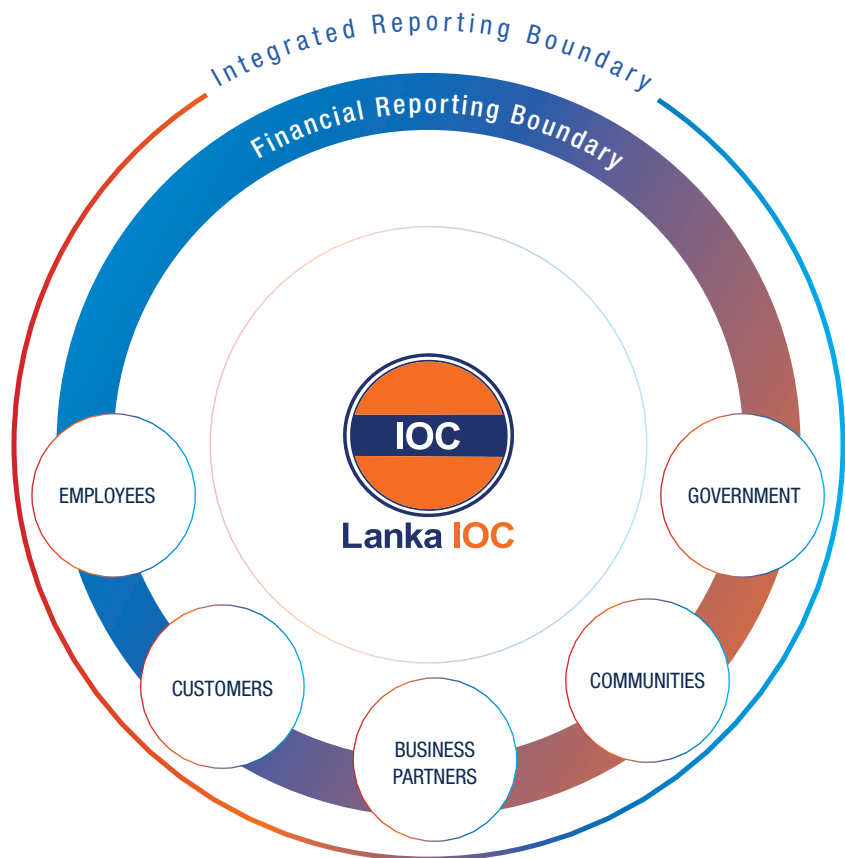


Our thematic approach to our Annual Report is closely connected with our holistic approach to business. This Report provides a balanced overview of the integrated thinking that transcends across every level of our operations with the purpose of creating sustainable value.

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

Lanka IOC PLC

ANNUAL REPORT 2021-22



Scope & Boundary

As graphically set out alongside, this Report covers the operations of Lanka IOC PLC for the period from 1st April 2021 to 31st March 2022. The Company adopts an annual reporting cycle for its financial and sustainability reporting. The financial and non-financial information presented in the narrative report represents the information of the Company. There were no major changes in the Company's organizational structure, size or supply chain during the year under review.

Materiality

The content included in this Report has been carefully selected following a materiality assessment, which enabled the identification of the business, social, environmental and external issues which could have the most significant impact on the Company's ability to generate value. The process for determining material issues is given on page 38 of this Report.

Determining materiality

OUR OPERATING ENVIRONMENT
STAKEHOLDER NEEDS
STRATEGIC ASPIRATIONS
OPPORTUNITIES AND RISKS

Forward Looking Statements

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

ICON Guide

CAPITAL REPORTS



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



NATURAL CAPITAL

STRATEGIC PRIORITIES



Profitable Growth



People Development



Customer Centricity



Diversification



Operational Excellence



Sustainability

PRODUCT ICONS



Automotive Fuels



Lubricants



Bitumen



Bunkering



Petrochemicals



Grease

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 sign-posting across the Report.

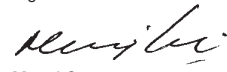
STANDARDS AND PRINCIPLES

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

Directors' Responsibility

Lanka IOC PLC's Board of Directors is ultimately responsible for ensuring the integrity of this Annual Report. We hereby confirm that the 2021-22 Report addresses all relevant material matters and fairly represents the Company's integrated performance. We also confirm that the Report has been prepared in line with the guidance provided in the Integrated Reporting Framework of the International Integrated Reporting Council.

Signed on behalf of the Board,


Manoj Gupta



<https://www.lankaioic.com/investors/>



Feedback

We welcome your comments on our 7th Integrated Annual Report 2021-22, together with any queries and suggestions for improvement. Please direct your feedback to:

Company Secretary
Lanka IOC PLC
Sri Lanka
E-mail: companysecretary@lankaioic.com

ABOUT US



VISION

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



MISSION

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

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

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

To provide technology and services through sustained research and development.

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

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

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

ABOUT LIOC PLC

Lanka IOC PLC with a corporate history of 20 years is the only private sector auto fuel retailer in Sri Lanka. Over the years the Company has made a significant impact on the socio-economic landscape by enabling mobility, economic activity and development. With an island-wide footprint of 213 Retail Outlets the Company services 12% of the country's retail fuel demand.

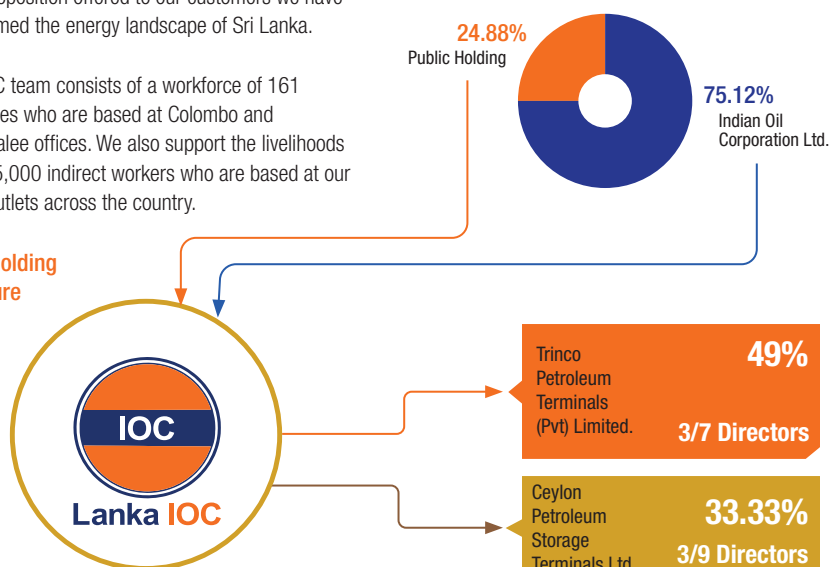
The Company is a subsidiary of the Indian Oil Corporation Ltd., (IOCL), India's state-owned energy company which is the country's largest commercial enterprise with operations in 08 countries. IOCL possesses business interests across the entire hydrocarbon value chain – from refining, pipeline transportation and marketing of petroleum products to exploration & production of crude oil & gas, marketing of natural gas and petrochemicals. Thus, LIOC draws synergies and strength from the parent entity's six decades of expertise and experience. It has played a pivotal role in developing the framework, driving innovation and ensuring environmental sustainability in the energy sector.

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

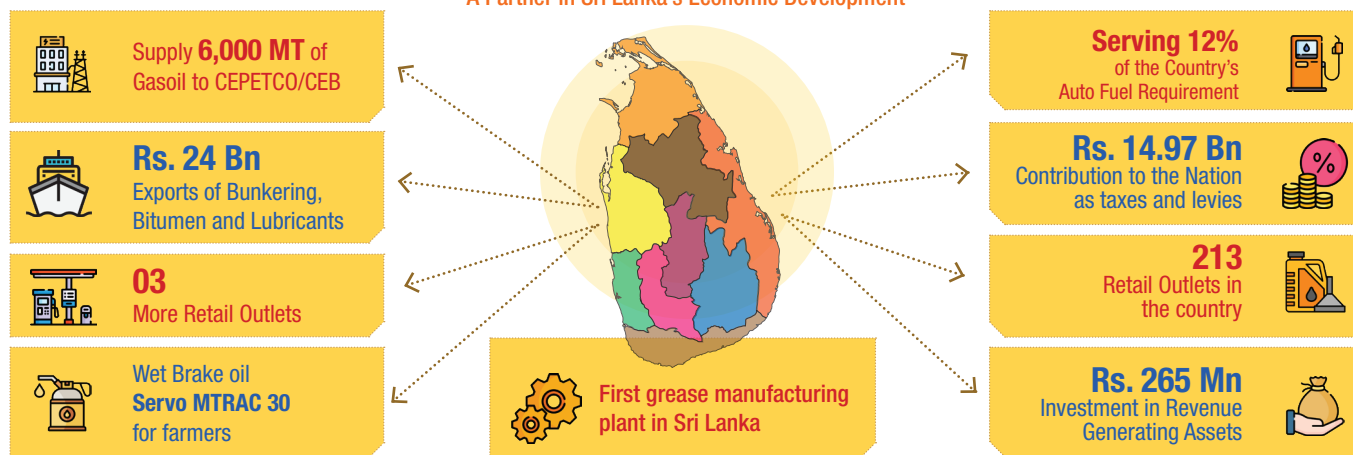
value proposition offered to our customers we have transformed the energy landscape of Sri Lanka.

Our LIOC team consists of a workforce of 161 employees who are based at Colombo and Trincomalee offices. We also support the livelihoods of over 5,000 indirect workers who are based at our Retail Outlets across the country.

Shareholding Structure



A Partner in Sri Lanka's Economic Development



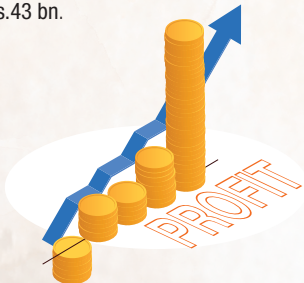
KEY BUSINESS VERTICALS

Business Vertical	Positioning	
Automotive Fuels 	<p>Possess a market share of 12%. Auto fuels are distributed through retail fuel outlets. A range of premium and branded fuels have also been introduced to ensure fuel efficiency and engine performance.</p>	
Lubricants and Grease  	<p>The second market player in the lubricants sector. The Servo brand of lubricants are used for automotive, marine and industrial applications.</p> <p>Sri Lanka's 1st Grease plant with 3,000 M capacity, which will serve the country's entire grease requirement.</p>	 
Bitumen 	<p>We are the market leader in the Bitumen business and sell Bitumen for industrial and road construction purposes. We also export Bitumen to neighbouring countries.</p>	
Bunkering 	<p>Market leader in bunkering serving local and foreign vessels from the Colombo, Trincomalee and Hambantota ports.</p>	
Petrochemicals 	<p>A new segment which the company has embarked on with much potential and introduced the 'Propel' brand of petrochemicals.</p>	

MAJOR ACHIEVEMENTS AND HIGHLIGHTS 2021-22



- Signing of long pending Trincomalee Lease deed and Modalities agreement to with GoSL and CPC to this is a new milestone in SL-India Economic & Energy partnership.
- Lease of 14 tanks in the Lower Tank Farm (LTF) from GoSL to LIOC executed for 50 years.
- Formation of Joint venture Company, Trinco Petroleum Terminalling Pvt Ltd. A JV between the CPC (51%) and the LIOC (49%) for development & utilization of 61 Tanks at of Upper Tanks Farm.
- Touched highest ever share price of Rs.81.3 & achieved market capitalization of more than Rs.43 bn.



- Achieved highest ever Profit after tax of Rs.4,818 Mn during the FY 2021-22.



- Added 3 New Retail Outlets during last year. Expanding to 213 Retail Outlets in total.



- Lanka IOC supplied 6,000 MT of Gasoil to Ceypetco / Ceylon Electricity Board to ease off the long hours power-cut situation.



- With the aim of enhancing the sustainability of operations, started the roof top solarization and solarized 21 more Retail Outlets & Trincomalee Terminal on revenue generation model.
- To enhance the uniform look and feel of network, rolled out the new Retail Visual Identity across the retail network and completed RVI work at 30 outlets across the island.



- Visit of Hon'ble External Affairs Minister of India Mr S Jayashankar at LIOC's Flagship RO Felix Pereira, Colombo accompanied by H.E. HCI, Shri Gopal Baglay.



- Procurement and supply of Bunker fuel commenced at Hambantota port.



- Highest ever Lube production 16,738 KL during the 2021-22 reaching to 90% of facility utilization.

- Appointed 3 Lubes Distributors and 40 new Servo Shops during last year taking total to 31 distributors and 525 Servo Shops.
- Introduced new product- "Wet Brake Oil SERVO MTRAC 30" introduced for 1st time in Sri Lanka for farmers using OIB Tractors in 2021-22.
- Commenced supply of PROPEL, IOC Branded Polymer in Sri Lanka Market in Jan'22.
- Signing of Lubricants agreement with GoSL for a period of next 5 years.



- Visit of Foreign Secretary of India to Trincomalee Terminal and Launched higher-grade Engine Oil confirming to SLSI standards of API CH level.

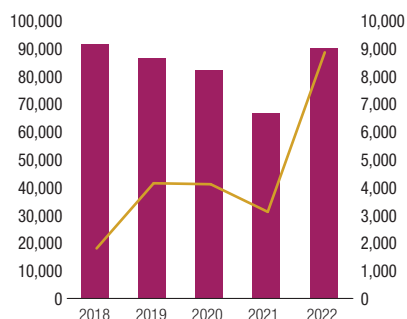


- Conferred the prestigious "Gold Award" for the 1st time by the CA Sri Lanka for the "Best Integrated Annual Report" under Power and Energy sector 2020-21.
- "Best Integrated Report" award & the "Merit Award" by CMA Sri Lanka for Power and Energy sector.
- Runner up for "Best Corporate Governance and Trading Sector" award by The National Business Excellence Award (NBEA).
- Best Management Practices Company Award by CPM, Sri Lanka.

FINANCIAL HIGHLIGHTS

	Metric	2021-22	2020-21	2019-20	2018-19	2017-18
Operating Results						
Revenue	Rs Mn	89,951	66,686	81,947	86,322	91,343
Gross Profit	Rs Mn	8,845	3,113	4,106	4,141	1,800
Operating Profit	Rs Mn	5,410	161	635	854	(1,385)
Net Profit/(Loss) Before Tax	Rs Mn	5,612	988	599	331	(776)
Income Tax	Rs Mn	(793)	(105)	(177)	73	32
Net Profit / (Loss) After Taxation	Rs Mn	4,818	883	422	403	(744)
Dividends	Rs Mn	453	399	399	346	666
Capital Employed						
Stated Capital	Rs Mn	7,576	7,576	7,576	7,576	7,576
Revenue reserves (Retained earnings)	Rs Mn	16,709	12,347	11,870	11,851	11,793
Shareholders' Funds (Total equity)	Rs Mn	24,286	19,924	19,446	19,427	19,369
Borrowings- Short term	Rs Mn	25,778	20,590	16,955	2,327	5,018
Other Short term Liabilities	Rs Mn	14,568	5,842	3,285	6,484	8,552
Total Current Liabilities	Rs Mn	40,347	26,431	20,239	8,811	13,570
Asset Employed						
Non-current assets	Rs Mn	10,658	19,753	9,610	9,694	9,445
Current assets	Rs Mn	54,413	26,654	30,149	18,551	23,514
Total assets employed	Rs Mn	65,070	46,407	39,760	28,245	32,959
Key Ratios						
Earning Per Share	Rs	9.05	1.66	0.79	0.76	(1.40)
GP Ratio	%	10%	5%	5%	5%	2%
Operating Profit Margin	%	6.0%	0.2%	1%	1%	(2%)
Net Profit Ratio	%	5.4%	1.3%	0.5%	0.5%	(0.8%)
ROE	%	20%	4%	2%	2%	(4%)
Net Assets Per Share	Rs	45.61	37.42	36.52	36.49	36.38
Dividend per share	Rs	0.85	0.75	0.75	0.65	1.25
Annual sales growth	%	35%	(19%)	(5%)	(5%)	13%
Equity to total assets ratio	%	37%	43%	49%	69%	59%
Dividend cover	No of Times	10.6	2.2	1.1	-	4.6%
Dividend Payout (Paid Basis)	%	51%	95%	99%	-	22%
Dividend Yield(%)	%	4%	5%	4%	2%	4%
Price Earning Ratio (P/E)	No of Times	4	11	20	23	-
Price to book value	No of Times	0.9	0.5	0.4	0.5	0.8
Current Ratio	No of Times	1.3	1.0	1.5	2.1	1.7
Quick Assets Ratio	No of Times	0.7	0.6	0.8	0.5	1.0
Turnover to capital employed	No of Times	4	3	2	4	4
Interest cover	No of Times	8.4	0.3	1.3	4.1	(10.5)
ROCE	%	10.8%	0.4%	2%	4%	(6%)
Debt/Equity	%	106%	103%	87%	12%	26%
Debt/Total Assets	%	40%	44%	43%	8%	15%
Price Movement Rs						
Market Value Per Share (Highest)	Rs	81.30	31.30	22.00	37.00	35.40
Market Value Per Share (Lowest)	Rs	18.30	13.00	14.50	17.10	25.80
Last Traded Price Record	Rs	38.80	19.00	15.80	17.40	30.10
Market Capitalisation	Rs Mn	20,660	10,117	8,413	9,265	16,027
Enterprise Value	Rs Mn	24,022	18,066	12,656	10,647	12,638

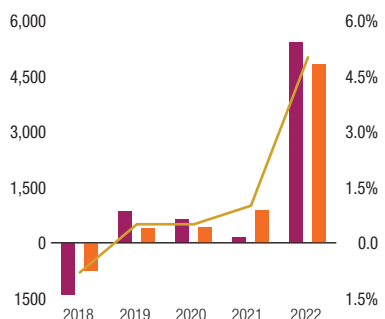
Revenue Vs Gross Profit (Rs.Mn)



• Revenue
Rs. 89,951 Mn
(2022)

• Gross Profit
Rs. 8,845 Mn
(2022)

Operating Profit Vs Net Profit

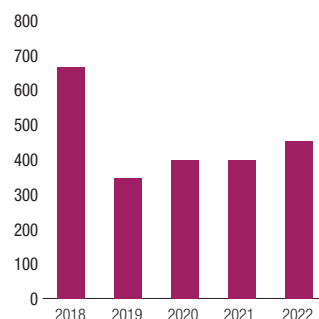


• Operating Profit
Rs. 5,410 Mn
(2022)

• Net Profit
Rs. 4,818 Mn
(2022)

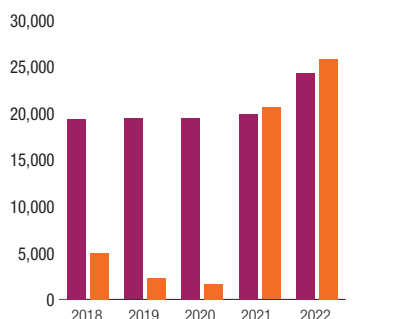
• NP Margin
5.4%
(2022)

Dividends (Rs. Mn)



• Dividends
Rs. 453 Mn
(2022)

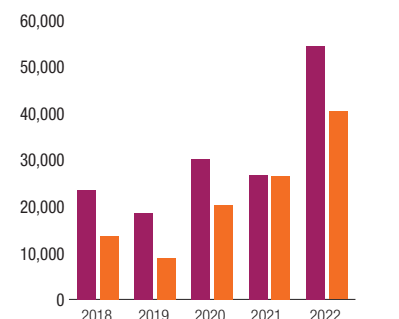
Borrowing Vs Shareholders Fund (Rs. Mn)



• Shareholders' Funds
Rs. 24,286 Mn
(2022)

• Borrowings
Rs. 25,778 Mn
(2022)

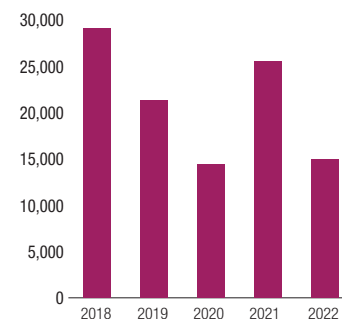
Current Assets Vs Liabilities (Rs. Mn)



• Current Assets
Rs. 54,413 Mn
(2022)

• Current Liabilities
Rs. 40,347 Mn
(2022)

Payments to Government (Rs. Mn)



• Payments to Government
Rs. 14,967 Mn
(2022)

Revenue

Rs. 89.95 Bn

(2021) Rs.66.69 Bn

**35%**

Operating Profit

Rs. 5.41 Bn

(2021) Rs.161 Mn

**3251%**

Net Profit

Rs. 4.82 Bn

(2021) Rs.883 Mn

**468%**

Earning per share

Rs. 9.05

(2021) Rs.1.66

**446%**

Equity

Rs. 24.29 Bn

(2021) Rs.19.92 Bn

**22%**

Borrowings-short term

Rs. 25.78 Bn

(2021) Rs.20.59 Bn

**25%**

Total Assets

Rs. 65.07 Bn

(2021) Rs.46.41 Bn

**40%**

Market Capitalisation

Rs. 20.66 Bn

(2021) Rs.10.12 Bn

**104%**

PERFORMANCE HIGHLIGHTS

	Metric	2021-22	2020-21	2019-20
Financial Performance				
Revenue	Rs Mn	89,951	66,686	81,947
Operating profit	Rs Mn	5,410	161	635
Profit before tax	Rs Mn	5,612	988	599
Profit after tax	Rs Mn	4,818	882	422
Return on equity (%)	%	20%	4%	2%
Return on capital employed (%)	%	10.8%	0.4%	2%
Financial Stability				
Total assets	Rs Mn	65,071	46,407	39,760
Total liabilities	Rs Mn	40,784	26,483	20,314
Shareholders' funds	Rs Mn	24,285	19,924	19,446
Cash and Cash Equivalent	Rs Mn	22,416	12,640	12,711
Total debt	Rs Mn	25,778	20,590	16,955
Shareholder information				
Earnings per share	Rs	9.05	1.66	0.79
Dividends per share	Rs	0.85	0.75	0.75
Net asset value per share	Rs	45.61	37.42	36.52
MPS	Rs	38.8	19	15.8
Market capitalization	Rs Mn	20,660	10,117	8,413
P/E ratio	Times	4.29	11	20
Dividend pay out	%	51%	95%	99%
Economic Value Added	Rs Mn	4,366	477	19
STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE				
Property, plant and equipment				
Retail Outlets	Nos	213	210	208
Capital expenditure	Rs Mn	265	310	220
STRATEGIC PRIORITY: PEOPLE DEVELOPMENT				
Total employees	Nos.	161	159	164
Female representation	Nos.	25	23	24
Payments to employees	Rs Mn	693	569	581
Employee attrition rate	%	3	2	3
Investment in training	Rs Mn	<1	<1	<1
Total training hours	Hours	840	846	851
Average training hours/employee	Hours	1	3	5
Workplace injuries	Nos.	Nil	Nil	Nil
Revenue per employee	Rs Mn	555	419	500
Net profit (Loss) per employee	Rs Mn	30	6	3
Indirect employees (approx.)	Nos.	5,200	5,100	5,000
Customer touch points	Nos.	873	777	736
Investment in CSR	Rs Mn	3	6	<1
No. of beneficiaries (approx.)	Nos.	2,500	5,000	1,000
Contribution to exchequer	Rs Mn	14,967	25,513	14,435
STRATEGIC PRIORITY: SUSTAINABILITY				
Energy consumption	Kwh	410,192	404,134	404,645
Water consumption	KL	53,961	43,857	54,569
Sludge Disposal	KL	27	37	20.5



OUR LEADERSHIP



CHAIRMAN'S MESSAGE

Dear Stakeholders,

Greetings from Lanka IOC PLC!

We have been through another year of extraordinary volatility and tumult. But as I am writing to you, I feel proud to share that LIOC has continued to shine and excel, building on the two decades of the enriching legacy of serving Sri Lanka. Speaking of excellence, during the FY 2021-22, the Company rose above every challenge and went beyond conventional priorities to stand with the nation and the people of Sri Lanka at all times.

Throughout this year, the LIOC team demonstrated remarkable resilience and agility, embracing novel ways of working and continuing to drive our purpose of serving the nation despite the challenges that prevailed. Throughout the year, we delivered exceptional value to our stakeholders, and the record growth and profitability stand as a testimony to that value. Therefore, it is my pleasure to present the 7th Integrated Annual Report and financial statements for the financial year ended 31st March 2022.

Global Context

The global economy demonstrated strong signs of recovery in 2021, spurred by the steady roll-out of vaccination programs which enabled most of the developed countries affected by the pandemic to transition towards economic recovery. According to the World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in April 2022, global economic growth is estimated at 6.1 % in 2021, compared to a contraction of 3.1 % in 2020. In 2021, advanced economies demonstrated economic revival by recording a growth of 5.2 %, while the growth estimation for emerging and developing economies stood at 6.8 %.

In 2021, interest rates remained relatively low, rising from the historic lows in 2020. However, inflation levels showed an uptick which was a growing concern as consumer prices increased at a historically high pace during the latter part of 2021. Increased demand and supply chain disruptions led to surges in the price of energy, raw materials, and other commodities. Higher inflation and volatile economic growth experienced during the latter end of 2021 created uncertainty and reduced household purchasing power. Crude oil prices surged recently, with prices touching \$139 in March 2022. This rapid rise was a significant contributor to decade-high inflation across economies.

“Supported by the Line of Credit from the Government of India, CPC has been receiving regular shipments of Gasoil/Gasoline/ATF from Indian Oil Corporation Limited, the parent company of LIOC, which has ensured consistent availability of fuel for meeting the energy requirements of the country.”

The Sri Lankan Context

The Financial Year 2021-22 commenced with much optimism as the first wave of the pandemic was successfully contained, which led to improved business sentiments. However, the subsequent quarters of the year saw a resurgence in infections, with Sri Lanka experiencing the 2nd and 3rd waves of the pandemic. The renewed virus onslaught led to periodic lockdowns and restrictions in movement. While businesses adapted seamlessly to operating under limited mobility conditions, the pandemic's impact on fiscal balances and the overall economy was dire.

The sharp decline in tourism earnings and worker remittances in 2021 and challenges faced in servicing international debt led to gradual depletion in the country's foreign currency reserves. This led to widespread restriction of imports, with the banking sector experiencing a crippling shortage of dollar liquidity towards the latter part of 2021. From the latter part of 2021, the CBSL also sought to tighten monetary policy, increasing the Bank SDFR, SLFR and SRR rates on rupee deposit liabilities. Resultantly, market interest rates have edged significantly, with a pronounced increase towards the latter part of the financial year 2021-22.

Despite efforts by the regulator to curtail the outflow of foreign currency through import restrictions and a range of other measures, the crisis reached its peak in 2022 as we witnessed shortages in essential items, medicines and energy. The situation also

spiralled due to interruptions to the power supply. In March 2022, the CBSL allowed market forces to determine the exchange rate, which led to a sharp depreciation of the Sri Lankan Rupee by nearly 47%.

The prevalent macro-economic dynamics have posed several challenges for LIOC. The shortage of dollars to fund the imports and the depreciation of the Sri Lankan Rupee against the dollar placed considerable pressure on our operations. The sharp increase in oil prices globally, driven by geopolitical tensions, further compounded the challenges. However, with strategic foresight, we strengthened the profitability levels of our key product verticals. By broad basing our capacity to generate revenue through our diversified product portfolio, we have successfully managed the adverse exposures brought about by the unexpected surges in prices experienced. This enabled the Company to withstand the external headwinds, and our proactive efforts ensured seamless availability of auto fuels across our network.

Supported by the Line of Credit from the Government of India, CPC has been receiving regular shipments of Gasoil/Gasoline/ATF from Indian Oil Corporation Limited, the parent company of LIOC, which has ensured consistent availability of fuel for meeting the energy requirements of the country.

Chairman's Message

With Ceylon Electricity Board unable to procure sufficient fuel to maintain daily electricity requirements, LIOC rose to the occasion to contribute fuel supplies for electricity generation. Our timely responses averted the possibility of prolonged power interruptions, thus significantly alleviating the difficulties of the citizens.

Driving Exceptional Value

Against the backdrop of the most extraordinary challenges faced by the local and global landscape, the Company recorded the highest profitability level in its corporate history of nearly 20 years. We registered a revenue growth of 35% (LKR 89.95 Bn) during the year under review. The Profit After-tax of the Company increased to LKR 4.82 Bn during the year, showing a remarkable growth trajectory even amidst the most challenging circumstances. Prudent cost optimisation strategies and timely pricing mechanisms formed the pivot of the Company's profitability. In this context, let me share that during the year under review, the Company introduced periodic price revisions considering the escalation of global oil prices and the significant depreciation of the Sri Lanka Rupee. This enabled the Company to set the price for auto fuel in sync with the purchase cost. I am delighted to share that your Company set new benchmarks of operational excellence across verticals, including Lubricants, Bitumen and Bunkering.

Building on this stellar financial performance, the Company made significant headway and progress across many dimensions, paving the way toward sustainable business growth in the years ahead.

In January 2022, we achieved a significant milestone in India-Sri Lanka economic and energy partnership as we signed a landmark agreement with the state-run Ceylon Petroleum Corporation (CPC) to develop the Trincomalee oil tank farm jointly. The agreement sees the establishment of Trinco Petroleum Terminals Ltd, a joint venture between the two companies to manage 61 of the 99 storage tanks. The CPC holds a 51% controlling stake in the Company, while LIOC owns 49%. This marks a new milestone, and we are highly privileged to be a partner in this endeavour. Under this agreement, a majority of the 99 tanks will be in Sri Lanka's control, with 24 under the direct control of the state-run Ceylon Petroleum Corporation (CPC), and Trinco Petroleum Terminal Ltd will take over the remaining 61. The Chairman of the new Company and four of its seven board members will be appointed by the CPC, while LIOC will take over three board seats. CPC and LIOC have invested a sum of LKR 51 Mn and LKR 49 Mn, respectively, as an initial investment, in the ratio

“Our timely responses averted the possibility of prolonged power interruptions, thus significantly alleviating the difficulties of the citizens.”

of their shareholdings. We have thus far initiated several activities for developing the Upper Oil tank farm, with tenders being floated for the initial infrastructure activities.

In another crucial development, the 3000 MT Grease plant, which commenced operations in 2021, launched commercial operations in June 2022. Once fully operational, this new venture will save invaluable foreign exchange for the country, thus adding to the country's self-reliance.

With these landmark endeavours, we are confident in our business' strategic robustness and long-term sustainability.

A Commitment to Sustainability

Despite the miseries of the pandemic, the past couple of years has undoubtedly enhanced our social sensitivity. Over the years, we have demonstrated our commitment to imbibe the spirit of sustainability in every aspect of our business strategies, processes and operations.

Our value creation model is committed to the long-term welfare of the ecosystem of our business partners and the steady socio-economic progress of our extended family of stakeholders.

Moreover, as a Company with a strong social conscience, we are guided by environmental sustainability in our actions. We strive to create a holistic and sustainable operation. We remain committed to driving greater levels of sustainability across our network whilst promoting the use of eco-friendly energy alternatives. One such instance of our green focus is how we have substantially solarised our network of Retail Outlets. Launching new eco-friendly grades of lubricants also underlines our continuous endeavour to usher in a greener tomorrow for the nation.

Preserving Value

A robust corporate governance framework provides a solid foundation for navigating emerging complexities in a volatile operating landscape. Our Board has strengthened engagement with the leadership team, continuously evaluating the impact of the macro-economic dynamics on the Company's performance, stability and future outlook. Key areas of board focus included management of supply chain disruptions, cost of procurement, employee safety, depreciation of the currency, movements in commodity prices and other risks emanating from the environment. The Company immensely benefitted from the Board's rich experience and far-reaching vision that was instrumental in successfully steering our teams through one of the most challenging years for the country.

Awards and Accolades

Your Company's stellar performance and empathetic social outreaches in the last fiscal has earned several prestigious awards and accolades. The Company's Annual Report 2021-22 has emerged as the Joint Gold Award recipient at the 135th Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka for the Best Integrated Annual Report. Our Annual Report was also among the CMA Annual Report Awards' Top Ten Annual Reports. The Company was also recognised at the National Business Excellence Awards. These recognitions are a testament to our continuous commitment to raising the bar in the corporate sector and integrated reporting to ensure accountability and transparency in our operations.

Way Forward

At this juncture, Sri Lanka is facing insurmountable short-term economic pressures. We anticipate the economy to post gradual recovery over the medium-term and will continue to pursue our growth aspirations. And as we brace for the challenges ahead, we are confident that the Company's solid foundation and performance thus far will stand us in good stead to navigate this economic crisis.

As we mark a significant milestone with 20 years of presence in Sri Lanka, we have integrated ourselves as a valued partner in Sri Lanka's growth trajectory. We now look forward to stepping up as a valued energy partner of the nation and working closely with the GoSL to enable development and progress.

According to the World Bank's latest Commodity Markets Outlook Report, the ongoing war in Ukraine has significantly shocked commodity markets. The shock has altered global trade, production, and consumption patterns, keeping prices at historically high levels until 2024. Energy prices are expected

to increase more than 50% in 2022 before easing in 2023 and 2024. If the war gets prolonged or additional sanctions are imposed on Russia; prices could be even higher and more volatile than currently projected.

Due to war-related trade and production disruptions, the price of Brent crude oil is likely to average over \$100 a barrel in 2022, its highest level since 2013 and an increase of more than 40 per cent compared to 2021. Prices are expected to moderate to \$92 in 2023 - well above the five-year average of \$60 a barrel¹.

Against this backdrop, GoSL has recently implemented the much-needed Common Fuel Price Mechanism, which considers the fluctuations in world oil prices. Under the mechanism, Retail prices of fuel are revised periodically to ensure that they reflect the prevailing international oil price. Such a mechanism shall go a long way in ensuring the sustainability and long-term progress of the country.

Our significant investments over the years have positioned us to support the development of the energy ecosystem of Sri Lanka. And let me assert that customer-centricity will be our key focus in our quest to achieve business excellence. In fact, our unwavering resolve to delight our customers is reflected through our ever-increasing footprint across the island and the constant upgradation of the Retail Visual Identity (RVI) of our outlets. Moreover, transitioning towards eco-friendly energy sources continues to be our foremost priority. Thus, we are strategically pursuing the expansion of our network of EV charging stations.

Let me also share that expanding our bunkering activities in the Hambanthota Port has enriched the energy choices for customers. Apart from this, fuel supply to the Ceylon Electricity Board and venturing into direct Gasoil/MGO supply are some of the path-breaking initiatives taken in the national interest highlighting that we stand together with the nation at every step.

Appreciation

I wish to extend my sincere appreciation to my fellow Directors on the Board for their valued counsel during the year. I must also congratulate the Managing Director and his executive team for their immense commitment and tireless efforts in delivering the desired results. I would also humbly like to thank the Government of Sri Lanka for the support and guidance extended to the Company.

Above all, let me reiterate my belief that the success of any organisation is powered by its workforce. I must compliment the Company's dedicated workforce for their great focus and tenacious efforts. I thank every employee for their valuable contributions in the face of unprecedented challenges. I would also like to take this opportunity to extend my gratitude and appreciation to our valuable customers, business partners and all other stakeholders who have been an integral part of the Company's success story.

Best Wishes,



Ranjan Kumar Mohapatra
Chairman

¹<https://www.worldbank.org/en/news/press-release/2022/04/26/>



MANAGING DIRECTOR'S REVIEW

“With our strong commitment to stand together with the nation as a reliable energy partner, over the last few months, LIOC has stepped up its activities towards attending to emergent needs of the nation.”

Dear Shareholders,

When confronted with unprecedented challenges, great companies find a way to persevere through by continuously challenging the status quo and striving for even greater levels of excellence. It gives me immense pleasure to share that your company displayed tremendous resilience and tenacity as it traversed its way through a completely uncharted volatile business environment to report the highest ever revenue and profitability levels in its corporate history of nearly two decades.

This fete was not an easy task, given the adverse economic headwinds that engulfed us throughout the year. The ingenuity of our LIOC team together with our astute strategies and entrepreneurial mindset enabled us to deliver a stellar performance. The Company looked beyond the immediate short-term horizon to set in place the right platform of growth over the long term. This called for a complete change of perspective and an agile response to the emerging challenges and a transformed work environment under the new normal that were presented in the year under review.

Together with the Nation

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

currency. The downgrading of the sovereign rating of the country by leading international rating agencies exacerbated the situation further. In the backdrop of these emerging disruptions, the banking system was severely affected with the non-availability of dollars for opening of LC's. The shortage of foreign exchange triggered an economic and energy crisis.

With deepening of economic crisis and very limited options in sight to resort to across the globe, India extended a USD 500 Million Line of credit (LoC) in February 2022 to the country to finance the purchase of petroleum, followed by another USD 1 Billion Line of credit as part of its financial assistance for food, fuel and essential items, to tide over the economic crisis.

With our strong commitment to stand together with the nation as a reliable energy partner, over the last few months, LIOC has stepped up its activities towards attending to emergent needs of the nation. We have been a facilitator of the goodwill and support extended by neighboring India. This validates the relevance of our impactful presence and our corporate purpose to infuse social value through our business.

During the last quarter of the financial year 2021-22, the country faced low fuel inventories which led to shortages and queues at Retail Outlets. Power outages were imposed on a daily basis for as long as 13 hours which created social unrest and panic across the island. In response to this crisis, LIOC stepped forward to assist the nation with the fuel requirements needed by the thermal power plants by supplying 6,000 MT of diesel to power the Kerawalapitiya power plant, thereby averting the prolonged and long hours of the power cuts providing much needed relief to people at large

Amidst these externalities, LIOC faced a myriad of challenges in maintaining the continuity of its business operations by importing the necessary inventory of auto fuels and products under other business segments. Further, it was faced with the challenge of maintaining and functioning the auto fuel outlets with the required inventories in place. As a provider of essential services, our foremost mandate has been to provide an uninterrupted service level to ensure daily activities of the people of Sri Lanka are not hampered due to the non-availability of auto fuel.

Snapshot of the Financial Performance

The year under review was indeed a pivotal year for LIOC. The phenomenal performance recorded was achieved by pragmatically balancing the potential of our business verticals. Building critical success factors across our portfolio of products has strengthened our foundation for transformative growth.

Your Company was successful in delivering record high levels of revenue and profitability with a growth trajectory across its key business verticals of lubricants, bitumen and bunkering. Auto fuels segment recorded a slight decrease in volumes attributable mainly to restricted vehicular movement during lockdowns.

Your Company recorded a 35% increase in revenue to deliver LKR 89.95 Bn which was driven by increased product prices coupled with volume growth. Volume and revenue growth in lubricants, bunkering and bitumen boosted the overall profitability which was to an extent thwarted by the nominal gains in the auto fuels segment. Thereby the Company's Net Profit after tax increased to a historical high during the year to LKR 4.82 billion from LKR 883 million recorded in 2020-21. The Company took a proactive stance by adapting swiftly to the forex and import restrictions imposed by the government through timely decisions on building optimum inventory levels and effective management of stocks. Thereby the Company was able to efficiently manage its cost of imports whilst ensuring business continuity. Borrowings increased during the year mainly on account of an increase in short term loans utilized to finance increasing working capital requirements.

Executing our Strategy

The Company's strategy over the years has been focused on evolving and transforming it to the next level of growth by continuously breathing life into our vibrant ecosystem of innovation and ensuring meaningful solutions to the challenges

Managing Director's Review

faced. Accordingly, our strategic priorities were underpinned by a holistic blueprint of strengthening our financial performance by unlocking the potential of our diversified business verticals. This necessitated us to calibrate our strategic blueprint to swiftly align ourselves to a dramatically changed volatile operating environment. The Company focused on its key strategic priorities of sustainable financial performance, customer centricity, internal business processes, sustainable operations and building a future ready LIOC Team, during the challenging phase of 2021-22.

Your Company, therefore, focused on optimizing the value and potential of each product segment to derive greater profitability. Several strategies were in place to drive higher volumes and profit margins across the business verticals. The lubricant segment displayed the highest growth trajectory historically by driving revenue mainly driven by the expansion of its distributor network to 31, expansion of SERVO shops to 525 along with greater institutional sales. Furthermore, operating costs were optimized by focusing on the procurement costs and optimum inventory levels. Despite the downgrade of the sovereign rating, your Company was successful in expanding its tender procedure to attract a wider net of bidders in a global scale. This enabled the Company to obtain offers from many potential bidders to evaluate the most favourable options.

Bunkering segment of the Company delivered progressive results with over 100% increase in revenue. We focused on negotiating the agreements and contractual terms whilst focusing on timely collection of outstanding dues. The Bitumen segment also performed favourably with exports to Nepal on a consistent basis. The auto fuels segment of the Company was affected by a decline in volume. Despite periodic price revisions specially during the latter part of the year, your Company continued to suffer losses on account of continuous increase in international oil prices.

In the wake of supply related constraints faced by the Company due to logistical challenges and the shortage of dollars for financing imports we adopted a proactive stance of building inventories in a timely manner. Limited banking facilities beleaguered by continuous down gradation of Country's credit ratings, the opening of single shipment LC for Gasoil/Gasoline import, adversely affected by high international oil prices, had to involve multiple first class international banks from amongst the restricted options acceptable to Suppliers, many of which were subjected to a second level of confirmation. Yet we successfully faced the challenges to ensure regular fuel imports. We carried out inventory optimization which

“Your Company was successful in delivering record high levels of revenue and profitability with a growth trajectory across its key business verticals of lubricants, bitumen and bunkering.”

was facilitated through precise and meticulous arrangements with our network of suppliers. To reduce our dependability on country's USD reserves, we adopted a strategy of invoicing in USD to leading exporters in the country who needed fuel supplies on an uninterrupted basis. This has proved to be a win-win proposition for both the parties.

We are excited of the future growth and revenue prospects offered by our new venture, Sri Lanka's first Grease plant which will cater to the entire Grease requirements of the country. Once fully commercially operational, the 3000 MT plant will create a significant benefit to the economy by saving the outflow of foreign exchange.

During the year under review, your Company introduced the 'Propel' brand of petrochemicals to the market, which has shown promising results and would enable the Company to diversify its earnings stream.

We are optimistic on our joint venture partnership with CEYPETCO to develop and operationalize the 61 tanks in the Trincomalee Upper Tank Farm, which shall be a major step in our diversification. Since the signing of the historic agreement in January 2022, your Company has had several Board meetings wherein constructive deliberations have taken place for commencing the development work of the Upper Tank Farm under Trinco Petroleum Terminal (Pvt) Ltd with 49% shareholding with LIOC and 51% with CPC.

We have already laid out the ground clearance to commence the first phase with 10 tanks which will, thereafter, be followed by the development of the remaining 51 tanks as the second phase of the project. This shall not only open a plethora of opportunities for energy players across the globe but also provide an option for maintaining strategic oil reserves for the country.

A detailed overview of our strategy in action is presented in this report and I intend to provide an all-encompassing overview of the path taken by the company.

Driving Social Value

The pandemic has highlighted the socio-economic polarities which has necessitated corporate entities to come forward to support the vulnerable segments of the community. As an organization which is deeply committed to adopting a shared approach to value creation, we initiated several community reach activities during the year from donating dry rations to the needy families, mobile phones for online classes to Ministry of Education, medical equipments to Hospitals, etc. Being a responsible Corporate Citizen, we shall continue to engage in meaningful dialogue with all our stakeholders, while striving to improve social, environmental and economic performance of our operations.

Sustainability

Our business operations are firmly entrenched within a philosophy of sustainability. We place significant emphasis on conducting our business in a socially responsible and holistic manner for long-term growth and sustainability. While responding to society's growing demand for energy, we work in the best possible way to balance and integrate economic, environmental and social considerations into our business decisions. Over the years we have been committed to solarize our network of outlets thus ensuring a sustainable operation. As a responsible energy company, we have been deeply committed to introduce environmentally friendly energy alternatives and have thus far supported this endeavor through our network of expanding EV charging stations along with our environmentally friendly range of auto fuels. We are deeply cognizant of impact of our operation on marine life and take adequate precautionary measures to mitigate such environmental hazards. All of this has helped us in aligning our business, social, and environmental objectives.

A People – Centric Approach

We are cognizant that the past few years have been extremely challenging for our team, with periodic lockdowns, remote working and the uncertainty which has pervaded. This has taken a toll on the overall well-being of the employees. In this context we have created a workspace which promotes engagement with our team through periodic communication and a range of engagement activities. We have over the past few years consistently created an environment where our employees are valued and respected by creating a convivial culture of togetherness. A performance

management system has been introduced which ensures that employees are rewarded in an equitable manner, thereby nurturing an enabling and performance-driven culture.

Future Prospects

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

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

Appreciation

I wish to extend my deep gratitude to the Chairman along with the team at our parent company Indian Oil Company for their invaluable wisdom and unmatched guidance on setting the right strategic path amidst the volatile business environment. I take this opportunity to place my sincere appreciation to the Board of Directors for their insights and stewardship. Our talented LIOC team proved their mettle by rising strong with relentless dedication to enable the strategic priorities of the Company to be achieved amidst many challenges.

A special note of thanks is extended to the Ministry of Power & Energy which has always been accessible, facilitating constructive discussion on the emerging crisis, I extend my appreciation to the Ministry of Finance, Central bank of Sri Lanka and all other officials who extended their support which enabled us to procure our products. We are also grateful to the Board of Investment for the support extended and continued co-operation in setting up of our Grease plant. Our business partners and retail fuel outlets faced several challenges in maintaining continuous service levels. I wish to appreciate all our committed teams at the Retail Outlets and channel partners for their support and dedication in seamlessly delivering our services.

With our commitment of working together with the nation, we shall continue our pursuit of excellence towards building a rewarding future.



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 true people's man, Mr. Ranjan Kumar Mohapatra, Director (Human Resources), IndianOil, Chairman, LANKA IOC & Chairman, IndianOil Mauritius Limited is a firm believer in the power of possibilities. Mr. Mohapatra is also the President and Board Member of International Federation Training and Development Organization. Trustee Secretary of IndianOil Foundation, Member, Advisory Committee, Institute of Chemical Technology – IndianOil Odisha Campus, Chairman of Skill Development Institute, Bhubaneswar, Member of Board of Governors, Rajiv Gandhi Institute of Petroleum Technology, Amethi,

Distinguished Invitee at All India Management Association (AIMA), Executive Board Member at Fore School of Management, Co-Chairman of the HR Committee – FICCI, member of Committee on ease of doing business – CII, and Executive Board Member of Standing Conference of Public Enterprises (SCOPE). With a calm demeanor and a focused approach, Mr. Ranjan Kumar Mohapatra draws inspiration from every generation and inspires one and all in myriad ways.

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. Believing in the 3A's of Agility, Adaptability and Alignment, Mr. Mohapatra has been instrumental in transforming the face of Human Resources not only in IndianOil but the entire PSU sector of India.

Having journeyed for over three decades across different geographical boundaries and different business domains in IndianOil, Mr Mohapatra has 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 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 upgradation program of the Oil Industry in India. As the Chairman of CII Odisha State Council during 2019-20, Mr. Mohapatra worked 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 during the devastating cyclone FANI. Mr Mohapatra is a prominent Member of Asia Pacific Resource Centre of Global Compact

**MR AMITHA GOONERATNE**

Independent Non-Executive Director

MR D R PARANJAPE

Non-Executive Director

MR VIGYAN KUMAR

Non-Executive Director

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 fora of The Society for Human Resource Management (SHRM)-a professional human resources membership association headquartered in Alexandria, Virginia.

Mr. Mohapatra strived relentlessly in pursuit of excellence during the turbulent times of 2020 and played a stellar role in guiding, motivating and leading IOCIans and keeping them safe with minimal effect of Covid-19. The Public Relation society of India acknowledging his exemplary Leader during COVID-19 confer 'pride of India' award for fighting the pandemic.

Mr Mohapatra has also been conferred with the Doctor of Philosophy, 'Honorary' Doctrate by the Manav Rachna Institute of International Research and Studies for his work and contribution in Corporate Leadership.

At IndianOil, Mr Mohapatra envisions to align Human Resources initiatives to Strategic Corporate Vision and has pioneered several efforts to usher in a vibrant culture focused towards higher growth and productivity. With cross cultural experience, Mr. Mohapatra has been invited to Europe, USA, Africa and Southeast Asia, to present papers and deliver lectures at several international fora. He has also published various articles in international journals and supply chain reference books.

**Mr Manoj Gupta**
Managing Director

Mr. Manoj Gupta is a Civil Engineering graduate from the prestigious NIT, Jaipur and has an MBA from the Podar Institute of Management, Jaipur. With over 29 years of expertise in the Petroleum Sector, Mr. Gupta has wide experience in various roles in the 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 & the State Government, to maintain uninterrupted supply of petroleum products in the entire State.

Board of Directors

He spearheaded two 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 Indian Oil with international consultants. He was the chief architect for creating FIT, SEVA, AWESUM, DARPAN (Dealers Scorecard) initiative undertaken by Project Dhruva. This strategic initiative and network/ customer centric approach has contributed immensely towards the improvement of look and 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 as a Director on the Board of Ceylon Petroleum Storage Terminals Limited and Trinco Petroleum Terminal (Pvt) Ltd., contributing his expertise to the petroleum sector in Sri Lanka. Also Mr. Gupta serves as the Chairman - Government liaising of the Indian CEO Forum and actively participates in various CSR programs.



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. He also received the Lifetime Achievement Award from CMA Sri Lanka in 2018.

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

He served as Chairman of the People's Bank, Chairman of the 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 a 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.

He is also the Past President of Institute of Chartered Accountants of Sri Lanka, Past President of the South Asian Federation of Accountants (SAFA) and Founder signatory to the formation of SAFA in 1984, Founder President of the Association of Accounting Technicians of Sri Lanka (AAT), Past President of the Organization of Professional Associations of Sri Lanka (OPA), and 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 the Founder Chairman of the Sri Lanka Economic Summit and Ten Best Corporate Citizens Awards Committees. He was appointed by the Supreme Court of Sri Lanka as the Senior Member of the Committee of Chartered Accountants to assist the Supreme Court in the repayment of depositors of certain specified failed deposit taking companies.



Mr Amitha Gooneratne
FCA (SL) / FCA (ENG. & WALES)
Independent Non-Executive Director

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of the Institute of Chartered Accountants, UK and Wales and a Fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Private) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne assumed duties as the Managing Director of Melstacorp PLC, which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC which subsequent to a restructure of the Group is now the Holding Company and is listed in the Colombo Stock Exchange.

He is the Chairman of Melsta Logistics (Private) Limited and Bellvantage (Private) Limited and is a Board Member of Periceyl (Private) Limited, Browns Beach Hotel PLC, Lanka Bell Limited, Bellactive (Private) Limited, Bell Solutions (Private) Limited, Timpex (Private) Limited Texpro Industries Limited, Bogo Power Limited., Melsta Tower (Pvt) Limited, Melsta Health (Private) Limited, Melsta Healthcare Services and Melsta Hospital Management Services, Melsta Pharmaceuticals (Pvt) Limited and Melsta Laboratories (Pvt) Limited subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC, Teejay Lanka PLC, Textured Jersey Prints Limited and Commercial Development Company Limited. He is also an Alternate Director on the Boards of Distilleries Company of Sri Lanka and Aitken Spence PLC.



Mr Vigyan Kumar
Non-Executive Director

Mr Vigyan Kumar is 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 the length and breadth of the Country. For the last 3 years, he is heading the Retail Sales function of Indian Oil as the Executive Director (Retail Sales-North & East) and has been instrumental in ushering in the new look & feel of the outlets through attractive designs and standardization and ensuring Automation of Fuel Outlets across the network.

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 & the State Government to maintain uninterrupted supply of petroleum products in these States.

After an initial 1 ½ years with he supply 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 at present posted as the Executive Director In-Charge of the Finance Function of the Marketing Division of Indian Oil Corporation Ltd. 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.

Previously, Mr Paranjape has also served as the Company Secretary and HR Head of Indian Oil Petronas Pvt. Ltd., another joint venture between IndianOil & Petronas of Malaysia. 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.

SENIOR MANAGEMENT



MR RAJESH KUMAR BHAGAT
Senior Vice President
(Ops, Import & Bunker Sale)

MR SWAPAN HAIDAR
Senior Vice President
(LM&P)

Debanjan Mukherjee
Sr. Vice President
(OPS & LBP)

MR SHASHANK JADHAV
Senior Vice President
(Engineering)

MR VENU PRADEEP
Vice President (Ops),
Trincomalee

MR GIRISH RANJAN
Senior Vice President
(Retail sales & HR)

MR MANOJ GUPTA
Managing Director

MR ASEEM BHARGAVA
Senior Vice President
(Finance)

MR RANJEET BOTHRA
Vice President
(Finance)

A large, cylindrical industrial storage tank, possibly for oil or gas, dominates the left side of the frame. A metal spiral staircase with yellow safety railings winds its way up the side of the tank. The sky in the background is a mix of deep blue and orange, suggesting a sunset or sunrise. The overall image has a warm, industrial feel.

OPERATING LANDSCAPE AND STRATEGY

OPERATING ENVIRONMENT

Our Operating Context

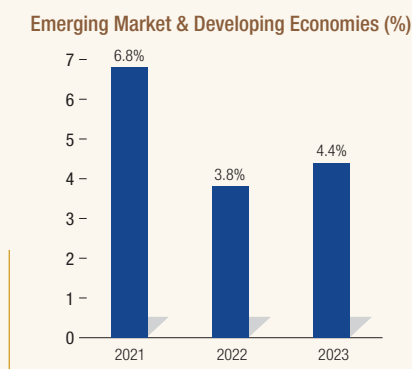
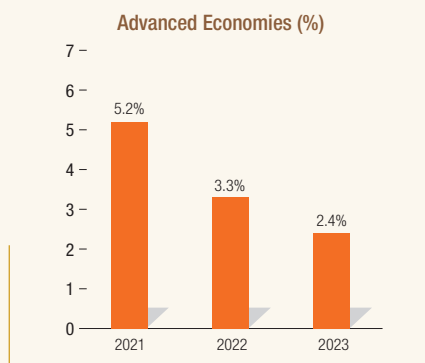
The 12 months ended on 31 March 2022 was a period marked by some of the most acute challenges at both the global and home front, spanning economic, geopolitical and social aspects. These challenges shaped the operating environment in which we function, and demanded recalibration to our strategies to ensure sound results creating value for all our stakeholders.

Global operating environment

- The effects of the COVID-19 pandemic exacerbated with the emergence of the highly infectious variants Delta and Omicron causing longer-than-expected supply disruptions and further feeding inflation in many countries
- Despite this, with the success of the vaccination programs including boosters and efforts of countries in tackling the pandemic, the global economy converged on a recovery path
- However, the initial hopes for a strengthened global recovery from early 2022 worsened with Russia's invasion of Ukraine, the resultant humanitarian crisis in Eastern Europe and sanctions imposed on Russia
- Many countries across the globe, including advanced as well as emerging economies are experiencing higher inflation, making it a point of major concern for central banks and policy makers and prompting tighter monetary policies
- The International Monetary Fund forecasts a 3.6% global economic growth rate for 2022, whilst the same for Advanced Economies and Emerging Market & Developing Economies are 3.3% and 3.8% respectively

Crude oil prices increased in 2021 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions and a growing economy resulted in global petroleum demand rising faster than petroleum supply.

IMF Global Growth Projections



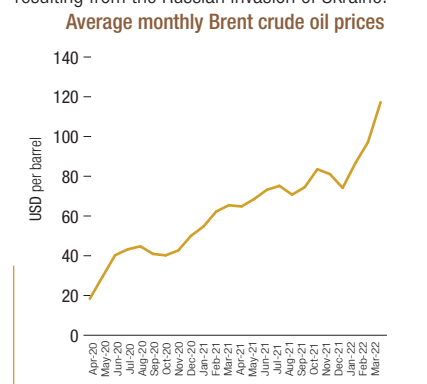
Source: World Economic Outlook Update – April 2022, International Monetary Fund

Global oil industry

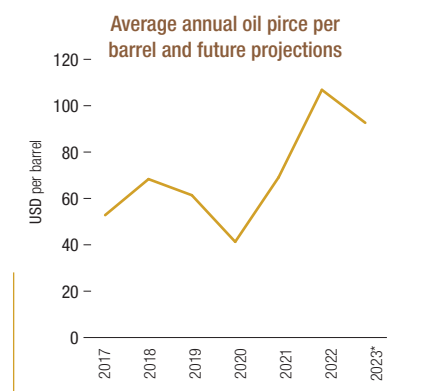
Demand and supply: The early parts of the year were marked by slow recovery in oil demand, attributed to a surge in new COVID-19 cases, with air travel and jet fuel being mostly affected. Demand picked up with the gradual relaxation of pandemic related restrictions and growing economies. Surging commodity prices and international sanctions levied against Russia in response to its invasion of Ukraine are expected to depress global economic growth. This is set to further exacerbate low demand for oil in 2022.

Despite the disruption to Russian oil supplies, World's second largest oil exporter and a potential resultant supply shock, these lower demand expectations, steady output increases from OPEC+ members along with the US and other non OPEC+ countries, and massive stock releases from the International Energy Agency member countries are expected to prevent a sharp deficit of global oil supply from developing.

Pricing: Crude oil prices increased in 2021 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions and a growing economy resulted in global petroleum demand rising faster than petroleum supply. Prices peaked towards October 2021 before declining in the final weeks of the year. Prices again increased steeply to exorbitant levels within the February – March 2022 window, resulting from the Russian invasion of Ukraine.



Source: statista.com



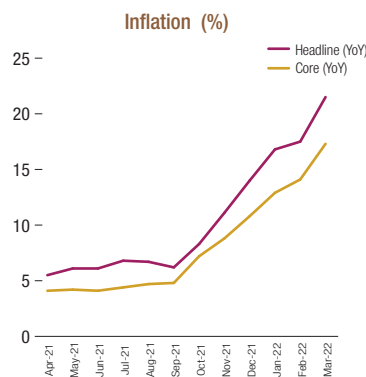
*Projected figures

(Price - the average of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil prices)

Source: World Economic Outlook Update – April 2022, International Monetary Fund <https://www.iea.org/reports/oil-market-report-march-2022>

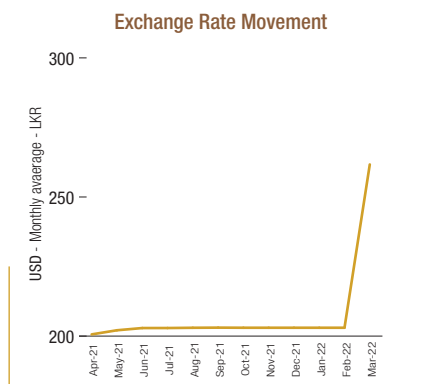
Local economy

- In 2021, the Sri Lankan economy recorded a GDP growth of 3.6%, recovering from a contraction of 3.7% in 2020
- Recovery from the pandemic was positive, particularly in revenue from exports exceeding USD 1 Bn per month for consecutive months and tourism picking up in late 2021 before being affected by geopolitical tensions and domestic economic challenges
- The trade deficit continued to widen driven by higher import expenditure
- Inflation continued to rise, driven by both supply side factor and mounting aggregate demand pressures, headline inflation of 21.50%, and Core inflation 17.30% (March 2022/ NCPI)
- Depleting foreign exchange reserves led to shortages in imported commodities including fuel and gas leading to power outages and disruptions in economic activities
- The LKR/USD peg of LKR 203 was removed in March 2022 by the Central Bank of Sri Lanka (CBSL) with greater flexibility in the exchange rate allowed to the markets – The rupee depreciated by 48% by end March 2022 over end March 2021 recording LKR 299 per USD
- The CBSL adopted a tightening monetary policy throughout the year, with all key policy rates of Standing Deposit Facility Rate, Standing Lending Facility Rate, Bank Rate and Statutory Reserves Ratio increased by 200 bps. Resultantly, market rates have gradually adjusted upwards
- All three leading rating agencies Standard & Poors, Fitch and Moody's downgraded Sri Lanka's sovereign rating during the year, citing increased probability of an imminent default given Sri Lanka's worsening external liquidity position, resulting from a drop in foreign-exchange reserves compared to high external debt payments and limited financing options



National Consumer Price Index (NCPI)

Oil prices remained steady for the most part of the financial year. Demand for fuel also picked up with the gradual easing of travel restrictions and return to new normalcy.



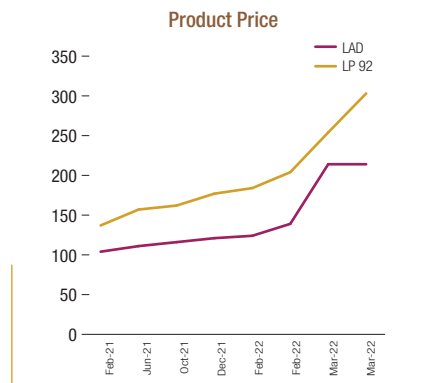
Source: Central Bank of Sri Lanka

Impact on Lanka IOC operations

Pricing

Oil prices remained steady for the most part of the financial year. Demand for fuel also picked up with the gradual easing of travel restrictions and return to new normalcy. The scenario changed dramatically, as a result of the foreign exchange crisis floating of the dollar at home and global supply side shocks stemming from the Russian invasion of Ukraine.

The rapidly depreciating Rupee propelled hikes in retail selling prices of fuel during the year.



Volumes

With restrictions on imports due to the depletion of foreign exchange reserves, import volumes of key oil products dropped during 2021-22.

Opportunities and Risks for LIOC

Opportunities	Risks
Geographical diversification enables the export of products to neighbouring countries.	Restricted import volumes due to the shortage of foreign currency affecting business
Investment in expanding capacity	Exchange rate volatilities causing drastic price fluctuations
Investment in solarization in line with SDGs.	Potential loss of demand, in the event of fuel prices reaching extreme high levels

Commitment to combatting climate change

The year under review saw close to 200 countries, including Sri Lanka, committing towards global warming to 1.5 °C at the COP26 – the 2021 United Nations Climate Change Conference in Glasgow.

Sri Lanka as a country has its own set of Nationally Determined Contributions towards a greener planet such as

- achieving 70% renewable energy in electricity generation by 2030
- achieving carbon neutrality by 2050 in electricity generation
- reducing greenhouse gas (GHG) emissions by 14.5% for the period of 2021 – 2030

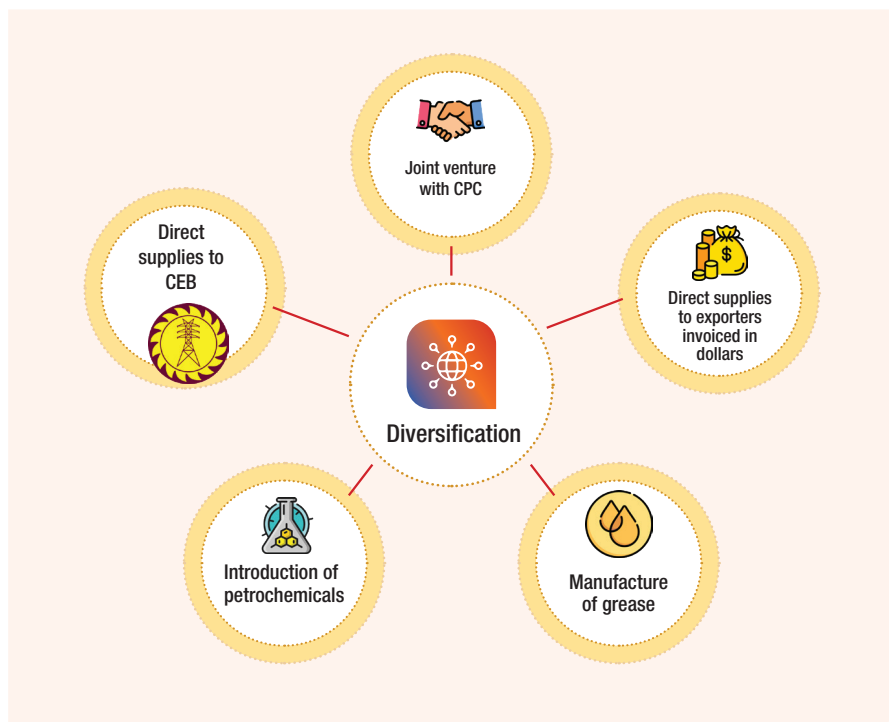
As a supplier of fuel-based products with high carbon emissions, we are aware of the impact we have on the environment arising from our products. Supported by the research and development capabilities of our parent, we are committed towards developing and retailing ecologically sustainable products in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

Opportunities and Risks for LIOC

Opportunities	Risks
Leveraging on engineering capabilities, and project-management expertise to innovate in emission reduction	Failure to address the reduction of emissions may impact
Using clean energy for own operations	long-term social acceptability and profitability
Enhanced corporate reputation	
New environmental friendly Lube products	

OUR STRATEGY

Our ever-evolving operating environment presents new challenges as well as new opportunities. Through our holistic strategy we take strides to strengthen our business and adapt to this changing landscape while playing a key role in shaping a sustainable society. Our strategy, aims to position LIOC as a leader in the energy industry, fortifying our vision of “being a major, integrated energy company, with a strong environment conscience, playing a national role in oil security”. Thus, it is not just about strengthening our operational and financial performance, but also involves creating a positive impact on society by balancing the financial objectives of our direct operations with our sustainability ambitions.



The Company's strategic agenda for the year remained consistent with the strategic direction adopted since 2002. The plan clearly outlines the strategic objectives that the Company aspires to meet, and the short, medium, and long-term priorities and actions required to achieve these objectives. While the unprecedented operating challenges that prevailed necessitated a refinement and realignment of our strategic actions with the addition of a diversification strategy, the remaining strategic pillars of Profitable Growth, Customer Centricity, Operational Excellence, People Development and Sustainability remained relevant to the evolving operating landscape.



Profitable Growth

Over the past two years, we have been steering through an unprecedented global pandemic that has challenged us all. Amid this time of chaos and unpredictability, we managed to improve the financial performance of LIOC through a robust three-pronged focus involving cost optimization, efficient management of key diversified business verticals and maximizing the return on investments.

During 2021-22, the efficient allocation and utilization of resources and optimizing the value

and potential of each product segment continued to be of critical importance given the economic circumstances faced by the country. Accordingly, several strategic actions were put in place to facilitate higher volumes and profit margins across the business segments which turned out to be greatly successful for LIOC. The lubricant segment clocked the highest ever production in the history of operations driven by the expansion of its distributor network to 31, expansion of SERVO shops to 525, compounded with greater institutional sales. The bitumen segment also progressed to record a 34% growth in sales volumes and a revenue increase of 140% compared to the prior year. The bunkering segment succeeded in recording its highest ever profit margin since the inception of operations while achieving a sales growth of 22%. The auto fuel segment was heavily challenged during the year with the steep depreciation of the Sri Lankan Rupee and the unforeseen rise in global oil prices exacerbating the segments losses. To mitigate the severity of these losses the segment relentlessly pursued maximizing the revenue from non-fuel streams including renting of spaces through its Retail Network, apart from resoting to retail price revisions on multiple occasions.



Customer Centricity

Customers are at the heart of everything we do and guide every decision we make. We push ourselves to improve from the benefit of our customers and that is embedded in our core purpose of doing what is right for our customers, communities and the planet. In a rapidly changing operating context, customer centricity involves transforming internal mindsets and processes, adjusting the ways of working and service delivery to remain agile and relevant. Thus, amidst a challenging year, LIOC continued to offer uninterrupted services to its customers while focusing on mechanisms to improve customer convenience and significant investments were made to improve the visual identity of the Retail Outlets to give our customers a more pleasant experience. Our physical presence was also expanded during the year with the launch of 3 new Retail Outlets and addition of 4 new Lube distributors to our network and we also facilitated transacting via digital modes for the ease of our customers.

While LIOC has always been committed towards social and economic upliftment, the recent turn of events has been rather challenging making fuel import much costlier and we are very much troubled

and aggrieved to have had to pass on the impact of currency devaluation to our customers. We will periodically review our prices and work towards providing relief to our valued customers when the situation takes a turn for the better.



Operational Excellence

Demonstrating its character in the face of adversity, LIOC stood through the unprecedented disruptions to the global economy caused by the COVID-19 pandemic. The Company's emphasis on operational excellence has always been the backbone of its success and a crucial factor in its sustained profitability.

Technology driven automation continued to be a priority through 2021-22 and the Company steadily progressed with several key IT developments to enhance the efficiency and productivity of its operations. Automation of Retail Outlets to improve performance, launch of a web-based program on Cloud, automating its treasury transactions and the development of a secondary billing software for Lube Distribution to have better visibility of product movements were some of the key highlights of the year.

Our complaint management procedure remained effective recording complaints via a mobile app, thereby facilitating speedy remedial action and prevention of similar future occurrences.

LIOC also revised and revamped its procurement processes to ensure better management of inventory and uninterrupted service delivery. While expanding its storage infrastructure LIOC also focused on making sure that its equipment continued to operate effectively.



People Development

Talent is positively correlated with business growth and hence we continuously work towards fostering talent within the organization and providing our people with a motivating and rewarding work environment.

Our sustainable growth model is based on advocating a work culture that encourages people to take ownership and deliver results and our flexible work culture provides a suitable environment

to work towards a shared vision and inculcate a sense of belongingness to the workplace. Career progression opportunities and developing the next level of leadership are vital areas that the Company hopes to focus on. The Company will continue to assess and refine the remuneration and rewards packages of our employees to be on par with industry standards.

Health and safety of employees continued to be a foremost priority of the Company during the year, and LIOC implemented a range of measures to safeguard its staff from the risk of cross infection, including arrangement of Pfizer second and third doses of COVID-19 vaccinations for employees and their families.



Diversification

Our strategy that drives core ambitions to gear LIOC for growth into the coming years was the cornerstone for several key diversification initiatives we pursued during the year in review.

One such venture is one of its kind, the Grease Manufacturing Plant in Trincomalee which is set up and expected to be commissioned in July 2022 bringing great promise to the Company as well as the economy. With the capacity to cater to the entire nation's grease demand, this related diversification strategy builds on the existing capabilities of the Company with potential economies of scale, giving LIOC a definite edge in the market.

The joint venture entered into with Ceylon Petroleum Corporation (CPC) in January 2022 to collectively develop the Trincomalee oil tank farm also positions LIOC on a continuous growth trajectory and open up plethora of opportunities on meaning full utilization tank farm area. Under the Memorandum of Understanding signed with the Government of Sri Lanka for the next 50 years, the two parties will jointly refurbish 61 of the 99 tanks at the farm while 24 will be developed by CPC and 14 by LIOC.

The Company also introduced the 'Propel' brand of petrochemicals to the market, which will enable the Company to diversify its earnings stream, considering the promising product demand.

For the first time since commencing operations, we also arrange direct fuel supply to the Ceylon Electricity Board for electricity generation in support of the Government of Sri Lanka during these challenging times, seriously embracing the national

Our Strategy

role we play in oil security. This arrangement has had a major impact on the country as it significantly reduced the severity of the power outages, further reiterating our commitment as a responsible corporate citizen and portraying that we are indeed Together With The Nation.

Recognizing the requirement to supply diesel directly to exporters and industries against collections in US dollars, during 2021-22, LIOC laid the necessary groundwork to facilitate this strategic move. We commenced this operation in 2022-23 and the outlook is very promising with direct supplies likely to account for more than 1/3rd of our daily sales of diesel.



Sustainability

In an evolving operating context where social and environmental concerns are brought to the epicenter of the corporate agenda, LIOC recognizes that it has a vital role to play as an advocate of sustainability in Sri Lanka, in its capacity as the single largest private sector auto fuel retailer. To be sustainable, we must develop new approaches to our lifestyle, including the way we do business, so that future generations can enjoy the resources as much as we do today and LIOC is steadfast in its efforts to ensure the decisions taken are prudent, framed by an astute and educated assessment of the future. The Company's success depends on the ability to understand and respond to the changing world and thus remains resolute in its determination to carry out its operations keeping in mind the sustainability of future generations.

Building a culture of sustainability involves everyone, from the executive leaders and management to the support staff and administration personnel. To this end, sustainable practices are entrenched across

all facets of our business from the products that we market to our operations from sourcing, blending and distribution through our Retail Outlets.

Our solarization drive continued with much zest and has accrued significant savings in terms of energy consumption to the Company. The introduction of environmentally friendly branded fuels has also set us apart invoking positive sentiments among customers, reverberating our stance as a responsible corporate citizen. We will continue to be a first – mover and an early adopter in abiding with the International Maritime Organization (IMO) guidelines as in the past demonstrating our unequivocal commitment to marine life and reducing environmental hazards.

We also remain committed to highest ethical standards and integrity in all activities with direct support from the Board of Directors.

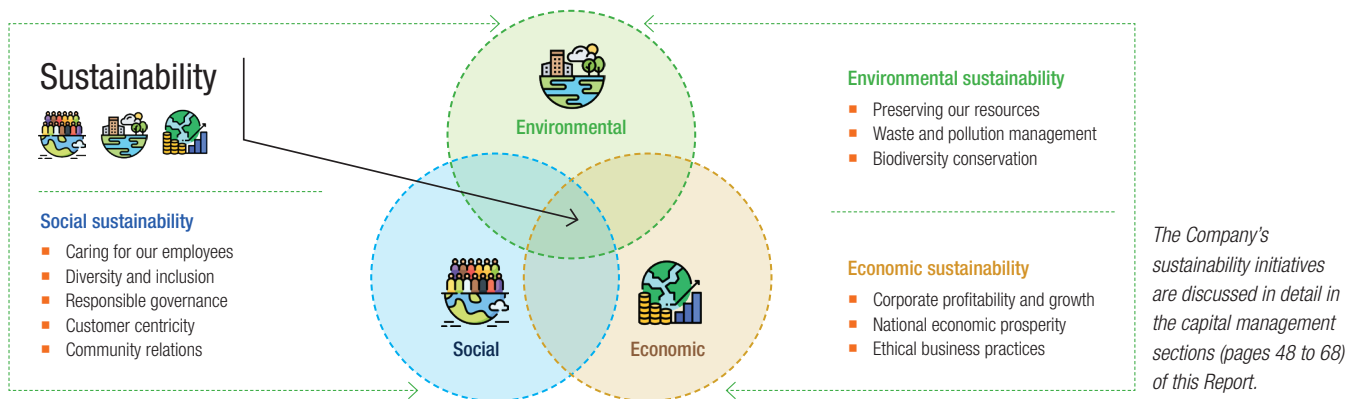
SUSTAINABILITY AT LIOC

Our commitment and approach

Our vision of being a major, integrated energy company, with a strong environment conscience, playing a national role in oil security is deeply instilled into the Company's ethos and organizational culture. At LIOC, sustainability is more than simply caring for the environment and spreads further towards acknowledging its commitment to balancing economic prosperity and social responsibility.

The COVID-19 pandemic posed many challenges to the Company, whilst also echoing more prominently that our people are our greatest asset. The pandemic not only posed a threat to people's physical health, but also to their mental wellbeing, by compelling people to rapidly adapt to a completely different new normal. Thus, 2021-22 emerged as a year of empathy for LIOC as it continued to focus on ensuring employee health and

wellbeing and powerfully advocating its people first culture. In addition, the Company invested in training and development, promoting sustainable lifestyles, safeguarding natural and cultural eco-systems, and stakeholder engagement - to navigate the workforce towards a sustainable economy. Hence, we stand committed to do our part to address the pressing issues facing our industry, our nation as well as the entire world.



Contribution to the United Nations Sustainability Development Goals (UN SDGs)

LIOC focuses on aligning its sustainability strategy and initiatives with the United Nations Sustainable Development Goals (SDGs) through strategic and concerted efforts aimed at alleviating poverty, promoting prosperity and protecting the environment.

The ensuing section depicts LIOC's focus on the UN SDGs through its businesses and sustainability initiatives.















<p>1 NO POVERTY</p> <p>Donation of packets of dry food items to 20 families of the Sri Lanka Welfare Society of Blind Women</p> <p>2 ZERO HUNGER</p> <p>Donation of 2 oxygen concentrators to the Sri Lankan Police.</p>	<p>3 GOOD HEALTH AND WELL-BEING</p> <p>Strict adherence to health and safety regulations amidst the COVID-19 pandemic</p> <p>Greater focus on employee wellbeing with higher levels of engagement</p> <p>Strict quality control protocols</p> <p>Donations of COVID-19 safety gear to Gothatuwa Maha Vidyalaya and oxygen concentrators to the Sri Lanka Police</p>	<p>5 GENDER EQUALITY</p> <p>Equal opportunity employer</p> <p>Break the Bias - Gender equality today for a sustainable tomorrow'-event organized on International Women's Day</p> <p>Donation of 100 Samsung smart phones to the Ministry of Education to support online education</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Solarization of our Retail Outlets</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Introduction of climate friendly fuels</p> <p>Rainwater harvesting plant at Trincomalee Terminal</p> <p>13 CLIMATE ACTION</p> <p>Deer feeding program carried out in Trincomalee</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Attractive remuneration</p> <p>Opportunities for career progression and performance linked bonuses</p> <p>Facilitating a hybrid work model</p> <p>Continuous training and development</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Efficient management of water and energy for production</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Proper waste segregation systems and management of water discharge</p> <p>Periodical water testing to ensure conformity to environmental standards</p> <p>Oil Spill Contingency Plan approved by the MEPA</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>Board approved anti-corruption and whistle-blowing policies</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p> <p>Partnered with the Rotary Club, Trincomalee for biodiversity conservation initiatives</p> <p>Joint venture with the Ceylon Petroleum Corporation (CPC) to develop the Trincomalee oil tank farm</p>	

**SUSTAINABLE
DEVELOPMENT
GOALS**

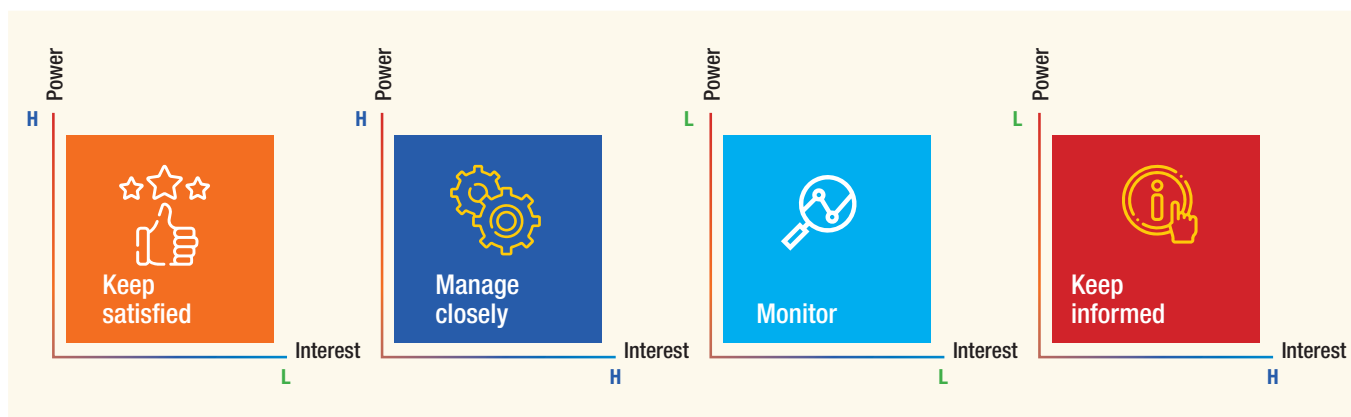
ENGAGEMENT WITH STAKEHOLDERS

The continued success of LIOC depends on our ability to generate stakeholder value. In order to do so, we need to identify and understand the diverse needs of our stakeholders who potentially have the most significant impact on our ability to create value and address these requirements through accurate alignment of our strategy. While the dynamic and turbulent operating environment that prevailed during the year intensified the need for stakeholder engagement, it also provided us an opportunity to proactively fulfill the needs of our stakeholders, thereby fostering long term relationships.

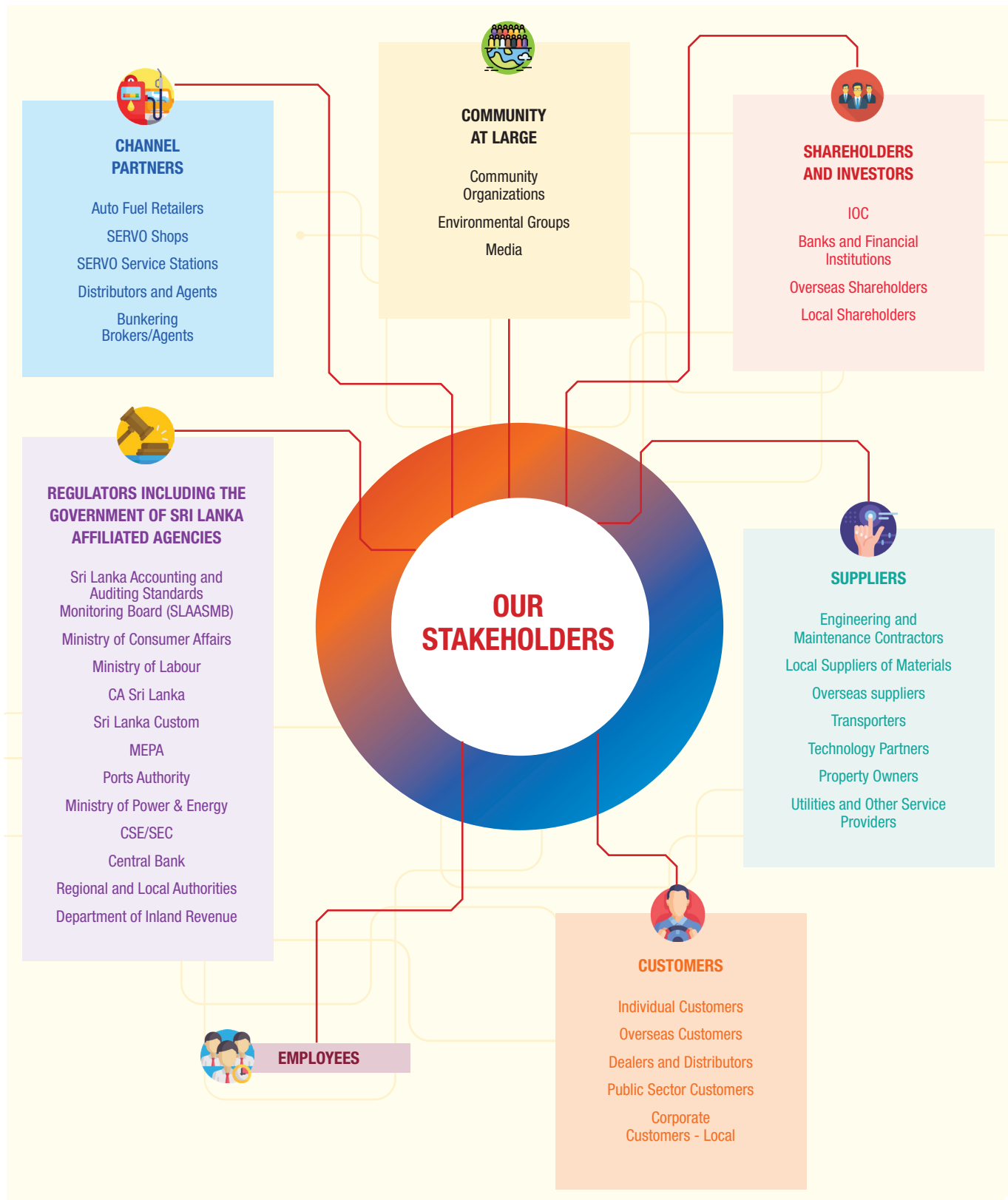
Our stakeholder groups are analyzed on a periodic basis to determine the level of power and interest held by each segment. We use various engagement platforms appropriate to the needs of each stakeholder group throughout the year and value their feedback which helps us identify possible areas of improvement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

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

H - High M - Medium L - Low



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.



Engagement with Stakeholders

Shareholders

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> Annual report and quarterly financial reports Annual General Meeting (AGM) Consultations with IOC, the major stakeholder on matters of policy and strategy at the Board level Press releases and digital channels (website and social media channels) Announcements to the Colombo Stock Exchange (Continuous Basis) One -on -one engagements 	<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
Strength of relationship: Strong		
Capitals impacted  FINANCIAL CAPITAL  SOCIAL & RELATIONSHIP CAPITAL		

Employees

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> LIOC Connect the internal monthly newsletter Periodical 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 channels (website and social media channels) 	<ul style="list-style-type: none"> Market compatible remuneration and benefits packages. 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 (pay revision even during COVID-19) A safe, engaging and fair work environment that supports personal & professional growth and career progression An empathetic, people first approach in managing human talent Effective communication and real-time engagement Preparing our people for the "New Workforce," providing access to new technologies and training, to be future ready under the new normal Encouraging and providing the opportunities for continuous learning including mobile based learning
Strength of relationship: Strong		
Capitals impacted  HUMAN CAPITAL  SOCIAL & RELATIONSHIP CAPITAL		

Channel Partners

How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> Dealer site visits Regular field sales visits Meeting with Auto Fuel dealers and Lubes distributors which includes SERVO shops and SERVO service stations Telephone, E-mail, SMS and WhatsApp official groups, SMS Review and feedback meetings by Managing Director and Heads 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
Strength of relationship: Moderate		
Capitals impacted  SOCIAL & RELATIONSHIP CAPITAL		


Customers

How we engage	Key concerns	Our commitment
<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, Twitter) Corporate website Customer outline 	<ul style="list-style-type: none"> Selling Price Timeliness of supply Credit facilities 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
Strength of relationship: Strong	Capitals impacted  SOCIAL & RELATIONSHIP CAPITAL  MANUFACTURED CAPITAL	

Suppliers and other service providers

How we engage	Key concerns	Our commitment
<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
Strength of relationship: Moderate	Capitals impacted  SOCIAL & RELATIONSHIP CAPITAL	

Regulators

How we engage	Key concerns	Our commitment
<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 & 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
Strength of relationship: Strong	Capitals impacted  FINANCIAL CAPITAL	

Community

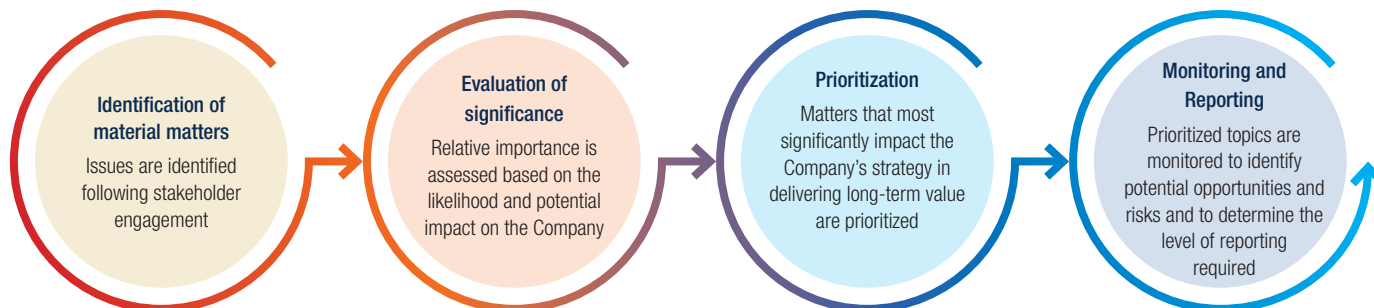
How we engage	Key concerns	Our commitment
<ul style="list-style-type: none"> Direct contact with communities CSR activities Local events and sponsorships News media Annual Reports 	<ul style="list-style-type: none"> Indirect economic benefits through employment generation and infrastructure projects 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
Strength of relationship: Moderate	Capitals impacted  SOCIAL & RELATIONSHIP CAPITAL  NATURAL CAPITAL	


MATERIAL MATTERS

We consider an issue to be material if it can potentially impact LIOC's financial performance and sustainability and our ability to generate value for our stakeholders. Material issues are identified based on the feedback received through ongoing stakeholder engagement, changes in the operating landscape and global trends which impact the Company's operations. Material topics are reassessed on regular basis to evaluate their relevance and to ensure that the significant economic, social and environmental aspects that impact LIOC are addressed proactively.

The Company's material issues represent internal and external factors. The below mentioned topics were prioritized in alignment with the relevant SDGs during 2021. However, there were no restatements or significant changes in the list of material topics and topic boundaries compared to the previous year.















The process adopted for determining materiality is presented below.



	Material Topic	Prioritization		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
		Impact on LIOC	Impact on the Stakeholders				
1	Profitability Profitability is seen as a key enabler in creating value for our stakeholders.	H	H	Shareholders Employees	Profitable Growth		Financial capital - page 48
2	Growth Ensuring sustainable business growth reflects LIOC's operational success, efficiency and productivity.	H	H	Employees Customers Shareholders	Profitable Growth	 	
3	Dividend consistency Dividend consistency attracts potential investors and depicts the Company's ability to provide fair returns to shareholders.	M	H	Shareholders	Profitable Growth Sustainability	 	
4	Good corporate governance and ethical business conduct Good governance, legal and regulatory compliance and ethics provide the foundation for all business activities of LIOC, determining and shaping the organizational culture.	H	M	Employees Customers Regulators	Sustainability	   	Governance report - page 72
5	Sustaining brand value and reputation One of the most valuable indicators of LIOC's success as it determines our status quo based on our ability to consistently honour our promises to our stakeholders.	H	H	Shareholders Employees Customers	Operational Excellence Sustainability		Intellectual capital - page 55
6	New and sustainable technologies Embracing the latest technological developments helps create a competitive advantage in today's ever evolving business environment and continues to be a vital focus area of LIOC.	H	H	Employees Customers	Operational Excellence	 	Intellectual capital - page 55
7	Business initiatives Recognizing new opportunities and strategies for business growth is a key driver of business success in today's highly competitive business world.	M	M	Employees Customers	Operational Excellence		

	Material Topic	Prioritization		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
		Impact on LIOC	Impact on the Stakeholders				
8	Competitive remuneration Safeguards LIOC's ability to retain the best talent in order to realize the corporate strategy and long-term vision.	M	H	Employees	People Development		Human capital - page 58
9	No pay cuts Keeping our staff motivated during the challenging times was a key priority and thus heavy focus was placed on maintaining benefits provided.	M	H	Employees	People Development	  	
10	Job security In the post pandemic era where unemployment levels are rising LIOC places utmost importance in ensuring 100% job security.	L	H	Employees	People Development		
11	Pricing Product price is a key consideration that determines the competitiveness of LIOC in each segment. Supplier pricing is also given high priority as this determines LIOC's potential for revenue growth.	H	H	Customers Suppliers	Operational Excellence		Social and relationship capital - page 63
12	Undisrupted supply Undisrupted supplies and continuing operations, especially in Auto Fuel, Industrial Fuel and Bunkering are high priority considerations.	H	H	Customers	Operational Excellence	 	Social and relationship capital - page 63
13	Ease of access One of the most important ways in which we can achieve sustainable growth is to expand our reach.	H	H	Customers	Operational Excellence		Social and relationship capital - page 63
14	Quality performance Customers seek quality and performance of the product especially in Fuel and Lubricants. Thus, LIOC places high importance on maintaining quality standards.	H	H	Customers	Operational Excellence	  	Social and relationship capital - page 63
15	Timeliness Commencement of 24-hour operations and expanding customer touch points to enhance access and timeliness of supply.	M	M	Customers	Operational Excellence		Social and relationship capital - page 63
16	Continuing mutually beneficial relationships Mutually beneficial relationships help to maintain uninterrupted business operations and LIOC places high importance in nurturing and building sustainable relationships.	H	H	Channel partners Suppliers	Operational Excellence		Social and relationship capital - page 63
17	Fair credit terms In difficult economic times, retaining the loyalty of channel partners depends to a large degree on the fairness of credit terms offered and promptness in payments due.	M	H	Channel partners	Operational Excellence		Social and relationship capital - page 63
18	Energy stability Reducing the carbon footprint and energy costs of the Company thereby ensuring resource efficiency and sustainability.	H	H	Community	Sustainability	  	Natural capital - page 68

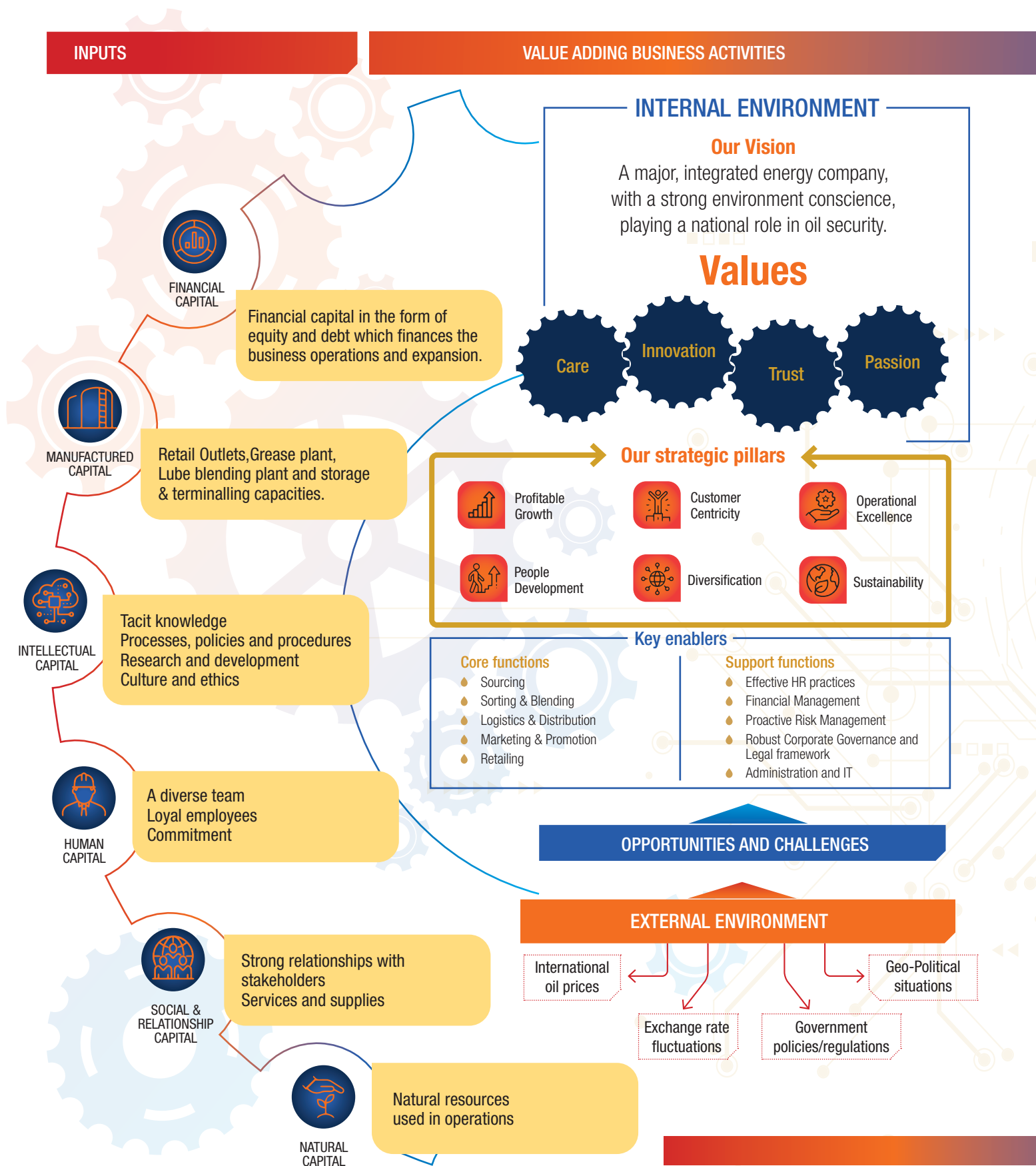
Material Matters

	Material Topic	Prioritization		Stakeholders impacted	Strategic relevance	SDGs	Page Reference
		Impact on LIOC	Impact on the Stakeholders				
19	Compliance Our compliance with all applicable laws, regulations and standards safeguards business continuity and the license to operate.	H	M	Regulators	Sustainability		Governance report - page 72
20	Foreign exchange outflow Managing foreign exchange outflows continued to be a critical focus area and LIOC's grease plant to be commissioned in July 2022 will reap great savings in terms of reduced import costs.	H	H	Community	Operational Excellence		Manufactured capital - page 52
21	Economic benefits The Company aims to continue its expansion and sustain jobs created by its operations.	L	H	Community	Sustainability	  	Social and relationship capital - page 63
22	Social and Environmental consciousness The impact on the society and environment is closely monitored and reported to contribute positively towards uplifting the lives of the people and protecting the natural environment.	H	H	Community	Sustainability	     	Social and relationship capital - page 63
23	CSR Contributes towards uplifting the lives of socially and economically disadvantaged communities across Sri Lanka.	M	M	Community	Sustainability	  	Social and relationship capital - page 63

An aerial photograph of a large offshore supply ship, likely a T-ESV, sailing on the ocean. The ship's deck is visible, showing various equipment, pipes, and safety railings. The hull is painted in blue and red. The ship is moving towards the bottom right of the frame, leaving a white wake. The sky is a clear, deep blue. The text "MANAGEMENT DISCUSSION AND ANALYSIS" is overlaid in large, white, bold, sans-serif capital letters on the right side of the image. On the ship's superstructure, the text "NO SMOKING" and "SAFETY + FIRST" are visible.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VALUE CREATION MODEL

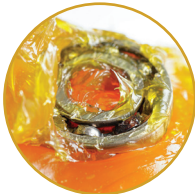


OUTPUTS

OUTCOMES

(SDG's)

OUR PRODUCTS

Automotive
FuelsLubricants and
Grease

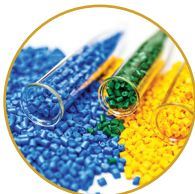
Bitumen



Bunkering



Petrochemicals



Revenue: **Rs. 89.95 Bn**
PAT: **Rs. 4.82 Bn**
Earning per Share : **Rs. 9.05**
ROE: **20%**



Investment in revenue
generated assets **Rs. 265 Mn**
Increased Lube capacity
Completion of grease
manufacturing plant



Brand Value: **Rs. 3,713 Mn**
**29th place in LMD "Most
Valuable Consumer Brands"**
Rating: **AA**



Employee benefit and
Remuneration: **Rs. 693 Mn**
Training hours: **840**
No of employees: **161**
New recruitments: **10**
No. of workplace injuries : **nil**



Investment in CSR: **Rs. 3 Mn**
Exchequer Payment:
Rs. 14,967Mn
No of touchpoints: **792**
Retail Outlets: **213**
Servo shops: **525**
Lube distributors: **31**



Solar installation: **51**
Recycled water: **2,000 KL**
Sludge disposal: **27 KL**
Electric charging stations: **6**
Investment in green initiatives:
Rs. 35 Mn

Shareholders

Profitability
Sustainable growth

Customers

Superior customer
service
Uninterrupted product
supply

Employees

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

Regulators

Compliance with all
regulatory requirements

Business partners
and suppliers

Long-term relationships
Transparency

Community and
environment

Improvements in
quality of life

Environmental
conservation



SEGMENT PERFORMANCE OVERVIEW



AUTOMOTIVE FUELS

The segment imports and distributes petrol and diesel through its island wide retail network and caters to nearly 12% of the country's retail fuel demand. It also offers a range of premium and branded fuels which provide enhanced fuel efficiency and engine performance.

What we did

LIOC continued to expand its reach with the addition of 3 new Retail Outlets during the year under review. At present the Company operates 213 Retail Outlets across the length and breadth of the island nation with accessibility in every district marketing three variants of;

Petrol	Diesel
LP92	Lanka Auto Diesel
Xtra Premium Euro3	Lanka Super Diesel
Xtra Premium 95	XtraMile



Modernization of Retail Outlets, both dealers owned as well as Company owned, progressed during the year portraying a new appearance and impression to enhance customer experience.



35 dealer owned sheds upgraded their retail visual identity according to LIOC standards.

LIOC upgraded the retail visual identity of 31 sheds.



LIOC installed monoliths for product display at 31 sheds.



21 Retail Outlets were solarized in line LIOC's commitment and contribution towards the nation's vision of embracing a renewable energy generation.



During 2021-22 LIOC succeeded in completing the automation of petrol pumps at 25 Retail Outlets. This will enable the Company to effectively monitor performance, gather data on consumer behaviour and fueling patterns for further analysis and achieve operational efficiencies.



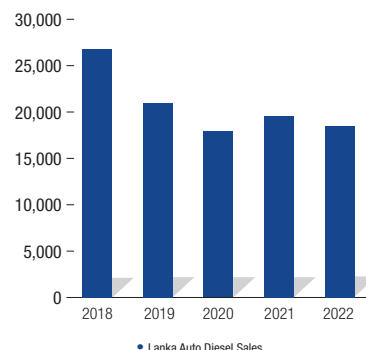
Cashless transacting was supported at the petrol stations via card payments as well as via the Dialog touch fuel card and HNB Solo app to minimize interaction between customers and pump attendants. All other safety norms were strictly adhered to in line with the regulations imposed by the Health Authorities.



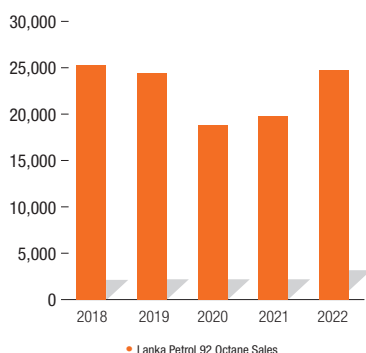
Our performance

The automotive fuels segment was heavily impacted by unfavourable conditions spurred by the depreciation of the Sri Lankan Rupee and the unforeseen rise in global oil prices which marked a record high. In this backdrop LIOC was compelled to increase its retail selling prices of fuel on multiple occasions within the last financial year. Accounting for approximately 63 % of LIOC's total revenue the segment recorded a revenue of Rs. 56,725 Mn. Total sales volume grew by 6%.

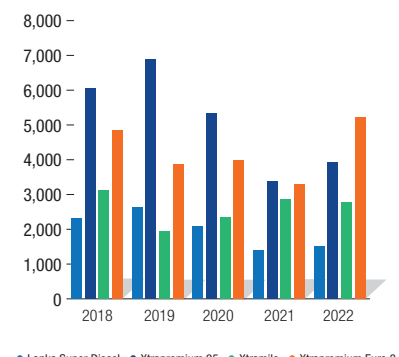
Lanka Auto Diesel Sales (Rs. Mn)



Lanka Petrol 92 Octane Sales (Rs. Mn)



Fuel Sales (Rs. Mn)



Outlook

Despite having navigated through a rough year, the segment remains optimistic that the situation will take a turn for the better and that it will be in a position to provide relief to its valued customers through reduced prices in time to come.

The segment also hopes to enhance the sale of its branded fuel consisting of a lesser sulphur content, which provides better mileage and is more environmentally friendly.

Furthermore, the segment will unceasingly endeavour to position LIOC as a differentiated outlet in the market in terms of optimum service standards, modernized facilities and augmented visual appearance.

With the intent of diversification into consumer sales, the segment shall venture into sales of Diesel to export and other industries directly against collection in USD after obtaining necessary approval from GoSL. This shall not only provide the much-needed regular fuel supply to industries but shall also make available valuable foreign exchange for LIOC enabling further imports of fuel consignment and creating a Win Win situation.



BUNKERING AND OPERATIONS

Lanka IOC PLC is the leading bunker fuel supplier at Sri Lankan Ports. We supply Low Sulfur Fuel Oil (0.5% S) complying with IMO 2020 regulation as well as IFO 380cst (3.5% S) at the ports of Colombo, Trincomalee and Galle. We also supply LSMGO (with S <0.1%) at all Sri Lankan ports. Our bunker fuels conform to ISO 8217:2005 specifications. Bunker deliveries are carried out through dedicated bunker barges plying under Lanka IOC's Time Charter. All our bunker deliveries are supervised by independent surveyors.

What we did



The financial year 2021-22 was a year of many firsts for the bunkering segment which marked a significant turnaround since its inception. Post commissioning of bunkering activities at the Hambantota port in March 2021, LIOC sourced two product shipments during the year under review from the Hambantota port to the Colombo port through its time-chartered barge.



The segment also succeeded in registering a substantial profit by sharing its barge at the Colombo port for supplies of other bunker players and using the barge to its maximum capacity. The Colombo port currently has four bunker players, each of whom own their own barge. Proper utilization of the Company's supply as well as maximizing the utilization of idle time via barge sharing resulted in additional earnings for the Company.



Furthermore, the segment modified its purchasing contracts with international parties for its vital products such as gasoline, gas oil and low sulphur fuel oil to reduce the ocean loss.



The segment, for the first time in its history of operations was able to reduce ocean loss to the range of 0.1%-0.2% from its previous position of 0.6%-0.7%.



The segment also took necessary measures to resolve operational issues with its buyers and modified the general terms and conditions of contracts to avoid disputes from occurring at later stages with bunker customers.



Cost control measures and stock optimizations continued to be key focus areas and to this end, the segment ensured that imports were carried out smoothly without any supplier disputes or demurrages.

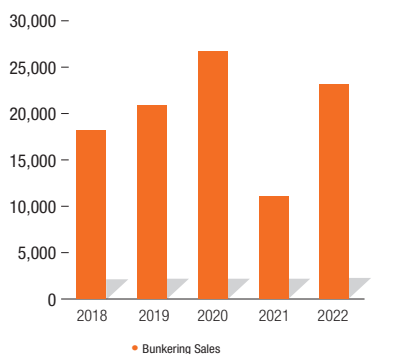


Operating in the midst of the COVID-19 pandemic for the second consecutive year, all safety precautions set in place during the previous year were strictly upheld. Restrictions were imposed for ships personnel to come on board the barge and customers were given the option to appoint a local surveyor to verify the quantities. Alternatively stock measurements and records were shared via digital means as well with the ship's personnel for verification.

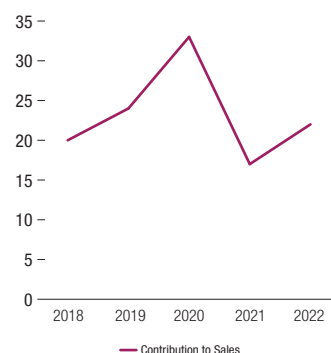
Our performance

The segment recorded its highest ever profit margin since the inception of bunkering operations. The segment recorded a growth of 22% in bunker sales reaching 166,000MT compared to the prior year's sales of 136,000MT. Market share rose from 31% to 33% during the year under review demonstrating the segment's efficiency and effectiveness in reaching its Intended and potential customers.

Bunkering Sales (Rs. Mn)



Contribution to Sales (%)



Outlook

The segment is backed by a very dynamic and energetic team, always striving to achieve better performance and growth. In the forthcoming year the team will strengthen its efforts on fine-tuning its current strategies to capitalize on the potential of the segment. Following are the key focus areas for sustainable growth.

- Selling the products at the optimum price to achieve a higher sales margin.
- Timely placement of products to optimize sales and inventory.
- Maintain its competitive position in the market
- Sourcing the product at the right price with proper planning to avoid any claims or demurrages
- Striving for further increase market share

Segment performance overview



LUBRICANTS

We offer a broad range of world class Servo brand Lubricants for automotive, industrial and marine applications. The majority of these high-performance lubricants are blended at our state-of-the-art Lube blending plant at Trincomalee, the first Lube plant and laboratory to obtain the ISO 9001: 2015 certification in Sri Lanka and are distributed across the island through a widespread network of distributors, petrol sheds and Servo shops. The newest addition to the segment is the 3000 MT grease manufacturing plant in Trincomalee, the first of its kind in Sri Lanka.

What we did



The segment holds a market share of nearly 30%, the second largest in the market. Even though the financial year 2021-22 posed significant challenges to the lubricant segment it ambitiously pursued its targets and succeeded in commissioning 50 Servo selling points in prominent areas across the island and also tied up with 4 new Lube distributors, thereby expanding its sales reach.



The development and testing activities of the 3000 MT Grease Plant in Trincomalee were completed during the year under review and the plant will be commissioned in July 2022. This marks a milestone in our journey as it emerges as the first grease manufacturing plant in Sri Lanka.



Our products have strong credentials in the market and acceptability among consumers ranks high. The following new products were introduced during the year under review.

- For diesel engines- Servo Pride ALT 15W40
- For petrol engines- Servo XEE SL 20W50
- For passenger cars- Servo Futura P+ 10W30.



These high-performance environment friendly products contain unique features such as excellent engine cleanliness, maximum protection of the engine from wear and deposits and outstanding control on oil thickening.



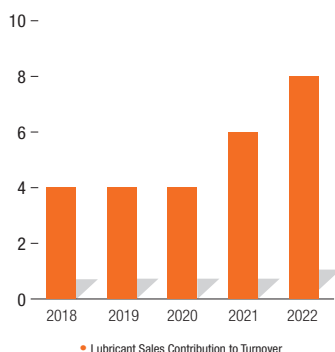
The procurement process of the segment was revised during the year and instead of limiting tenders to certain regions which was the practice carried out thus far, tenders were called globally. As greater number of bidders participated in the tenders the segment had a better opportunity to optimize its purchases and was able to significantly reduce its procurement costs.



Furthermore, LIOC renewed its agreement with the Government of Sri Lanka for import, export, blend, toll blend, sale, supply and distribution of Servo branded lubricating oil and grease and OEM specific lubricants for a period of five years from January 2022 reaffirming the strength of its market position.



Lubricant Sales Contribution to Turnover (%)



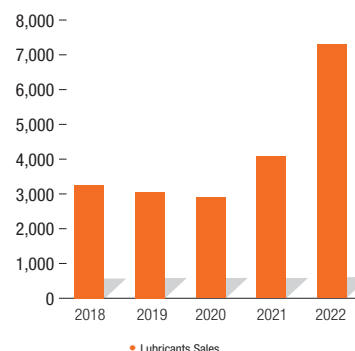
Our performance

The Lube blending plant in Trincomalee clocked the highest ever production and sales in the history of operations during the year under review. Segment revenue was Rs. 7.29 billion in year 2021-22 with a growth of nearly 79% compared with the preceding year.

The LIOC Lube blending plant duly supported and helped by the laboratory continued its market expansion through portfolio diversification.

The company's extended distribution network and the dedicated sales forces are the key factors which enables such expansion.

Lubricants Sales (Rs. Mn)



Outlook

Despite having navigated through a rough year, the segment remains optimistic that the situation will take a turn for the better and that it will be in a position to provide relief to its valued customers through reduced prices in time to come.

The segment hopes to further enhance its operations and sales to achieve the design capacity of the Lube blending plant and benefit from economies of scale. The segment shall continue to make further inroads into the lubricant market at the most competitive price.



BITUMEN AND PETROCHEMICALS

We are a leading supplier of bitumen in Sri Lanka and supply four variants of Bitumen for industrial and road construction purposes. We have also commenced the export of Bitumen to our neighbouring countries. Petrochemicals is a relatively new segment which the Company has diversified into with promising potential for future growth.



What we did



Despite the turbulent economic conditions, LIOC maintained its market leadership position in the bitumen market, bolstered by its strong reputation regulatory and reliability.



LIOC supplies premium quality bitumen products which are carefully and responsibly sourced from refineries in the Middle East. Accordingly, our customers are offered high quality products which comply with global industry specifications and standards. While serving the local market the segment continued exporting the products to neighboring countries during the year.



Being a relatively new player in the petrochemicals market, LIOC strategically continued its expansion drive to attain a greater market reach and focused on exploring potential opportunities to serve various market segments.



The procurement process was streamlined during the year under review allowing the segment to reduce its procurement costs in comparison to prior years.



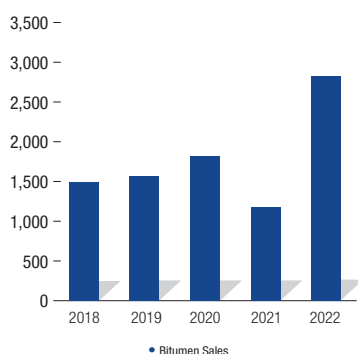
The segment also continued investing in cutting-edge technology and new product developments backed by a dedicated research and development team, to cater to the changing customer specifications and needs.

Our performance

Notwithstanding the challenging industry conditions, the gradual recommencement of government-led infrastructure projects increased the demand for bitumen during the year under review invoking positive sentiments for the segment. The segment recorded a sales volume of 24,289 MT compared

to 18,096 MT recorded during the previous year marking a 34% growth. Segment revenue amounted to Rs. 2.82 Bn during 2021-22 denoting an increase of 140% over the previous year.

Bitumen Sales (Rs. Mn)



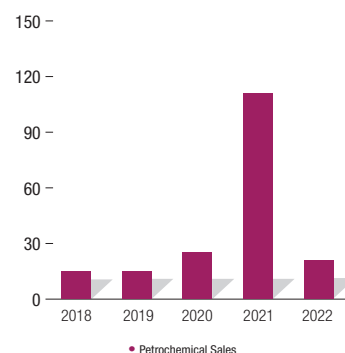
Our bitumen products

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

Our petrochemical products

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

Petrochemical Sales (Rs. Mn)



Outlook

We will continue to focus on shaping the future of the bitumen and petrochemical industry through the introduction of new product grades and the adoption of new technology. At present uncertainty prevails regarding the domestic market conditions as a result of the country's unfavourable economic conditions and we are extremely cognizant of the inevitable short-term pressures that will affect growth and profitability. However, we remain hopeful that the economy will post gradual recovery over the medium term and thus will continue to pursue our growth aspirations and strengthen our export activities while upholding our position in the domestic market.

The petrochemical segment initially performed at a slower than anticipated pace due to the difficulty in finding a suitable supplier. However, towards the latter part of the year operations accelerated and the segment achieved a sales volume of 112 MT. With the help of IOCL we managed to finalize the introduction of PROPEL in Sri Lanka with a restricted quantity. The segment shows great potential as the demand for the product is very high and we have set an ambitious sales target for the upcoming year.

FINANCIAL CAPITAL

Our financial capital consists of shareholders' funds and borrowings which are used to fund the Company's growth and day to day operations. In the midst of a challenging economic and business environment, we have been able to achieve excellent financial results for the year 2021-22 and maintain best practices in financial capital management to achieve the Company's short to long term strategic business objectives.

Value delivered in 2021

	Economic Value Statement	2021-22 Rs. Mn	2020-21 Rs. Mn	Change
Direct economic value generated	Revenue	89,951	66,686	▲
	Finance income	1,364	1,303	▲
	Other Income	116	252	▼
		91,431	68,241	▼
Economic value distributed	Operating costs	69,409	40,436	▲
	Employee wages and benefits	650	536	▲
	Payments to providers of funds	1,615	876	▲
	Payments to Government	14,967	25,513	▼
	Community investments	3	6	▼
		86,644	67,367	▲
Economic value retained	Depreciation and amortisation	422	403	▲
	Profit after dividend	4,366	483	▲

Capital connectivity and contribution



Remuneration, rewards and benefits to employees



Drive efficiency across the Company through cost optimization



Investment in infrastructure development



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



Contribution towards environmental conservation

Material issues addressed

Profitability Growth
Dividend consistency
Pricing
Compliance

Plans for 2022

Further optimise working capital management to ensure smooth business functionality and product availability.



Financial performance

Revenue

Despite the challenging operating context, LIOC recorded a revenue of Rs. 89.95 Bn during the year under review displaying a remarkable increase of 35% compared to Rs. 66.69 Bn of the preceding year, mainly as a result of the increase in product prices across all the segments coupled with volume increases in Lubricant, Bitumen and Bunkering segments.

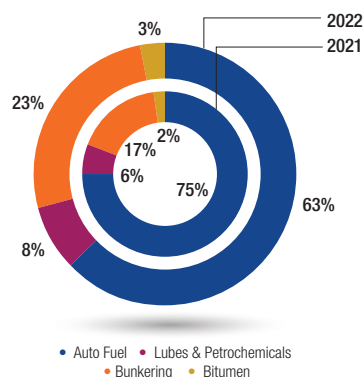
The Bunkering segment contributed emphatically to the topline with frequent vessel movements and increases in fuel prices during the latter part of the financial year due to the unrest in Ukraine and Russia.

Revenue from Lubricants showed a significant growth recording a historical high Rs. 7.29 Bn in 2021-22, an increase of 79% over the preceding year. Despite the COVID-19 pandemic that impacted the demand for products, especially during the second quarter of the year and the resultant import constraints imposed by the government due to forex shortage, LIOC was able to optimize its resources. Expanding customer reach and product availability at competitive price were the main causes to reap high yields in this segment.

Bitumen and Petrochemicals together contributed 3% to the total turnover. Revenue from Bitumen showed an increase of 140% during the year under review, mainly due to market diversification.

The Auto Fuel segment showed a marginal increase in sales value despite the overall volume drop of 6% in the year under review due to the increase of generic fuel prices multiple times. Accordingly, revenue from Auto Fuels which accounted for 75% of the total revenue in 2020-21 declined to 63% of total turnover in 2021-22.

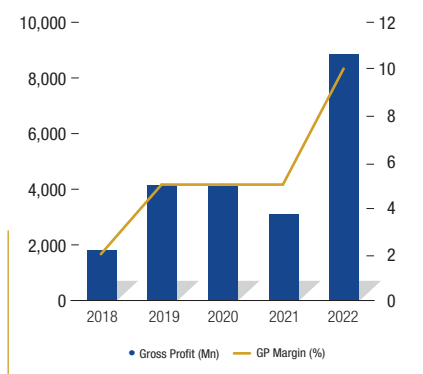
Turnover Composition (%)



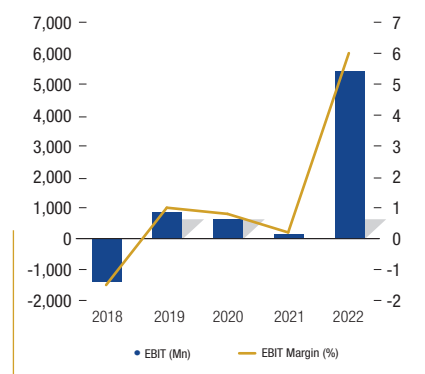
Gross Profit

During the year under review LIOC's gross profit rose to Rs. 8.84 billion from Rs. 3.11 billion reported in the previous year. This 184% increase, mainly resulted from high margins generated from Bunkering, Bitumen and Lubricant segments. Additionally, the waiver of custom duties at the onset of the financial year helped to ease out negative margins and the price hike in auto fuels towards the latter part of the year helped to set off losses caused by negative exchange rate movements and upward movements of international crude prices.

Gross Profit Margin



EBIT vs EBIT Margin



Item (Rs. Mn)	2021-22	2020-21	% Change
Net sales	89,951	66,686	35%
Cost of sales	(81,107)	(63,573)	28%
Gross profit/(loss)	8,845	3,113	184%
GP as a % of sales	9.83%	4.67%	

Earnings before Interest Expense, Tax, Depreciation and Amortisation

During the year under review, earnings before interest expense, tax, depreciation, and amortisation (EBITDA) increased by 934% to Rs. 5,832 million. These extraordinary results were achieved mainly due to the positive gross margins from Bunkering, Bitumen and Lubricant segments while curtailing negative margins from the Auto Fuel segment generated by generic fuels. Proactive pricing mechanisms adopted for the import of Auto Fuel during the 4th quarter aided branded fuel to generate positive margins to negate the losses from generic fuels.

Other income contributed Rs. 116 million as a result of non-availability of dividend from the Associated company (CPSTL) in the year under review. Administrative expenses showed a 17% increase reaching Rs. 1.6 billion and selling, and distribution expenses increased by 6% recording Rs. 1.9 billion. The marginal increase in selling and distribution expenses was mainly a result of the cost optimisation initiatives implemented by the Company during the year.

Segment (Rs. Mn)	2021-22	2020-21	% Change
Gross profit	8,845	3,113	184%
Other income	116	252	-54%
Administration cost	(1,639)	(1,401)	17%
Selling and distribution cost	(1,912)	(1,803)	6%
Operating profit	5,410	161	3260%
Depreciation and amortization	422	403	5%
EBITDA	5,832	564	934%

Financial Capital

Finance Income

The finance income of the Company rose marginally to Rs. 1,364 million during the year under review which depicted a 5% increase over the preceding year. This improved liquidity position and enabled the Company to strengthen its investment capabilities amidst the pandemic and currency crisis. Despite low deposit rates the Company sustained its finance income during the year under review by proactively engaging in effective swaps transactions. The composition of finance income is demonstrated below.

Finance Income (Rs. Mn)	2021-22	2020-21	% Change
Interest income on STI	1,335	1,279	4%
Interest on Others	29	24	21%
Total (Rs. Mn)	1,364	1,303	5%

Finance expenses

Finance expenses for the financial year under review amounted to Rs. 1.16 Bn, recording an increase of 144% against Rs. 476 million reported in the preceding year. This increase was prompted by the country's foreign currency crisis because in order to provide an uninterrupted supply of fuel, LIOC continuously increased its credit exposure by increasing interest bearing borrowing over the preceding year despite upward movements in premiums. The finance cost further aggravated by exchange losses caused in the latter part of the year due to the relaxation of exchange rates by CBSL.

Finance Expenses (Rs. Mn)	2021-22	2020-21	% Change
Interest Expense	962	643	50%
Exchange (Income)/Loss	200	(167)	
Total	1,162	476	144%

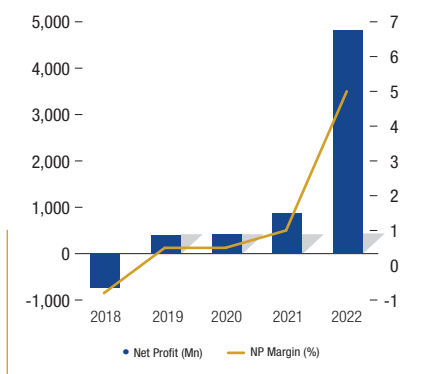
Income tax

The Company recorded an income tax expense of Rs. 793 million which is a significant increase compared to Rs. 105 million of the preceding year. However, the Company's current tax dropped by 15% due to drop in income from the unit trust which is taxed at the rate of 24%. Despite the drop in current tax, effective tax rate for the year under review stood at 14% in comparison with 11% in preceding year. This was mainly driven by deferred tax expenses which accounted Rs. 643 million.

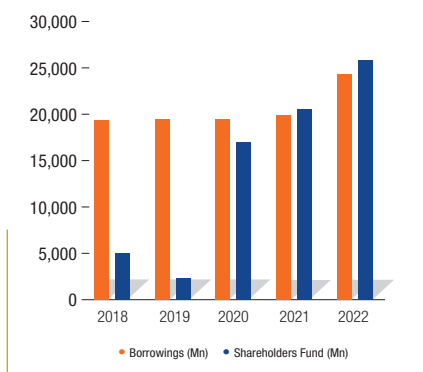
Net profit

The Company's net profit after tax increased to a historical high during the year reaching Rs. 4 billion from Rs. 883 million recorded in 2020-21. The Government undertook a series of measures including import controls to preserve reserves and ease pressure on the currency, which made importing commodities difficult. However, LIOC foresaw these impending difficulties and proactively re-engineered its procurements to make the product available across the island. The increase in vessel movements and international oil price increases helped the Bunkering segment to reap high margins while the Lubricant and Bitumen segments accelerated sales strategies produced remarkable profitability and drove the Company's profit to a historical high.

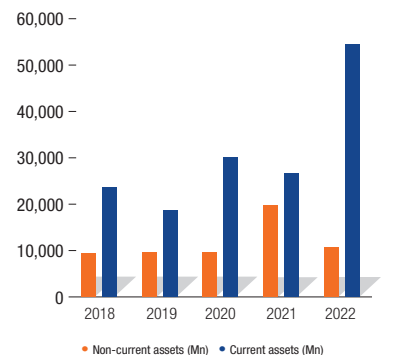
Net Profit Vs NP Margin



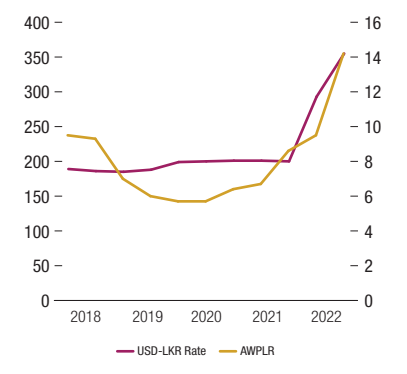
Borrowing Vs Shareholders Fund



Asset Employed



Movement in AWPLR/USD



Total assets of LIOC as at 31 March 2022 stood at Rs. 65.1 billion in comparison to Rs. 46.4 billion of the previous year. This increase of Rs. 18.7 billion is mainly attributable to inventories and investments made. The inventories rose to Rs. 27.3 billion from Rs. 9.6 billion in the preceding year. With the country experiencing an unprecedented currency crisis, as a proactive measure, LIOC stocked up on its inventories to ensure product availability across the island. The Company also invested Rs. 265 million in revenue generating assets as capital expenditure with the expectation of future benefits that would flow in through its investments in the network infrastructure.

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

Working capital/liquidity

(Rs. Mn)	2021-22	2020-21
Current assets	54,413	26,654
Current liabilities	40,347	26,431
Working capital	14,066	223
Current ratio (times)	1.35	1.01
Quick Ratio(times)	0.67	0.64

Balance sheet strength

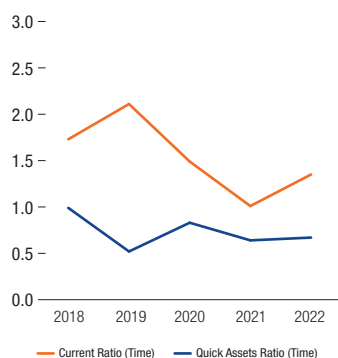
Extracts from the Statement of Financial Position

	2021-22	2020-21
Non-Current Assets		
Property, Plant and Equipment	3,857	4,019
Investment	4,443	4,394
Intangible Assets	674	674
Right -of-use Assets	80	63
Other Receivables at Amortized Cost	142	119
Bank Deposits	1,462	10,222
Deferred Tax Asset (Net)	-	261
	10,658	19,753
Current Assets		
Inventories	27,257	9,625
Trade Receivables	3,965	2,585
Other Receivables at Amortized Cost	667	1,707
Other Current Assets	108	79
Income Tax Receivables	-	18
Short Term Investments	19,892	12,041
Cash and Bank Balances	2,524	599
	54,413	26,654
Total Assets	65,071	46,407

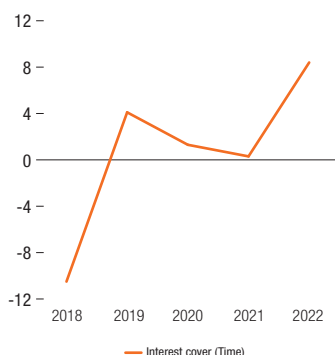
Effective cash management is crucial to LIOC's business and the Company has strategically improved its working capital to support smooth business functionality, make routine payments, cover unexpected costs, and adjust materials purchased.

During the year under review the Company's current ratio and quick ratio stood at 1.35 times and 0.67 times respectively against 1.01 times and 0.64 times reported in 2020-21. The increase in current and quick ratios was mainly due to the pursuit of a vibrant finance strategy agile to the Company's business strategy directed to ensure product availability while maintaining adequate liquidity. However, the Company continues to monitor and assess these strategies on an ongoing basis to ensure optimum performance in the coming years.

Current Vs Quick Assets Ratio



Interest Cover



Debt and capital structure

Capital Structure (Rs. Mn)	2021-22	2020-21
Equity	24,286 49%	19,924 49%
Debt	25,778 51%	20,590 51%
Total	50,064	40,513

LIOC assets were funded via 49% equity and 51% short-term loans during the year under review. The Company's debt rose by 25% to Rs. 25.8 billion during the year due to increased short-term borrowings in foreign currency which were obtained to make the product available across the island.

Shareholder value creation

Item	2021-22	2020-21
Earnings per share	9.05	1.66
Net asset value per share (Rs.)	45.61	37.42
Marker Price per Share (Rs.)	38.8	19
P/E ratio (Times)	4.29	11
Price to book value (Times)	0.85	0.51
Dividend per share paid (Rs.)	0.85	0.75
Market capitalisation (Rs. Mn)	20,660	10,117

During the year under review, the Company paid a dividend of Rs. 0.85 per share on par with the preceding year. Despite the prevalent negative market sentiments in a post COVID-19 environment, the Company's share price rose from Rs. 19.00 to Rs. 38.80. During the year LIOC's market price reached an all-time high of Rs. 81.30 due to the high confidence placed on the Company's business model coupled with the investment made for the new Joint Venture. The P/E ratio recorded a significant improvement from 11 times to 4 times in line with increased earnings. The Company's net asset value per share significantly rose to Rs. 45.61 indicative of the fact that the Company's share is underpriced and possesses high potential for appreciation.

Cash flow generation

The Company's operating cash flow amounted to a net outflow of Rs. 3.62 billion against the net inflow of Rs. 5.96 billion of the prior year. Heightened focus was placed on rigorous working capital management which endorsed efficient procedures of debt collection across all segments including Lube distributors. The outflow is mainly attributable to the inventory optimisation mechanisms adopted to mitigate the effects of the currency crisis. Inventory increased by Rs. 17.63 billion while trade debtors and other receivables reduced by Rs. 392 million during the year under review. The Company's cash flows from investments amounted to a net inflow of Rs. 2.05 billion against the net outflow of Rs. 8.49 billion recorded in 2020-21. The increase was due to aggressive investments made in long term foreign currency bank deposits to mitigate the foreign currency risk and additional capital expenditure incurred worth Rs. 265 million.

Net cash inflow from financing activities was Rs. 3.5 billion compared to the cash inflow of Rs. 3.07 billion recorded in the previous year. Overall, the Company's cash and cash equivalents increased by Rs. 1.92 billion during the year under review.

Rs. Mn	2021-22	2020-21
Net Cash Flows from / (used in) Operating Activities	(3,622)	5,961
Net Cash Flows from / (used in) Investing Activities	2,050	(8,487)
Net Cash Flows from / (used in) Financing Activities	3,497	3,074
Net Increase / (Decrease) in Cash and Cash Equivalents	1,925	548



MANUFACTURED CAPITAL

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

Value delivered in 2021



Rs. 265 million

Investment in PPE



Completion of 3,000 MT Grease Manufacturing Plant in Trincomalee



Automation of 10 Retail Outlets



Increased LBP storage capacity by adding 9KL additive storage tank



Solarization of 21 more Retail Outlets



Addition of 3 new Retail Outlets

Capital connectivity and contribution



FINANCIAL CAPITAL

Driving sales growth



HUMAN CAPITAL

Generating employment opportunities with Retail Outlets across the country



SOCIAL & RELATIONSHIP CAPITAL

Enhanced customer experience



NATURAL CAPITAL

Energy efficiency through installation of renewable energy sources



INTELLECTUAL CAPITAL

Increased brand visibility
Enhanced storage capacity

Material issues addressed

Undisrupted supply
Quality performance
Economic benefits

Plans for 2022

Six more Retail Outlets to expand market reach

Start of production from Grease Manufacturing Plant

Rooftop solarization in 30 more Retail Outlets

Enhancement of infrastructure at existing Retail Outlets by setting up additional or replacing old tanks and 90 dispensing units

Expansion of RVI Fascia into 20 more Retail Outlets



Enhancing our physical infrastructure

Retail Outlets

Our retail visual identity (RVI) guarantees how we shape customer perception and creates a strong impression through the visible elements of our brand. The facade of our Retail Outlets is an important and powerful form of communication as it expresses our brand identity, differentiating us from other industry competitors. Thus, LIOC continuously invests on enhancing the look and feel of the outlets and during 2021-22 upgraded the visual identity of 66 Retail Outlets to offer customers a more pleasant experience. Furthermore, 31 monoliths were also installed in order to display our products to increase brand awareness and attract new customers.

Our Retail Outlets are equipped with modern facilities and efficient solutions to enhance customer experience. Furthermore, we ensure that the Retail Outlets and all amenities are cleaned and very well maintained to create more value to our esteemed customers. Also regular repair and maintenance work are carried out to ensure uninterrupted services in Retail Outlets.

We also completed the installation of PV solar systems at 21 Retail Outlets during the year under review augmenting our reputation as a socially and environmentally responsible corporate citizen. Accordingly, the Retail Outlets are self-sufficient in terms of meeting their energy needs and the excess generated is directed to the national grid under the Net Accounting Energy Metering Scheme of the Ceylon Electricity Board (CEB) or Lanka Electricity Company Private Limited (LECO).



Auto Fuel Station



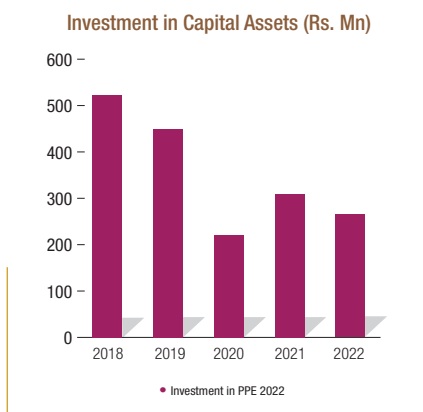
New Servo Shop



Storage facilities at Trincomalee



Storage facilities at Trincomalee



Trincomalee Terminal

The main focus of 2021-22 was towards maximizing resource utilization. Accordingly, the following changes were made to optimize the functionality of the existing resources at the terminal.

- Conversion of a H500 base oil tank - One of our base oil tanks which was previously used to store H500 base oil was substituted for H150 base oil storage. Recognizing that the requirement for H500 base oil has considerably reduced, this tank was utilized for our more highly consumed H150 base oil and consequently this better positioning led to a considerable reduction in the delay in obtaining the resources.
- Commissioning of the 16" pipeline - The Trincomalee Oil Terminal has been handling Very Low Sulphur Fuel Oil (VLSFO) post discontinuation of delivery of High Sulphur IFO since 2020. There are 3 storage tanks for fuel oil handling, which have been gradually converted to accommodate (VLSFO- 0.5% Sulphur) in a phased manner. There are two separate pipelines (14" & 16") laid for the receipt of products from the jetty to individual storage tanks from the Ocean Tanker as well as for delivery to barges. Although, the 14" line

was commissioned for handling VLSFO, the 16" pipeline remain unutilized for over a year. Thus, the terminal took a call to put the 16" line into operation to increase the flow rate and enhance the flexibility of handling fuel oil.

- New mechanism in filling gantry. The mechanism for loading barrels has been updated which has led to an increase in the total barrel filling speed as well as a reduction in the total maintenance downtime.

We have commenced upgrading the safety infrastructure including automation, CCTV surveillance and firefighting systems.

Grease Manufacturing Plant

LIOC completed the construction and trial run of its Grease Manufacturing Plant, the first of its kind in Sri Lanka, during the year under review. With a capacity of 3000MT per annum the plant is equipped with state-of-the-art Grease testing laboratory equipment which will enable in-house testing of a wide variety of Lithium based Grease to be produced. The equipment has been successfully installed with the presence of OEM approved vendor representatives. The laboratory is now capable of performing in-house tests which are mandatory as far as delivery of finished quality goods in the stipulated market is concerned and catering to the entire local market demand for Grease, thereby eliminating the need for Grease imports.

Storage Infrastructure

To increase the storage capacity of fast-moving additives such as ST1694 (used for manufacturing of pride ALT CH4), our redundant 9KL horizontal tank available in close proximity to the additive storage area was converted to an additive tank. The conversion of this 9KL tank into an additive storage facility has supplemented the production capability of the plant, by increasing the average available additive stock of fast-moving Lube blends and reducing the instances of additive dry out

Manufactured Capital

state. This ensures seamless production of major grades and somewhat insulates the production process from global supply chain issues or any such macroeconomic factors.



Storage Tank at Trincomalee

Lube Blending Plant

With the Lube blending plant at Trincomalee operating at record breaking levels, LIOC's ambition and determination to continuously increase its production intensified. Operating at higher capacity and with the advent of the Grease Manufacturing Plant taking up around 100m² of the existing Lube warehouse, the space available within the premises for storage of additives and packing materials has been utilized fully. To ensure continuous operation of the plant during this global pandemic it is necessary to maintain at least 3 months of raw materials and packing materials. Accordingly, a mezzanine floor at the existing Lube plant warehouse was conceptualized for an area of 110m² as phase 1 to ease the space constraint and ensure unhindered access and operations.



Lube blending Plant

Quality Control Laboratory

We make sure that all equipment at our state-of-the-art quality control laboratory operates efficiently and regularly monitor the functionality to identify any required repairs or replacements. During 2021-22 the existing Digital Density Meter reached the end of its useful life and LIOC purchased a new Density Meter from most renowned supplier in USA and India to enhance the product quality through rigorous testing. The equipment was calibrated and commissioned in the presence of a technician from the supplier in India. This new Density Meter is

capable of measuring the density of Petrol, Diesel, IFO, Lubricants, POM, Base oil, etc. and is of the latest technology.

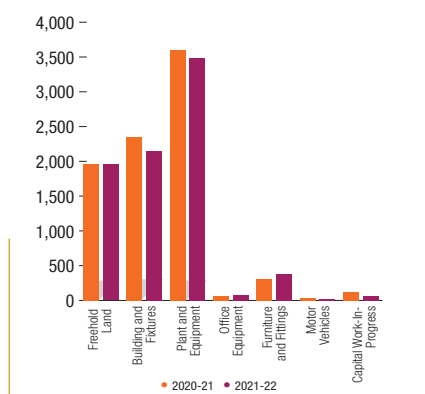
Strengthening Our Digital Capabilities

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

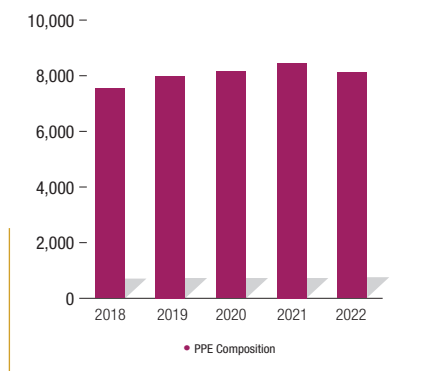
During the period under review LIOC invested Rs. 34 Mn to further scale up the IT infrastructure and capabilities. Accordingly, 10 Retail Outlets were automated bringing the total automated outlet count to 35. Fifteen further outlets are in the pipeline for automation during the upcoming year.

LIOC also launched a Retail dashboard for the purpose of monitoring Retail Outlets sales, stocks and other details. This dashboard has been developed by Retail team of LIOC, to enable effective management of stocks, sales and indents and also help field officers to manage their time and energy in a more efficient manner.

PPE - Cost (Rs. Mn)



PPE-Compositions (Rs. Mn)





INTELLECTUAL CAPITAL

Our Intellectual Capital is a synergy of our brand value, corporate culture, systems, knowledge-based assets such as licenses, software, procedures and protocols, research and development, sound governance practices and the internal tacit knowledge that leads to enhancement of operational excellence. These elements, linked with our expertise, provide us with a competitive advantage in the industry and helps us generate returns on investment while enhancing our efficiency. Accordingly, the Company strives to continually innovate, rely on new technology and leverage on the skills and knowledge of its employees in a bid to grow its Intellectual Capital base.

Value delivered in 2021



Rs. 3,713 Mn
Brand value

Ranked at 29th position in most valuable brand in Sri Lanka by LMD (Brand rating AA-)

Introduced new product-Wet Brake Oil SERVO MTRAC 30 introduced for 1st time in Sri Lanka for farmers using OIB Tractors in 2021-22



Gold Award CA Sri Lanka Best Integrated Annual report 2020-21

Best Corporate Governance and Trading Sector - runner-up

Merit Award for Integrated Report by CMA Sri Lanka

Award for Best Management Practices by CPM, Sri Lanka



Rs. 148 Mn
Investment on brand development



Development of a secondary billing application for Lube customers



Commenced supply of PROPEL, IOC Branded Polymer

Capital connectivity and contribution



FINANCIAL CAPITAL

Leverage on a strong brand to drive business growth



HUMAN CAPITAL

Culture of learning strengthens the quality of human capital



SOCIAL & RELATIONSHIP CAPITAL

Innovative products that suit the evolving needs of customers



NATURAL CAPITAL

Introduction of eco-friendly products



MANUFACTURED CAPITAL

Upgrades to processes to facilitate better management of physical resources

Material issues addressed

Sustaining brand value and reputation

Business initiatives

Product and operational efficiency

Regulatory challenges

Plans for 2022

Expand brand value and brand positioning

Increased market shares

Product development

Enhance digital infrastructure

Further Innovation



Intellectual Capital

A trusted brand

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

LIOC maintained its brand reputation ranking 29th among the top 100 Consumer Brands with a brand rating of AA- and a brand value of Rs. 3.71 Bn during the year under review. Our products have strong credentials in the market and acceptability among consumers ranks high. During the year, significant investments were directed towards enhancing the brand value through targeted promotions, customer engagement initiatives, competitions and numerous publications which turned out to be quite fruitful as we were able to achieve the highest ever sales volumes in the Lubricant segment.

Brand building campaigns

Drive Safe Stay Safe Campaign - This campaign was launched in association with Emami Indo Lanka Pvt Ltd where customers fuelling XTRAPREMIUM Petrol in selected sheds were offered exciting products for free

Servo 2/3-Wheel free Service Promotion Campaign in Mulleriyawa - 30-50 vehicles including bikes and three-wheelers were serviced for free and LIOC distributed caps, t-shirts, key chains etc. during the campaign

Servo Virtual Campaign on Valentine's Day

Fill and Win Mega Campaign - This campaign was conducted at 205 petrol sheds across 7 provinces with the participation of over 150,000 customers

Tacit knowledge

The knowledge and skills of our employees and our sales force play a critical role in safeguarding the sustainability of the organisation. Therefore, we place high emphasis on continuously enhancing and upgrading the knowledge and skills of our employees and sales force through robust training and development programmes. Despite the external environmental challenges, we carried out a range of capability building training programmes virtually as well as physically, in adherence with the health and safety guidelines. We firmly believe that equipping our staff with the right skills will strengthen our value proposition and give us the edge in differentiating ourselves.



Quality checking of Lab

Innovation

New product development has been a key element of our corporate agenda and our parent company invests a significant amount annually on research and development efforts to develop innovative, environment-friendly, customer-centric products and process technologies to address energy-related issues of national importance to attain self-reliance in the field of energy and allied areas. Our dedicated Research and Development (R&D) team is constantly engaged in discovering new and efficient solutions to dynamic business needs as well as potential solutions which are attuned to the emerging needs of our global customer base. Within the last 19 years the Company succeeded in introducing new products, enhancing the brand's reputation as an industry leader in innovation.

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 Corporation's R&D Expertise
1,165 Active Patents
180 Patents Granted in 2020-21
106 New Lubes formulations

Systems, structures and processes

In a climate of fast-growing disruptive technology and radically changing consumer expectations, the systems and processes that are in place at LIOC help us to deliver increasing value to our customers. We regularly upgrade our systems to streamline

our operations and stay ahead of the curve. Most of our critical company operations that include finance and controlling, material management, sales and distribution, production planning, equipment and tool management run on the Enterprise Resource Management system SAP.

Key developments during 2021-22

Automation of Treasury Transactions

LIOC achieved its highest ever finance income during FY 2021-22 over and above its previous record high FY 2020-21. Thus, the need arose to automate the transactions and the treasury MIS, which was prepared manually thus far. A web-based programme hosted on Cloud was developed through a local consultant, which was then customized, tested and improved to meet the complex requirements of all the aspects of transactions.

Secondary Billing Software- Lube Distribution

50% of LIOC's Lube sales is achieved through the Lube distributors. At present LIOC has Lube distributors across the island who operate individual secondary billing applications with user limitations providing no mechanism to capture secondary Lube sales data billed by the distributor to end customers. Recognizing the importance of having visibility of product movement till it reaches the customer, LIOC developed a secondary billing software through a local consultant with Cloud-based storage and adequate security protocols. All the 27 distributors are now live on this new billing app and LIOC can monitor the secondary sales with the click of a button.

Culture and values

The corporate culture of LIOC is guided by our Vision, Mission, and Values and we nurture a culture of accountability and transparency where we take responsibility for our impact on the community, environment, and society. We comply with all the necessary regulations to provide the best possible service to our customers and all other stakeholders. In being accountable, we are committed to sustainability that is at the heart of all our operations and we have integrated sustainability measures to all our operations including the introduction of environmentally friendly products and use of renewable energy.

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

Awards and Accolades

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



- Conferred the prestigious “Gold Award” by the CA Sri Lanka for “Best Integrated Annual Report” under Power and Energy sector 2020-21



- “Best Integrated Report” award & “Merit Award” by CMA Sri Lanka for Power and Energy sector



- Runner-up for Best Corporate Governance and Trading Sector awards at The National Business Excellence Awards (NBFA)



- Best Management Practices Company award by CPM, Sri Lanka



HUMAN CAPITAL

The collective skills, expertise and experience of our team of high-performing professionals embodies our Human Capital. At LIOC we are passionate about our people and believe they are our most valuable asset. Thus, we embrace a 'people first' employee value proposition and remain committed towards fostering a diverse, inclusive philosophy where everyone can flourish. The alignment between our employee value proposition and the experience garnered by our workforce, coupled with a fair and equitable culture, has created an exclusive employer brand for LIOC, which supports us to attract, retain and engage talent within our value creation process. Accordingly, as one of the key players in the energy industry, LIOC's people remain at the forefront of delivering superior value and tackling some of the biggest challenges facing the society during these turbulent times.

Value delivered in 2021



Rs. 693 Mn

Remuneration and benefit payments to employees



10

Promotions



The employees and family members full vaccinated



840

No. of training hours



High health and safety measures



High level of engagement

Capital connectivity and contribution



FINANCIAL CAPITAL

Drivers of business growth



INTELLECTUAL CAPITAL

Strengthen organizational tacit knowledge



SOCIAL & RELATIONSHIP CAPITAL

Provide a superior customer experience



NATURAL CAPITAL

Drive environmental consciousness across the organization

Material issues addressed	Growth
	Good corporate governance and ethical business conduct
	Compliance
	Job security
	Business initiatives
	Competitive remuneration
	No pay cuts
	Training and development

Plans for 2022

Continue to invest on our employees in terms of knowledge enrichment, work-life balance and empowerment

Maintain a conducive environment where employees can give their 100%

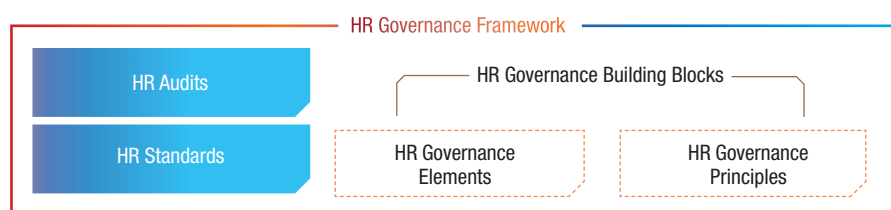
Strengthen our collaborative, authentic and trustworthy employer-employee relationship

Sharpening of skills to adapt to ever-changing business environment



Human capital governance

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



Staff Mobility

A fair and systematic process is in place aimed towards attracting and retaining the best talent, and a total of 12 new employees were recruited in terms of replacements and new positions during the year under review.

LIOC has a very healthy level of employee retention with 2.5% employees. The ability to retain and develop our team has been a key contributor towards our commendable performance amidst challenging times as our comprehensive training and development programmes increased productivity, uplifted skills and reinforced our competitive positioning in the market.

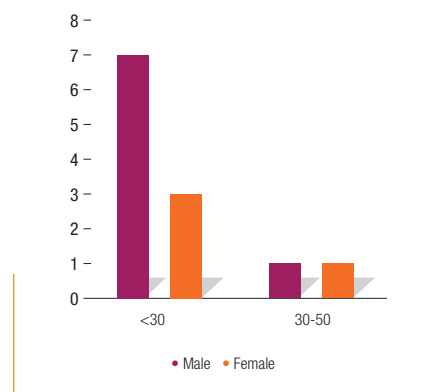
Our team

Our team comprises of 161 dynamic individuals who are at the heart of our legacy of success and our future strategy. With varying skills and expertise, they drive our value creation process to deliver superior value to our customers and other stakeholders. Our total staff cadre is employed on a permanent basis.

By designation	Male	Female	Total
Senior management	9	0	9
Executive and above	39	10	49
Non-executive	88	15	103

By age	Male	Female	Total
Below 30	8	4	12
30-50	81	20	101
Over 50	47	1	48

New Recruits by Gender and Age



Gender representation



136
Male

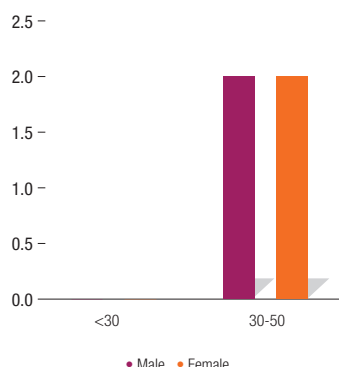


25
Female

The staff base includes expatriates seconded from the parent company

Human Capital

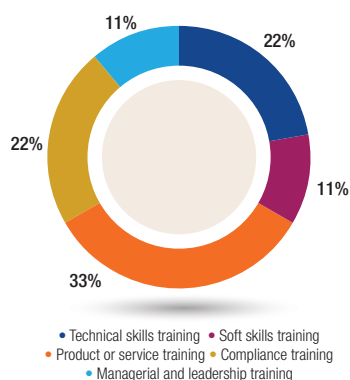
Turnover by Gender and Age



Learning and Development

Managing business complexities requires highly skilled staff and leaders with holistic thinking. Thus, learning and development forms part of the Company's talent management strategy and is designed to support the achievement of individual goals and performance with LIOC's overall vision and goals. While the pandemic posed many challenges in delivering learning solutions in its traditional form, LIOC remained undeterred and committed to developing its talent. Accordingly, the Company initiated a range of innovative learning solutions during 2021-22 which are detailed below.

Type of Trainings Conducted



Training details	2021-22	2020-21
Total investment in training - Rs. Mn	<1	<1
Total number of training hours	840	846
% of employees received training	80%	80%

Rewards and recognition

LIOC nurtures a performance driven culture by maintaining transparent, unbiased merit-based reward schemes. Performance evaluations are carried out on an annual basis for all employees based on pre-determined key performance targets that are communicated and agreed with employees at the commencement of each year. We strive to align organizational goals with employee capabilities and their personal aspirations to maintain a high employee morale. Achievements are rewarded with variable pay schemes as well as opportunities for career progression and performance linked bonuses are given on time. This process allows the Company to distinguish between high performers and successors, whilst also providing the means to identify those individuals in need of support and require development in discharging their duties.

In each respective department a target-based reward programme is maintained and on a quarterly basis employees are rewarded based on their performance. The Retail segment rewards its top performers through its 'Shining Star' recognition platform. High volume achievers in the Lubrication Division are also rewarded for their contribution. This appreciation was extended to the Lube distributors whereby LIOC rewarded all its top performers with a cash award, along with a trophy and a certificate of merit based on their performance during the prior year.



Training event at Head Office

Rewards and benefits

Guaranteed Pay and Allowances

- Fuel allowance
- Payment for unutilized Annual leave/ Ex CPC medical leaves
- PAYE tax borne by the Company

Variable Pay

- Performance bonus

Reimbursable Expenses

- Cost of mobile handsets

Loan Schemes

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

Retirement Benefits

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

Leave

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

Medical Benefits

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

Welfare Benefits

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

Other Facilities

- Provision of uniforms
- Support to family members such as operating buses for school children residences for Trincomalee employees
- Long service awards
- Scholarships to children
- Death benefits amounting to Rs. 500,000
- Accidental death benefit of Rs. 1 Mn
- Cash rewards for completion of higher studies based on qualification earned
- Sports club

Strengthening Bonds

As we adopted a hybrid system of work with certain employees working from home, maintaining strong communication channels and ensuring a high degree of engagement were crucial elements of being able to continue to operate under the challenging conditions posed by COVID-19. We maintained a constant dialogue with our employees through multiple channels including e-mail, SMS, WhatsApp and social media platforms. Several initiatives were taken to safeguard the psychological well-being of our staff members and keep them motivated and connected as given below.

- Straight talk with MD
- Annual picnic (with clearance from local PHL and with proper safety protocols)
- Monthly quiz competition

2021 was a year of empathy and care and concern for employees was a vital element across all our operations. LIOC's open-door culture encourages all employees to come forward with their grievances, concerns and suggestions and the Management took necessary measures to make sure all employees were safe and comfortable in their workspace and work functions. A Suggestion Box is maintained by the Company encouraging employees to forward their views and concerns. From time to time these suggestions are reviewed and the best suggestions are implemented and rewarded.

Health and Safety

Creating a physically and psychologically safe working environment continued to be a top priority during the year with the emergence of highly transmissible variants of COVID-19. In collaboration with the Ministry of Health we took measures to vaccinate all our employees and handling staff as well as their immediate relatives to control the spread of the COVID-19 pandemic. Employees who contracted the virus were well cared for and the company took quick action to arrange medical support in reputed hospitals and cover all expenses. LIOC also made sure the family members of those infected employees were looked after and as a token of love sent fruit baskets to their homes.

All of our facilities took maximum precautions such as regular symptoms monitoring, temperature screening, segregation of manpower, rotation system for employees and followed strict hygiene protocols. At the Trincomalee terminal, as an additional precautionary measure, we installed two in-house designed steam generation devices for the benefit of our employees. Regular awareness sessions were conducted to keep staff alert regarding the precautionary steps to be taken for the prevention of the spread.

A Development Management Committee comprising seven members from several departments was formed to identify the gaps in implementing

COVID-19 safety protocols as well as development activity, to create a better and more conducive work environment. The committee met on a weekly basis and this transparent method of interaction gave the necessary impetus to ensure proper implementation of improved work practices.

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

Gender Equality and Diversity

The Company prides itself as an equal opportunity employer and is committed to fostering a diverse and inclusive workforce where all employees are given equal opportunity and are free from all forms of harassment and discrimination. LIOC ensures all employees accept the responsibility of respecting the rights and differences of their fellow colleagues and treating each other with respect, despite differences in religion, race, opinion or belief, among others. As an equal opportunity employer, LIOC adopts a gender inclusive recruitment policy and during the year we strengthened our commitment to encourage women to achieve their career aspirations while maintaining a healthy work life balance. We also do not engage in any form of gender-based discrimination when determining reward structures, providing opportunities for training or offering promotions.

Enablers

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



Enablers

Gender ratio

M: F

136:25

New recruits

M: F

8:4

Promotions

M: F

8:2

Human Capital

Our female employees are appreciated, respected and valued all year through. In celebration of International Women's Day 2022, LIOC organized an event themed 'Break the Bias - Gender equality today for a sustainable tomorrow', where we raised awareness on how the actions, behaviour and mindset of women can positively contribute towards societal development. The event was inaugurated by Miss. Gowri Rajan, 1st Lady Governor for Sri Lanka and Maldives Rotary International Club, Director of Sun Match Company.

Anti-Corruption

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

Child Labour and Forced Labour

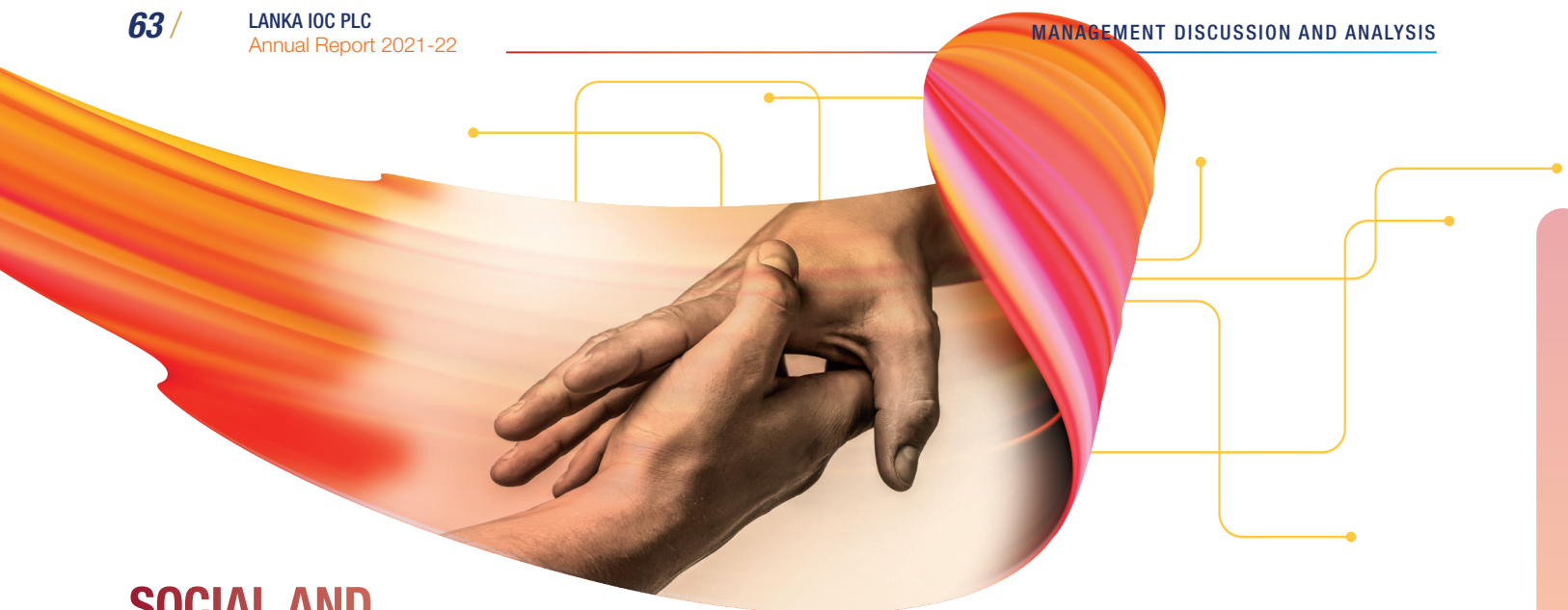
LIOC does not employ anyone under the age of 18 and does not use forced or compulsory labour in its operations.

Minimum Notice Period for Operational Changes

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



Annual Picnic Day



SOCIAL AND RELATIONSHIP CAPITAL

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

Value delivered in 2021



- Formation of Trinco Petroleum Terminal (Pvt) Ltd., the joint venture between Lanka IOC and CPC to jointly develop 61 storage tanks of the upper tank farm area in Trincomalee
- Ensured uninterrupted supply of fuel across the island through our retail network during the COVID-19 curfews and lockdowns by handholding the frontline employees of Retail Outlets
- Under the current situation of economic crisis, Lanka IOC supplied 6,000 MT of Gasoil to Ceypetco / Ceylon Electricity Board
- Added 3 more Retail Outlets 4 Lubes Distributors and 35 Servo Shops during last year taking the total to 31 distributors and 525 Servo Shops
- Commenced supply of PROPEL, IOC branded Polymer in Sri Lanka Market in January 2022
- Visit of Foreign Secretary of India to Trincomalee Terminal and launched higher-grade Engine Oil confirming to SLSI standards of API CH level
- Implementation of Channel Financing scheme for Retail Outlets dealers with leading banks

Material issues addressed

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

Capital connectivity and contribution



FINANCIAL CAPITAL

Improved customer satisfaction



HUMAN CAPITAL

Facilitating superior customer experience



NATURAL CAPITAL

Engaging communities in environmental preservation initiatives

Plans for 2022

Expanding customer reach by adding more Retail Outlets, new Lubes distributors and Servo Shops

Market penetration through more tie-ups with major customers

Market development through exports to neighbouring countries

Uninterrupted fuel supply despite of foreign currency constraints

Extending CSR activities across the island to provide some cushion to needy families



Social and Relationship Capital

Customers

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

Our Products Offering

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

Customer Convenience

In the new normal customer convenience is key and with the unprecedented shift to digital transactions, LIOC too maintained its focus on enhancing customer experience on digital channels. Availability of a wide array of payment options is a vital factor that affects customer convenience and LIOC offers its customers the following contactless payment mechanisms.

Dialog Touch Card

LIOC has over 600 corporates which includes more than 12,000 customers using the Dialog Touch Card facility offered at 120 Retail Outlets currently. This provides convenience to customers in terms of fast and secure transactions, tap and go payments and monitoring of fuel costs. Customers can keep track of their fuel usage as they also receive an SMS immediately after each transaction, thus providing a competitive advantage to the Company.

Partnership with HNB Solo

LIOC's partnership with Hatton National Bank PLC gives customers the ease of transacting via the HNB Solo digital payment application which is a contactless payment option. This gives users the opportunity to complete transactions when refueling their vehicles at LIOC Retail Outlets across the island simply through installing the App and accessing the unique QR code generated through this. In the context where social distancing is a necessity, such innovative solutions provide customers the added confidence of transacting with LIOC.

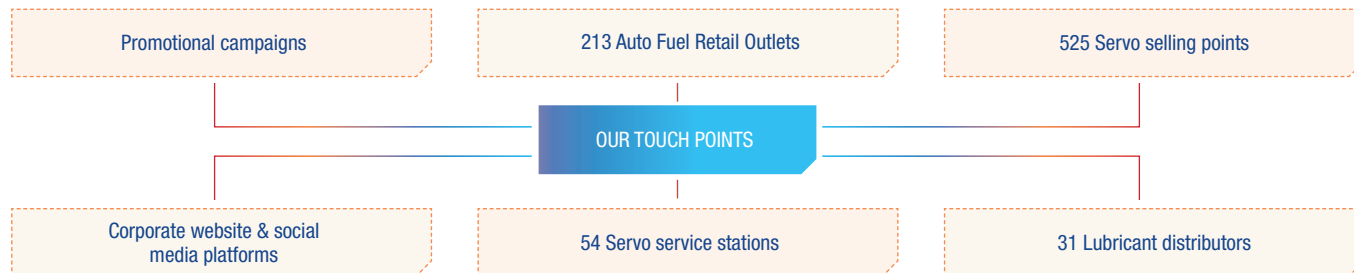
LIOC also has introduced the Fuel Me Lanka IOC application which helps customers find the closest Retail Outlets or the closest stations offering the Nitrogen tyre inflation facility. Further it also keeps customers informed of the latest developments and offers of LIOC.

Our physical presence was also expanded during the year with the launch of 03 new Retail Outlets and addition of 04 new distributors to our network to enhance our accessibility.

LIOC tied up with reputed service station chains and commissioned 8 service stations at LIOC Retail Outlets thereby enhancing customer convenience. We have also established ties with FMCG marketing companies who have set up mini convenience stores at our Retail Outlets for the ease of customers.

Engagement

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



Service Excellence

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

Throughout the pandemic we continued as an essential service, operating 24/7 to provide uninterrupted services to our customers and other stakeholders.

Safety and Product Responsibility

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

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

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

Product Marketing and Labelling

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

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

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

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

There were no incidents of non-compliance concerning the health and safety impacts of products and services, product labeling requirements or other socio-economic factors in our local or export markets recorded during the year.

Managing Complaints

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



Rewarding Excellence



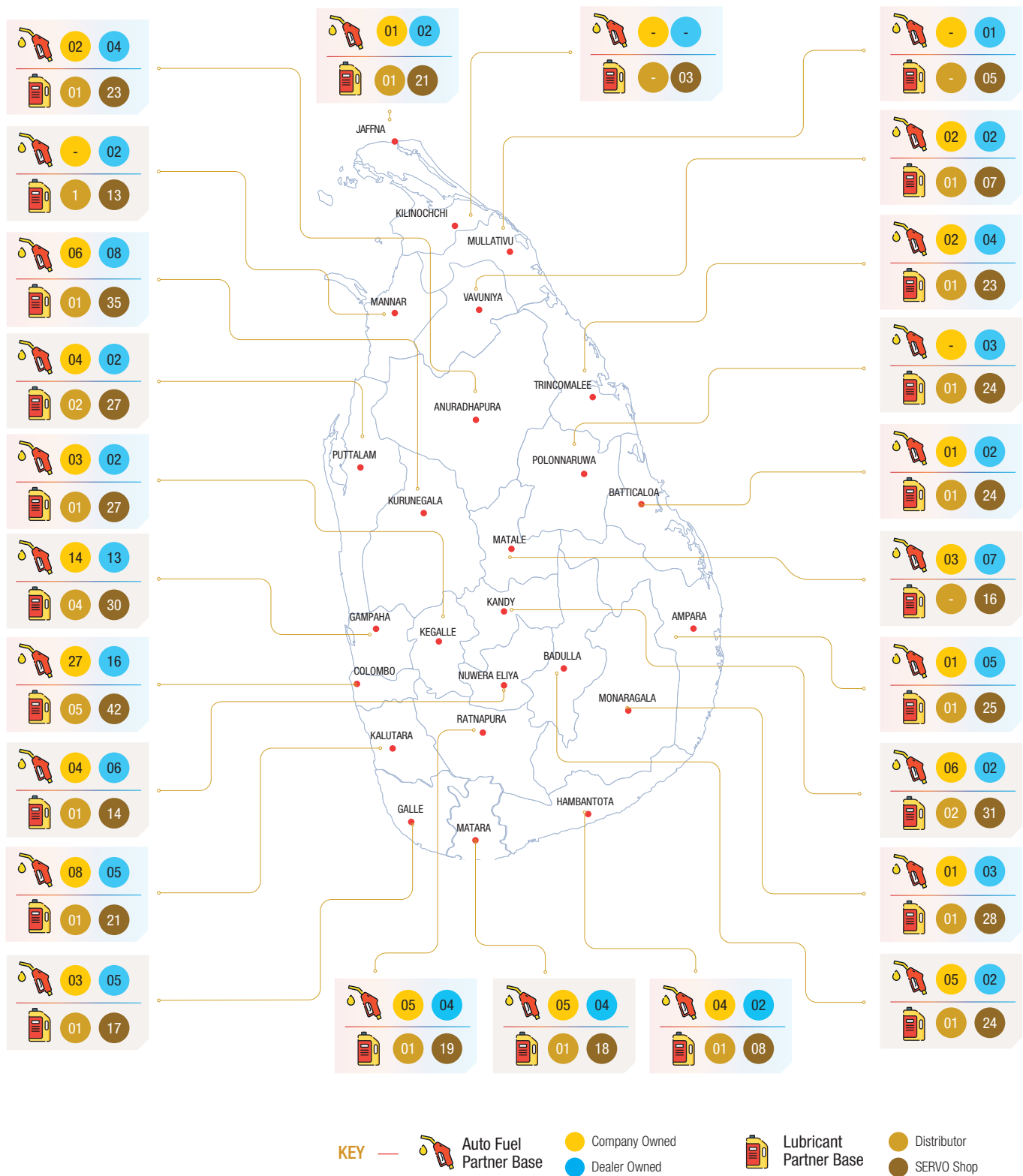
Rewarding Excellence



Business Tie-up

Social and Relationship Capital

Channel partners



Suppliers

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



Local suppliers
>1,000



Global suppliers
>100

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

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

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

Industry Relationships

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

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

Strategic alliances

LIOC signed an agreement with Ceylon Petroleum Corporation (CPC) in January 2022 to jointly develop the Trincomalee Oil Tank Farm. The agreement aims at the establishment of Trinco Petroleum Terminals Ltd (TPTL), a joint venture between the two companies viz, CPC and LIOC set up to manage 61 storage tanks. CPC holds 51% controlling stake in the company, while LIOC owns 49%. According to the agreement, 61 tanks in Upper Tank Farm (UTF) will be jointly developed by the CPC and LIOC under the joint venture TPTL, 24 storage tanks in the UTF to be allocated for the business activities of the CPC and LIOC has the possession of the Lower Tank Farm for its business activities.

Community

We are committed to driving positive change in our communities not only by advocating sustainable and responsible business operations but also through strategic CSR initiatives targeted at addressing issues of national importance. LIOC's CSR focus is mainly directed towards education, healthcare, environment and community development. Below are the key CSR initiatives carried out during 2021-22

Education



- Donation of 100 Samsung smart phones to the Ministry of Education to support the shift to digital learning modes since the onset of the pandemic
- Donation of display boards with motivational phrases, name boards for organizing books and a notice board to Kinniya Central College library. Kinniya Central College is one of the leading national schools in Trincomalee District. The school was established in 1958 with a current strength of 2,500 students and 125 teachers. The school has a library with an exceptional collection of around 8,000 books and reading material



Samsung Mobile phone for school children



CSR activities



CSR activities

Healthcare



- Donation of stainless-steel foot peddle operated hand washing sinks, digital thermometers, sanitizers, bottles of liquid hand wash and KN95 Kids Masks to Gothatuwa Maha Vidyalaya
- Donation of 2 oxygen concentrators to the Sri Lanka Police to be used at the Narahenpita Police Hospital as an act of goodwill, considering the hard work, efforts and sacrifices made by the Sri Lanka Police during the pandemic



NATURAL CAPITAL

Preserving the natural environment for future generations has become a global priority as climate change remains a defining issue of our time. LIOC, as the single largest private oil company in Sri Lanka and as a responsible corporate citizen, strives to utilize resources in a sustainable manner and aims to promote sustainable practices among its customers as well through its innovative eco-friendly product range, encouraging them to minimize their negative impact on the environment and society at large. We are fully cognizant of the nature of our business and the ramifications our operations can have on the environment. Thus, we place great importance in reducing our environmental footprint through sustainable production, proper waste management, prudent resource allocation, energy saving initiatives, and other such measures that contribute to minimizing our impact.

Value delivered in 2021



- LIOC always promotes sustainable practices to eradicate the negative impact of environmental aspect. The Company has invested in producing Solar energy at the Trincomalee Oil Terminal & Retail Outlets across the country
- In addition to that the Company has contributed towards many environmental development projects including tree plantations, cleaning the shore and coastline surrounding the Terminal as well as important tourist sites along the coastal area of the country
- Rain Water Harvesting has also been implemented at the Trincomalee Terminal with substantial water accumulation for further utilization inside Terminal premises

Capital connectivity and contribution



FINANCIAL CAPITAL

Environment
Conservation

HUMAN CAPITAL

Enhanced
customer
experienceSOCIAL &
RELATIONSHIP
CAPITALEnergy efficiency
through installation
of renewable
energy sourcesINTELLECTUAL
CAPITAL

Improved quality

Material issues addressed

Compliance

Social and environmental
consciousness

Quality performance

Plans for 2022

Provision of further enhancement of EV charging station

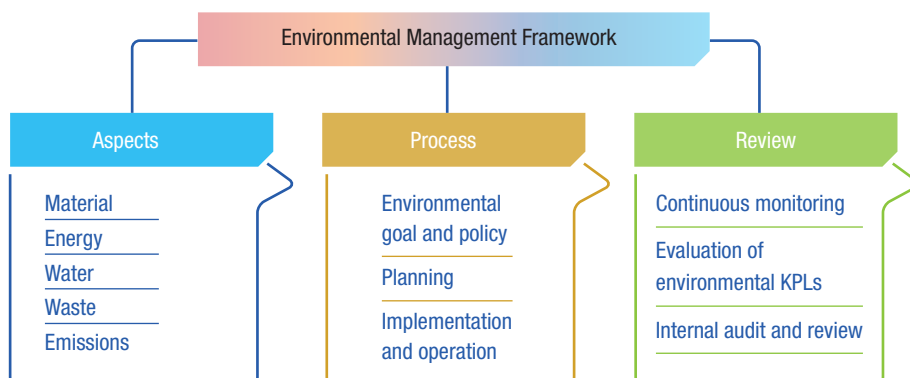
Increase solar panels at Trincomalee Oil Terminal from its existing capacity of 20 kWh

Waste Management

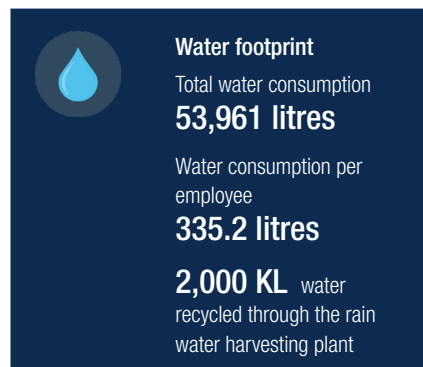
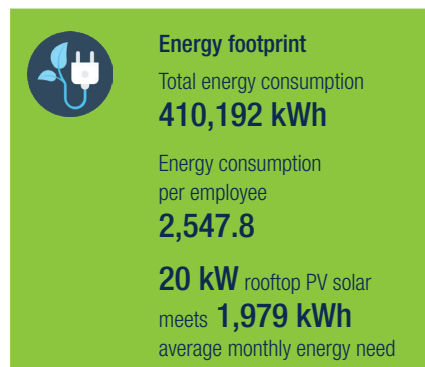
Introducing of environment friendly products



Our Environmental Management Framework



Measuring our Footprint



Energy management

The primary sources of energy used at LIOC are Diesel, furnace oil and electricity. The highest energy consumption occurs at our Trincomalee terminal, followed by the Company owned Retail Outlets, while the lowest consumption is recorded at our head office premises.

As part of our ambition to reduce our carbon footprint, we maintained our focus on shifting towards renewable energy sources and the kW PV solar power installed at our Retail Outlets as well as the Trincomalee terminal generates an average of 25570 kWh of renewable energy per month. Electrical audits are also carried out across all our premises on a regular basis to identify and monitor energy consumption and impending improvements.

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

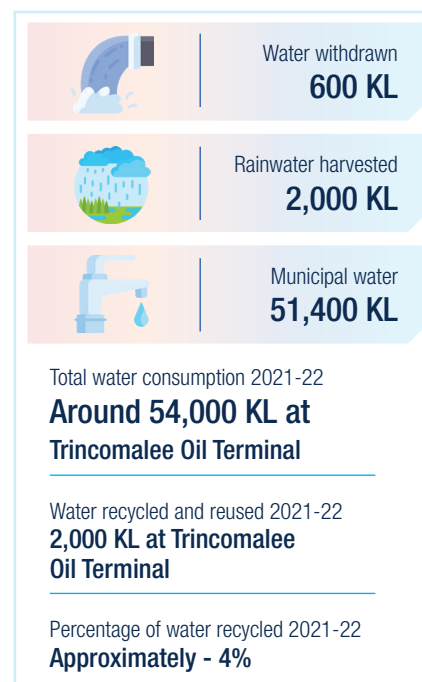
Source	Unit of measure	Consumption in 2021-22	Consumption in 2020-21
Diesel	Litres	21,475	20,735
Furnace Oil	Litres	39,600	26,400 (Boiler Operation)
Electricity	kWh	410,192	404,134

Energy management initiatives

- Installation of PV solar panels at 51 Retail Outlets
- Commissioned the 20kW solar energy facility at the Trincomalee terminal aimed towards achieving a 5% saving in electricity units consumed
- Installation of energy efficient lighting and cooling solutions
- Installation of higher capacity equipment capable of reducing energy consumption

Water management

The total water consumption of LIOC for 2021-22 amounted to 53.96 KL. Our operations are not water intensive, and the main source of water consumption is employee use. Water from the municipality lines serves 95% 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:



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 the Sea Dumping License issued by the Marine Environment Pollution Authority (MEPA). The key discharge from our operations consists of the oil water discharge flushed out of the terminal and Retail Outlets. Unplanned water discharges arise from storm water discharged during heavy 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.

Natural Capital

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.

Sludge	2021-2022
Sludge disposal	27 KL
No. of tanks cleaned	2

Continuous monitoring is carried out to ensure no accidents occur during operations and transport that may pollute the water resources, and our Oil Spill Contingency Plan approved by the MEPA is equipped with the appropriate resources to manage any such accidents and impacts of oil spills. During the year no incidents of oil spills were reported.

Waste management

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

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

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



Waste management initiatives

The Trincomalee Oil Terminal obtained the License of Scheduled Waste Management from the Central Environmental Authority (CEA) based on the level of compliance and initiatives taken on a sustainable basis. The Scheduled Waste License was issued based on detailed compliances including identified place of storage, segregated & closed container for storage, presence of proper handling equipment/safety equipment etc.

The terminal also takes proactive action to maintain and upgrade the requirement as per CEA guidelines.

Material management

The main raw materials of LIOC are imported Petroleum based non-renewable resources. We follow strict quality standards and thorough supplier screening to ensure that the products are sourced through sustainable means and cause no negative impacts to the environment. The Company policy mandates that all material procurement be undertaken following a global tender process with suppliers being selected after thorough evaluation and stringent screening processes.

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

The Grease Manufacturing Plant, which will be ready in all respects to meet market demand shortly, is capable of producing 3,000 MT of output per annum. The plant will be mainly operated by specialized outsourced personnel with due back up from the Trincomalee Terminal.

Emissions management

We recognize our obligation to work towards mitigation of climate change related risks and are committed to addressing the challenges of transitioning to a lower carbon regime. The carbon footprint of the Company is assessed according to the guidelines specified by the GHG Protocol of the World Resources Institute. The main form of emissions in our operations arises through non-toxic vapours which evaporate from Retail Outlets and the Company's energy consumption. We adopt our parent company's processes and standards in ensuring that vapours have a minimal impact on the environment and all vapours discharge is in accordance with pre-set guidelines.

As a supplier of fuel-based products, and as a dominant player in the market, we are cognizant 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.

Conservation efforts

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

Deer feeding programme - under 'Save Trincomalee deer'

Trincomalee is the only town in Southeast Asia where humans and deer live in unison. The free moving deer living mostly around Fort Fredrick attract the attention of local and foreign tourists while simultaneously adding much splendour to the Trincomalee town. They mainly feed on the food disposed by visiting tourists and other waste, as a result of which they are inflicted with various diseases and sometimes even death. With the drastic reduction in the tourist inflow at Trincomalee during the recent COVID-19 lockdown the animals were left starving, which forced them to migrate to various parts of the town in search of food and water. LIOC in association with Rotary Club, Trincomalee took up the initiative to provide the basic food and water requirements for these animals, thereby mitigating the requirement for them to enter highly domesticated areas and feed on inedible waste. This initiative contributed largely towards conserving a dwindling deer population at Trincomalee.



Deer feeding Program

Compliance

We make every effort to comply with all environmental laws and regulations that pertain to us. We are happy to report that during the year under review there were no incidents of non-compliance with environmental laws and regulations.



CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE



Chairman's Message on Corporate Governance

Dear Stakeholders

As the COVID-19 pandemic continued to intensify socio economic pressures across the world the importance of effective, ethical and adaptable leadership to build resilience across every facet of the business was more seriously brought to light. In this context, the Board concentrated predominantly on safeguarding the well-being of our employees, customers and other stakeholders while supporting the country's economic revival. LIOC's robust governance structures provided a solid foundation that enabled effective performance oversight and risk management which were critical factors that aided the Company to emerge as a faster and more responsive organisation. Accordingly, the Board maintained an elevated degree of cautiousness and integrity during the year to effectively carry out its functions amidst the looming economic concerns and their impact on the business.

Culture and Values

Together with the Management, the Board plays a critical role in shaping the cultural tone of the Company. LIOC remains focused on fostering a culture that supports its purpose and achievement of business strategies. LIOC's internal Code of Corporate Governance clearly defines the expectations on personal conduct when interacting with internal and external stakeholders and has a zero-tolerance policy for bribery and corruption. Regular training and engagement sessions are held to ensure employees uphold high levels of ethics and integrity within their work scope.

Compliance

This Report sets out our approach to governance in practice, how the Board operated in 2021-22 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, in the best possible manner. 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

29th April 2022

Our compliance framework

Regulatory Standards

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

Voluntary Standards

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

Internal Policies

- Articles of Association
- Terms of References of Board sub-Committees
- Comprehensive Framework of Board approved policies
- Enterprise Risk Management Policy
- IOC Regulations
- Code of Conduct and Ethics
- Delegation of Authority



Tone at the Top

The Board

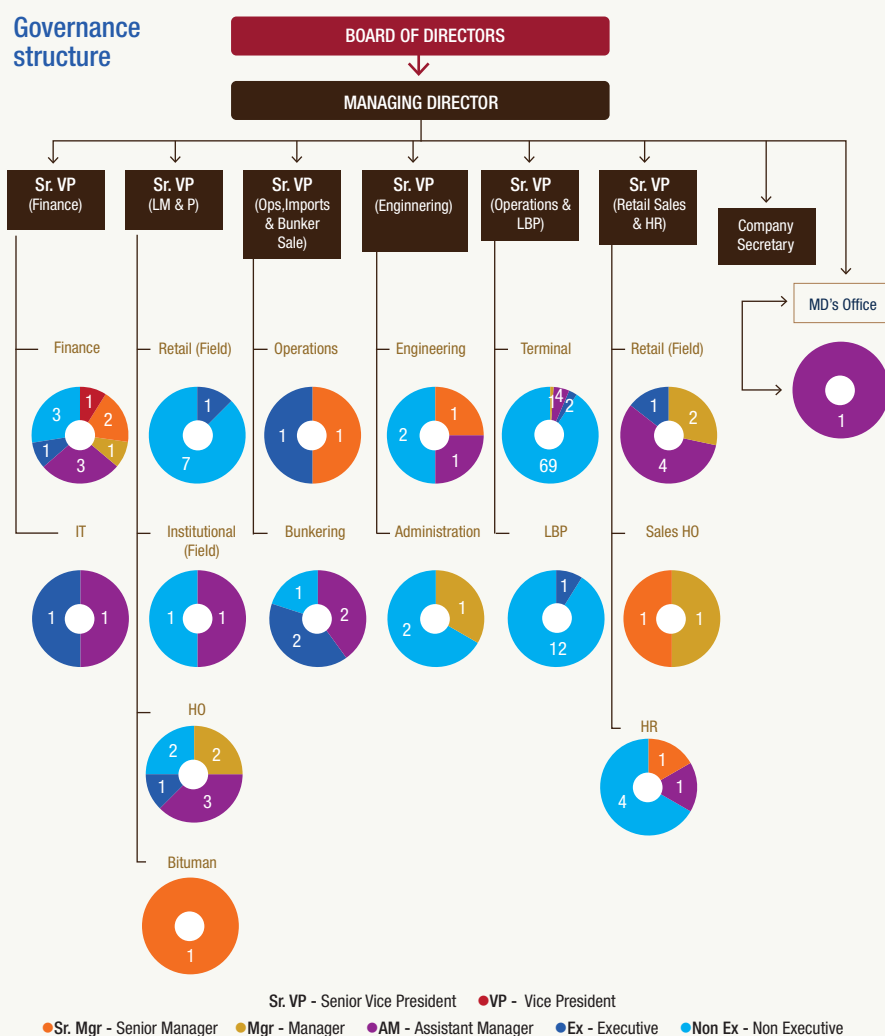
The commitment of our Board towards Corporate Governance is a critical factor in the achievement of our corporate strategy. As the facilitators of good Corporate Governance, all Directors dedicate significant time and effort to attend the Board and Board Committee meetings and provide independent judgement on matters relating to strategy, performance, risk management, governance

and business conduct and ensure all business functions are carried out in an ethical and effective manner to ensure the continued satisfaction of the stakeholders. The Board assumes a supervisory role in overseeing the Management and its performance and acknowledges the responsibility to ensure that the annual report represents a balanced and accurate view of Corporate Governance practices and the salient matters which are expected to affect the stakeholders.

Our present Board comprises an appropriate and diverse balance of skills, industry experience and perspectives to discharge its responsibilities

objectively and effectively. The Board of LIOC comprises 6 members with 3 Non-Executive Directors, 2 Independent Non-Executive Directors and one Executive Director. The Parent entity IOC nominates 4 Directors to the Board, including the Chairman and the Executive Director. Each year the size and composition of the Board, and skills and competencies are reviewed to ensure the right balance is maintained. Information specified in the Code with regard to Directors are disclosed within this Annual Report.

Governance structure and framework



Board governance

Composition
Rotation
Policies
Evaluation

Risk governance

Risk management
Internal controls
Internal audit

Financial governance

Financial control
Budgets
External audit

Sustainability governance

Economic
Social and environmental
Rules and regulations

This report has been structured along the following governance priorities.



Tone at the top



Control Environment



Values and ethics

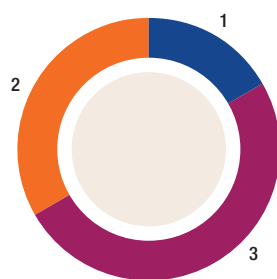


Transparency

Board highlights 2021-22

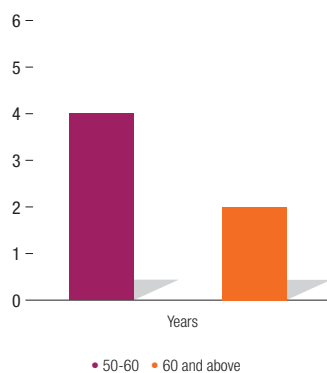
- Setting up of Grease Manufacturing Plant in Trincomalee
- Investment in Unit Trusts
- Signing of agreements with the Government of Sri Lanka
- Entering into a joint venture agreement with Ceylon Petroleum Corporation and formation of Trinco Petroleum Terminals (Pvt) Ltd.

Director Status



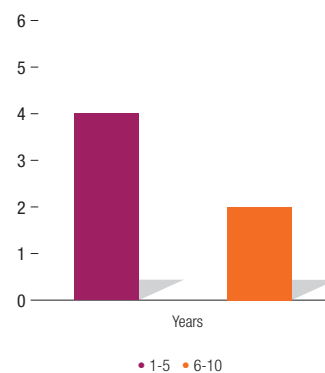
● Executive ● Non-Executive ● Independent Non-Executive

Age Diversity



● 50-60 ● 60 and above

Diversity of Tenure



● 1-5 ● 6-10

Corporate Governance

Board Responsibilities

The main role of the Board is to maintain a high standard of governance to protect and enhance shareholder value. It sets the overall strategy for LIOC, oversees its Executive Management and ensures that good corporate governance policies and practices are developed and applied. The Board acts in good faith, with due diligence and care, to optimize performance in the best interests of the Company and its shareholders. It ensures that an appropriate governance framework encompassing compliance with the company values and internal policies is established and that the Company meets all of its legal and regulatory requirements.

The key responsibilities of the Board are set out below.

- 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

Where necessary, the Board delegates its duties and powers to its four Sub-Committees in order to safeguard operational efficiency and ensure that specific issues are being handled with relevant expertise.

Sub-Committee	Composition	Areas of Oversight	Executive Support
Audit Committee	2 Independent Non- Executive 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 Non- Executive 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)
Related Party Transaction Review Committee	2 Independent Non- Executive 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 Heads of Divisions	<ul style="list-style-type: none"> ■ Categorize and monitor risks ■ Analyze mitigating factors 	<ul style="list-style-type: none"> ■ SVP (Finance) as the Chief Risk Officer

Balance of Power

The functions and roles of the Chairman and Managing Director are separate to ensure a balance of power and authority on the Board. 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 Ltd.

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

Chairman

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

Managing Director

- Implement the decisions of the Board
- Oversee the overall operation and management of the Company
- Operate facilities of the Company including quality control
- 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
- Represent the Company externally and act as the key point of contact for stakeholders 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
- Execute and accept all contracts, orders for the purchase and sale of materials, goods and services within limits stipulated in the Articles of Association
- Enter into property leases on behalf of the Company within limits stipulated in the Articles of Association

Managing Director and Independent Non-Executive Directors residing locally participate in fora/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.

Independence Assessment

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

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 employed in another company or business, i) in which a majority of the other Directors of LIOC are employed; or ii) 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 into this category

Director Induction and Training

On appointment, Directors are given an induction to equip themselves with effective knowledge in business, operations, financial affairs, Company values, governance framework and strategic position. Continuous development of Directors is ensured through building up their expertise while developing an in-depth understanding of the business and of the operating market. To this end all Directors are encouraged to follow training courses to develop and refresh their knowledge and skills.

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 programmes organised by IOC. The

Corporate Governance

Conflict of Interest

All Directors and employees of the Company are to refrain from using their position or confidential or price sensitive information as a benefit for himself or herself or to the benefit of any third party whether financial or otherwise. The Directors are required to disclose to the Board of any potential conflict of interest which impairs independent judgement. 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.

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 presents a compliance checklist to the Audit Committee.

Board Assessment

The Board and Sub-Committees carry out self-evaluations of their performance during the year to ensure that their responsibilities are satisfactorily discharged and to identify the potential areas of improvement to Board practices and performance. 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, the Parent Company conducts periodic internal audits of the affairs of the Company.

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 feedback received from the appraisee.

Board Meetings

Board meetings are held on a quarterly basis to discuss and take appropriate decisions regarding matters related to strategy, financial risk, governance and compliance. During the year the Board met 4 times. 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. Directors have unrestricted access to the Management team, information of the Company as well as other resources required to effectively execute their responsibilities.

Attendance at Board and subcommittee meetings is set out below.

Name of Director	Directorship Status	Board	Audit Committee	Related Party Transactions Review Committee
No of meetings held in year 2021-22		4	4	4
Mr. Ranjan Kumar Mohapatra	Chairman/Non-executive Director	4	4	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	4	4	4

Company Secretary

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

- Handling matters pertaining to the conduct of Board Meetings and General Meetings
- Conduct of proceedings in accordance with the Articles of Association and relevant legislation
- Coordinating the publication and distribution of the Company's Annual Report
- Maintaining registers of shareholders, company charges, directors and secretary, directors' interests in shares, interests in voting shares, 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 Colombo 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

Appointment, Re-election, and Resignation

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 the Company Secretary will fill the statutory forms with the Registrar of Companies within 20 working days. The communications typically include a brief resume of the newly appointed Director to the CSE with information on relevant expertise, key appointments, shareholding and status of independence.

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 been indicated in the Notice of the Meeting.

Written communication is obtained from any Director resigning prior to completion of his appointed term. Resignations are promptly informed to the CSE by the Board Secretary for dissemination to the investing public and the relevant statutory forms will be filed at the Registrar of Companies

Remuneration

The Non-Executive Directors including the Chairman do not draw remuneration or sitting fees from LIOC. Independent Directors' 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.

The Remuneration Committee holds the responsibility of ensuring that the remuneration of both Executive and the Non-Executive Directors is 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.

The names of the Remuneration Sub-Committee members are set out on page 87 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 140 in Note 23.2 to the Financial Statements.



Internal Audit

The internal audit function is responsible to provide independent risk-based oversight on the processes and controls within the Company to the Board Audit Committee and the Board to ensure the compliance with the relevant laws and regulations.

External Auditors

The Group's external auditors are Messrs. PricewaterhouseCoopers, Chartered Accountants. Measures have been set in place to ensure the independence and objectivity of the external auditors.

Audit Committee

The Board Audit Committee is responsible for ensuring the integrity of the Company's financial statements as well as internal controls and compliance. Chaired by an Independent Non-Executive Director and comprising solely Non-Executive Directors, the Board Audit Committee represents extensive experience in finance, accounting and auditing. The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and guidelines stipulated by the CSE (Please refer to the Report of the Board Audit Committee on pages 85 to 86 of this Report for further information).

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 88.

Risk Management and Internal Control

We have entrenched risk management within our day-to-day business operations and strategic planning through a robust risk management framework to identify and mitigate risks within the organisation. Our internal control system covering financial, operational, compliance, information technology controls and risk management controls facilitates the identification, evaluation and management of risks affecting the Company. The effectiveness of the internal controls is reviewed by the Board with the assistance of the Board Audit Committee and the Board Risk Management Committee.

Internet of Things and Cyber Security

With the heightened focus towards digitalization and greater investment in information technology projects, exposure to IT and cyber security risks has increased. The Senior Vice President-Finance has been assigned the responsibility of monitoring the IT policy of the Company which covers Procurement of Hardware & Software and Maintenance, Internet Connectivity and Email accounts, Training, Business Continuity Plan & Retention of Data and Internet

Usage. LIOC has also established an E-security policy which covers General Security, Virus Protection, Access Controls & Workstation security, User Responsibility & Confidentiality and Usage Restricted activities. These policies also form part of the annual statutory audit of financial statements.

Internet and cyber security are an agenda of monthly Senior Management Committee meeting and the same is apprised to the Risk Management Committee of the Board wherever necessary based on the significance.



Culture Driven by our Values

The tone at the top and the values and behaviour embraced by all employees are integral elements of the Company's governance. Our approach centers around building a culture of treating customers fairly and conducting business in an ethical manner and the below policies enable the proliferation of such a culture.

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.

Corporate Governance



The Annual Report

Our key publication to stakeholders is the Company's Integrated Annual Report and thus the Board understands 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 adherence with the Sri Lanka Accounting Standards and is an integrated report compliant with the GRI guidelines. The financial and non-financial information included in the Report as well as the integrated reporting procedures, have been externally assured.

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.

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.

Shareholder Engagement

Annual General Meeting - The AGM is the main platform for engaging with shareholders. The notice of the AGM is communicated individually to shareholders 15 working days prior to the AGM, and this notice includes the nature of the matters to be discussed at the meeting. Resolutions requiring shareholder approval are tabled separately for adoption at the AGM. The shareholders are able to actively engage in discussion on performance and Company related matters at the AGM.

Information dissemination - LIOC provides shareholders with timely information on performance and any other material developments. Numerous platforms are in place to disseminate information amongst shareholders including, press releases, email notifications and the corporate website. Feedback and queries of shareholders are directed to the Board or individual Director/s through the Company Secretary who maintains a record of all correspondence received.

AGM Highlights

The AGM of LIOC is held once in each calendar year. During the past two years due to the COVID-19 pandemic the AGM of LIOC was conducted on virtual platform.

Shareholder Voting Rights

Institutional and other investors can participate in the AGM and exercise their voting rights. Institutional investors are encouraged to give due consideration to all relevant factors related to Board structure and composition.

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

Environment Society and Governance (ESG) Reporting

The Board acknowledges sustainability as one of the most pivotal factors to achieving the Company's mission and the long-term competitiveness. As a responsible corporate citizen, the Board is conscious of its role in contributing towards the achievement of the Sustainable Development Goals. ESG principles are embedded in LIOC's business model, strategy, governance and risk management framework and is formalized as a part of the Company's reporting process. The Company follows Integrated Reporting and Global Reporting Initiative Guidelines in reporting and disclosure of ESG factors.

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

Code Ref.	Requirement	Reference	Complied	Page Ref
A	Directors			
A.1	The Board	Board Composition Governance and Structure	☑	Page 72 to 84
	Board Meetings	Board Meetings	☑	Page 74 to 75
A.1.2	Role & Responsibilities of the Board	Roles & Responsibilities	☑	Page 72
A.1.3	Independent Professional Advice	Independent Judgement	☑	Page 76
A.1.4	Access to advice and services of Company Secretary	Company Secretary	☑	Page 76
A.1.5	Independent Judgement	Independent Judgement	☑	Page 76
A.1.6	Dedicate Adequate Time and Effort Board Pack	Board Meetings	☑	Page 76
A.1.7	Calls for Resolutions	Board Meetings	☑	Page 76
A.1.8	Board Induction and Training	Board Induction and Development	☑	Page 75
A.2	Chairman & Chief Executive Officer	Roles and Responsibilities-The Chairman	☑	Page 14 to 17 18 to 21
A.3	Chairman's Role in Preserving Good Corporate Governance	Roles and Responsibilities-The Chairman	☑	Page 72 to 75
A.4	Availability of Financial Acumen	Financial acumen	☑	Page 24 & 25
A.5	Board Balance	Board Composition Independent Judgement Board Meetings Board of Directors	☑	Page 72 to 76
A.6	Provision of Appropriate and Timely Information	Board Meetings Supply of information	☑	Page 76 to 78 Page 72 to 75
A.7	Appointments to the Board	Appointments	☑	Page 76
A.8	Re-election of Directors	Re-election	☑	Page 76
A.9	Appraisal of Board Performance	Board Appraisal	☑	Page 76
A.10	Disclosure of information in respect of Directors	Profiles Board Sub-Committees Attendance at Meetings	☑	Page 22 to 25 Page 76 Page 76
A.11	Appraisal of the Chief Executive Officer	Appraisal of the CEO	☑	Page 75
B.	Directors' Remuneration			
B.1	Remuneration Procedure	Remuneration Procedure	☑	Page 87
B.2	Level & Make up of Remuneration	Level and Make up of Remuneration	☑	Page 87
B.3	Disclosures related to Remuneration in Annual Report	Disclosure of Remuneration Report of the Remuneration Committee	☑	Page 140 Page 87
C.	Relations with Shareholders			
C.1	Constructive use of the AGM	Constructive use of the AGM	☑	Page 78
C.2	Communication with shareholders	Communication with shareholders	☑	Page 78
C.3	Disclosure of Major and Material Transactions	Material transactions	☑	Pages 7, 38 & 73

Corporate Governance

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 108 to 109 Page 75 Page 104 Page 99 to 102 Page 106 Page 138 Page 88
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 91 to 96 Page 89
D.3	Audit Committee	Board Audit Committee Report	✓	Page 85 to 86
D.4	Related Party Transactions Review Committee	Board Related Party Transactions Review Committee report	✓	Page 88
D.5	Code of Conduct and Ethics	Chairman's Perspective Code of Conduct and Ethics	✓	Page 72 Page 72 to 79
D.6	Corporate Governance Disclosures	Corporate Governance Report	✓	Page 72 to 84
E/F. Institutional and Other Investors				
E.1&F.2	Encourage voting at AGM – institutional and other investors	Shareholder voting	✓	Page 78
E.2	Evaluation of governance disclosures	Evaluation of governance disclosures	✓	Page 79 to 84
F.2	Investing/divesting decisions	Investing/divesting decisions	✓	Page 78
G. Internet of Things & Cyber security				
G.1	Identify connectivity and related cyber risks	Internet of Things and Cyber security	✓	Page 77
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	Internet of Things and Cyber security	✓	Page 77
G.3	Include cyber security on Board agenda	Internet of Things and Cyber security	✓	Page 77
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Internet of Things and Cyber security	✓	Page 77
G.5	Disclosures in Annual Report	Internet of Things and Cyber security	✓	Page 77
H. Environment, Society & Governance				
H.1	ESG Reporting	Strategy and Value Creation (page 30 & 42) Operational Review (page 44 to 47) Capital Reports (pages 48 to 70) Corporate Governance (pages 72 to 84)	✓	Page 79

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 - Page 74
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 - Page 74
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 - Page 75
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 76, 24 to 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 75
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 to 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 77
7.10.4(a-h)	Determination of Independence Requirements for meeting the criteria for an Independent Director	✓	Corporate Governance - Page 76
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 87
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 87
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 87
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 85 to 86 Corporate Governance Pages 85 to 86 Report of the Audit Committee Page 85 to 86

Corporate Governance

Rule No.	Applicable Requirements	Complied	Page Ref
7.10.6	Audit Committee		
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 77</p> <p>Report of the Audit Committee - Page 85 - 86</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 - 77</p> <p>Report of the Audit Committee - Page 85 to 86</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 88
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	☑	Annual Report of the Board of Directors - Pages 88

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

Rule No.	Applicable Requirements	Complied	Page Ref
7.6.i	Names of persons who during the financial year were Directors of the entity	✔	Board of Directors - Page 76
7.6.ii	Principal activities of the Company	✔	Annual Report of the Board of Directors - Page 8
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 - Page 152
7.6.iv	The public holding percentage	✔	Share information - Page 152
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 - Page 152
7.6.vi	Information pertaining to material foreseeable risk factors of the entity	✔	Risk management - Pages 89 - 97
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity	✔	Corporate Governance - Page 78 & 38 to 40 Human Capital - Page 58-62
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	✔	Page 150
7.6.ix	Number of shares representing the entity's stated capital	✔	Share information -Page 109
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 - Page 151
7.6.xi	List of ratios and market price information	✔	Financial Highlights Five Year Summary - Pages 153
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 - Pages 150
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 81
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 transactions party transactions	✔	Notes to the Financial Statements (Note 23)

Corporate Governance

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 99 -102
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Financial statements and Notes to the financial statements - Page 109
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Independent Auditors' Report - Page 106 - 107
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements - Page 109
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors - Page 99
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 99-102
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 100
168 (1) (j)	Auditors' relationship or any interest with the Company	Annual Report of the Board of Directors - Page 100
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 102

REPORT OF THE BOARD AUDIT COMMITTEE



Prof. L R Watawala
Chairman - Audit Committee

Dear shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st March 2022. Through this report, I will share with you how the Audit Committee worked towards discharging its responsibilities.

Purpose of the committee

The Audit Committee is a sub-committee of the Board of Directors of the Company and reports directly to the Board. It holds oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of independence and performance of external auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

Members

The Committee, as at 31st March 2022, comprised of the following members;

Name	Category	MA
Prof. L R Watawala (C)	INED	4/4
Mr. Amitha Gooneratne	INED	4/4
Mr. D R Paranjape	NED	4/4

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

MA- Meeting Attendance

The Company Secretary to the Board of Directors, acts as the Secretary to the Audit Committee. The Managing Director, Senior Vice President and Vice President-Finance attend meetings by invitation.

Terms of Reference

The Audit Committee Charter clearly defines the Terms of Reference and the composition, role and responsibilities of the Committee and is reviewed periodically to ensure that new developments to the Committee's functions are sufficiently addressed.

Activities during 2021-22

Compliance with financial reporting, statutory and regulatory requirements

The Committee reviews the financial reporting system adopted by the Company in relation to the preparation, presentation and adequacy of disclosures in the quarterly and annual financial statements to ensure reliability of the processes, consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards.

The Committee verifies that the accounting policies and practices are appropriate and adequate internal controls and procedures are in place to provide reasonable assurance that the financial reporting system is effective and well managed to provide reliable and timely information. Significant accounting and reporting issues and the impacts of new accounting standards are thoroughly reviewed by the Committee.

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.

Internal Audit

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
- The scope of the audit plan
- The internal audit findings
- Follow-up action taken on the recommendations of the Internal Auditors

Key Responsibilities

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

The impact of COVID-19 on the continuity of business operations was given due consideration when formulating the risk strategies. Special attention was placed on mitigating possible financial reporting risks and internal audit plans were amended accordingly.

Risk Management and Controls

The Committee continued to assess the adequacy, efficiency and effectiveness of the Company's internal control system. It 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. The Committee also ensures that good governance practices cascade down to every single level of the organization and are strictly adhered to.

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. During the year the Committee held a

Report of the Board Audit Committee

meeting with the External Auditors to review their audit plan and observations made by them.

The Committee has recommended Messrs, Price Waterhouse Coopers Chartered Accountants to be re-appointed as the independent External Auditors subject to the approval of the shareholders at the next Annual General Meeting.

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.

Whistle blowing policy

The Committee reviewed the Company's whistle blowing policy to ensure the Company's arrangement for confidentiality of information and their sources remained effective. All concerns brought forward during the year under this Policy were duly investigated and appropriate actions were taken.

Committee evaluation

The fundamental objective of the evaluation of the Committee is to improve the effectiveness of its functions and enhance its support to the Management and the Board of Directors. The annual evaluation of the Committee was carried out and it was deemed that the Committee's functions were being carried out effectively.

Conclusion

The Audit Committee is satisfied that the effectiveness of the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the Company policies and that the Company's assets are properly accounted for and sufficiently safeguarded.



Prof. L R Watawala
Chairman- Audit Committee

29th April 2022

REPORT OF THE REMUNERATION COMMITTEE



Prof. L R Watawala
Chairman - Remuneration Committee

Dear shareholder,

I am pleased to present the report of the Remuneration Committee for the year ended 31st March 2022. Through this report, I will share with you how the Remuneration Committee worked towards discharging its responsibilities.

Purpose of the committee

The Committee was established for the purpose of setting the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, Senior Management and the Company Secretary.

Members

The Committee, as at 31st March 2022, comprised of the following members;

Name	Category	MA
Prof. L R Watawala (C)	INED	NIL
Mr. Amitha Gooneratne	INED	NIL
Mr. D R Paranjape	NED	NIL

(C)- Chairman

INED- Independent Non-Executive Director

MA- Meeting attendance

The Company Secretary, to the Board of Directors acts as the Secretary to the Remuneration Committee. The Managing Director, Senior Vice President HR attend meetings by invitation.

Terms of Reference

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

- Determining and periodically reviewing the Remuneration Policy including salaries, allowances and other financial payments and remuneration payable relating to executive and/or Non-Executive Directors, the Managing Director (MD) and Key Management Personnel (KMPs)
- Responsibility of setting and reviewing goals and targets for MD and KMPs and determining their periodic revision.
- Evaluating the performance of the MD and KMPs against the set goals and targets.
- Considering the succession plans and proposals submitted by the Management and making necessary recommendations for the approval of the Board.

Remuneration Policy

The remuneration policy is designed to attract, motivate and retain the Company's Executive Team with competitive remuneration and benefits to support the overall business growth and value creation. Accordingly, salaries and other benefits are reviewed periodically taking into consideration the industry norms and individual performance standards.

Professional Advice

The Committee is authorized to seek external professional advice on matters within its purview.

Remuneration paid to Directors

The remuneration paid to Directors during the year under review is disclosed in Note 23 to the financial statements.

The Non-Executive Directors including the Chairman do not draw remuneration or sitting fees from LIOC. All Independent Non-Executive Directors receive a fee for serving on the Board and Sub-Committee. They do not receive any performance related incentive.

The Company does not have an Employee Share Ownership Plan for Directors and Key Management Personnel.

Conclusion

The Committee will maintain its focus on introducing and strengthening HR policies and practices with a view of improving staff satisfaction in line with market standards whilst ensuring compliance with applicable rules and regulations. Accordingly, through these initiatives we expect to enhance our employee value proposition, realise the strategic objectives and broaden our future growth potential.

Prof. L R Watawala
Chairman – Remuneration Committee

29th April 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



Mr. Amitha Gooneratne

Chairman - Related Party Transactions Review Committee

Dear shareholder,

I am pleased to present the report of the Related Party Transactions Review Committee for the year ended 31st March 2022. Through this report, I will share with you how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

Purpose 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 to execute transactions.

Members

The Committee, as at 31st March 2022, comprised of the following members;

Name	Category	MA
Mr. Amitha Gooneratne (C)	INED	4/4
Prof. L R Watawala	INED	4/4
Mr. D R Paranjape	NED	4/4
Mr. Manoj Gupta	MD	4/4

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

MD- Managing Director

MA- Meeting attendance

The Company Secretary, to the Board of Directors acts as the Secretary to the Related Party Transactions Review Committee. The Senior Vice President-Finance and Vice President-Finance attend meetings by invitation.

Terms of Reference

The Committee is governed by the mandate approved by the Board of Directors which encompasses the Committee's purpose, duties and responsibilities. The Committee exercises oversight on behalf of the Board to ensure compliance with the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka, regulations issued by the CSE and LKAS 24.

Key Responsibilities

- 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.

Activities of 2021-22

The Committee discharged its responsibilities in compliance with its Terms of Reference, for which purpose the Committee reviewed the relevant Related Party Transactions quarterly or as and when required and communicated its observations to the Board. These are published in Note 23 to the Financial Statements.

Activities take during the year

Reviewing the investment of 49% in Trinco Petroleum Terminal (Pvt) Ltd (TPTL), Joint Venture Company with Ceylon Petroleum Corporation.

Committee evaluation

The annual self-evaluation of the Committee was conducted by the members of the Committee at year end and concluded that its performance was effective.

Conclusion

A declaration is given by the Board in the Annual Report of the Board of Directors on pages 99 to 102 as a negative statement to the effect that no related party transaction falling within the ambit of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange was entered by the Company during the year.

Mr. Amitha Gooneratne

Chairman - Related Party Transactions Review Committee

29th April 2022

REPORT OF THE BOARD RISK MANAGEMENT COMMITTEE



Mr. Manoj Gupta

Chairman -Board Risk Management Committee

Dear shareholder,

I am pleased to present the report of the Risk Committee for the year ended 31st March 2022. Through this report, I will share with you how the Risk Management Committee worked towards discharging its responsibilities.

Purpose of the committee

The Committee was established for the purpose of assisting the Board in fulfilling its responsibilities towards overseeing the adequacy and effectiveness of the risk management framework and activities of the Company, including the review of major risk exposures and the steps taken to monitor and control those exposures.

The Committee, as at 31st March 2022, comprised of the following members;

Name	Category	MA
Mr. Manoj Gupta (C)	MD	2/2
Mr. Aseem Bhargava	Senior Vice President, Finance- Chief Risk Officer	1/2
Mr. Girish Ranjan	Senior Vice President, Retail Sales & HR	2/2
Mr. Rajesh Kumar Bhagath	Senior Vice President, Bunkering & Operations	1/2
Mr. Shashank Jadav	Senior Vice President, Engineering & Admin	1/2
Mr. Swapan Haladar	Senior Vice President, Lubricants	2/2

Mr. Ranjeet Bothra	Vice President, Finance	2/2
Mr. Suraj Patnaik	SVP Bunkering & Operation	1/2

(C)- Chairman

MD- Managing Director

MA- Meeting attendance

The Company Secretary to the Board of Directors acts as the Secretary to the Risk Management Committee. The heads of divisions constantly monitor risks pertaining to their area of concern and Risk Management Committee Meetings are held as and when the requirement arises.

Terms of Reference

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.

The Committee works closely with the Chief Risk Officer, Corporate Management, Heads of Divisions, Consultants and Senior Managers supervising broad risk categories such as business, financial, regulatory, ICT, demographic and operational risks. Any concerns of the Committee will be reported to the Board of Directors on a regular basis.

Key Responsibilities

- 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.

Activities during 2021-22

Review of risk management framework

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. Regular engagement was carried out

during the year under review with policy makers to strengthen and enhance the industry frameworks in place. 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.

Review of risk exposures

The Committee holds responsibility in assisting the Board in setting the tone and developing a corporate culture that embraces risk management practices while supporting the Company's strategic objectives. It makes recommendations to the Board on the Company's risk appetite, compliance and risk management practices and continuously monitors the risk management capabilities within the Company, including communication lines established to escalate risks, preparedness to face any crisis and recovery plans in place. The Committee is also responsible for overseeing of the division of risk related responsibilities to each Board Sub- Committee as clearly as possible and performing a gap analysis to determine whether all risks are addressed.

The Committee closely monitored market price, procurement costs, optimization of inventory as well as outstanding balances beyond credit limits to minimize risk exposures.

Further it monitors duties and taxes, interest rates, exchange rates and wages and adjusts the Company strategies to minimize impacts where possible.

During 2021-22 the Committee also coordinated with the Marine Environmental Pollution Authority to obtain approval for the Oil Spill Contingency Plan of the Trincomalee Terminal, to minimize its environmental risk exposure.

Compliance

The Committee reviews the risk and compliance profile of the Company within the context of the risk parameters determined by the Board. Furthermore, it monitors implementation of risk management practices and regulatory compliance of the Company.

Report of the Board Risk Management Committee

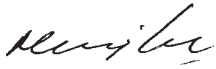
Professional Advice

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.

The Committee takes into account the risks identified by the Statutory/Internal Auditors and also seeks the views of other Board Sub-Committees as and when required.

Committee evaluation

The annual evaluation of the performance of the Committee was carried out and the Committee was deemed to be operating effectively.



Mr. Manoj Gupta
Chairman – Board Risk Management Committee

29th April 2022

RISK MANAGEMENT

Lanka IOC adopts an integrated governance, risk, and compliance system to record and track risks and controls. We manage the risks and uncertainties inherent in the dynamic environment by reinventing our processes and systems in order to adapt to an ever changing complex and volatile landscape.

In this turbulent and unpredictable operating landscape, the Company has placed considerable emphasis on risk management to negate the unfavorable effects of converging risks. 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. LIOC's proactive and systematic risk management approach is guided by a clear policy framework, governance structure and reasonable levels of empowerment. This has played a significant role in ensuring the stability and uninterrupted flow of business operations while displaying resilient performance through an extraordinarily challenging year.

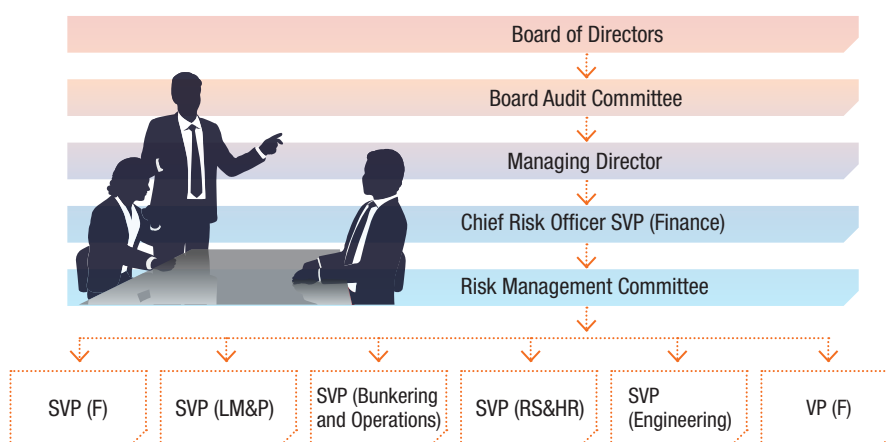
Risk Landscape

The FY 2021-22 was characterized by a myriad of challenges. The pandemic raged on with many variants and new waves disrupting economic activity which resulted in a negative growth for the country in the second quarter of the financial year. The nation-wide vaccination programme was successful in containing the spread of the infections. However, the economic environment was severely impacted causing wide scale disruption and socio - economic upheaval. Inflation levels increased significantly. However, the scale of inflation in the local environment was way above the global averages soaring to unprecedented scale. This was mainly triggered by food inflation which increased very sharply. Increasing prices of commodities driven by oil prices along with supply chain disruptions and an increase in freight costs were a key challenge for manufacturers.

In Sri Lanka the downgrade of the sovereign rating, increasing trade deficit, and debt payments created foreign exchange liquidity and exchange rate volatilities. The widening trade deficit has created shortages of fuel which has caused nation-wide power cuts causing disruption to business activities and normal life.

Risk Governance

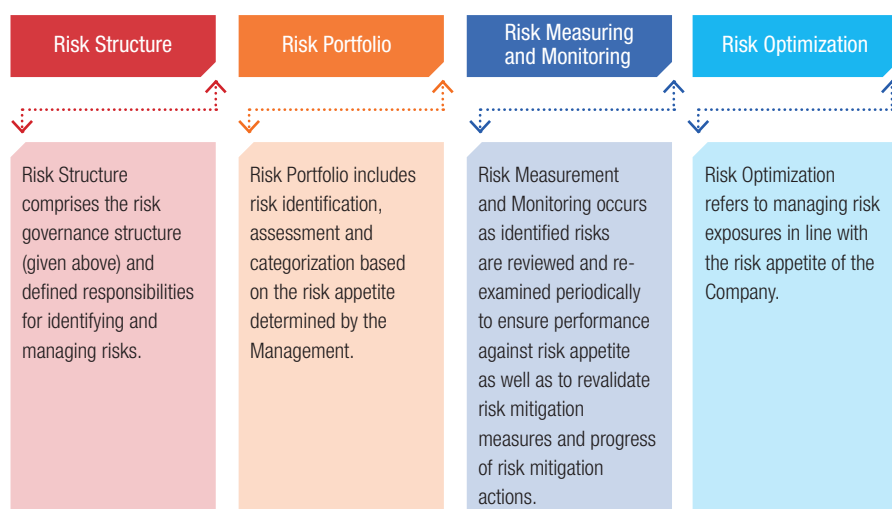
The Board of Directors holds ultimate responsibility for identifying and managing the Group's risk exposures and is assisted by the Board Audit Committee who has oversight responsibility for the same. Risk identification is an ongoing process involving continuous stakeholder engagement and persistent 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.



LIOC's Risk Governance Structure

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 Management

Embedding a Risk Culture

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

Risk Appetite

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

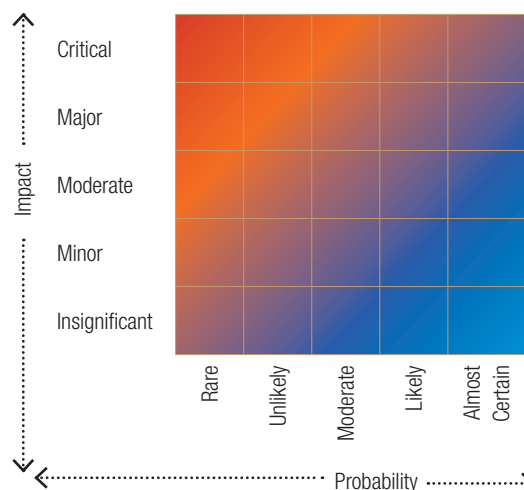
Rating criteria – impact

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

Rating Criteria – Likelihood

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

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



Principle Risks

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

Category A Risks

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Trend
Financial Capital	Commodity price increases Increase in the world commodity prices which has caused exponential increases in crude oil and related products	Price fluctuations pose a direct impact on profitability margins and cash flows	<ul style="list-style-type: none"> Monitoring global crude oil prices Supply chain optimization 	M	H	↑
	Interest rate risk Sensitivity to interest rate changes	Increase in interest rates could impact the cost of imports due to high cost of financing and increase in the cost of borrowing	<ul style="list-style-type: none"> Effective management of working capital Maintain a proper combination of fixed and floating rates 	MO	H	↑
	Pricing of products Pricing of Auto Fuels was pegged to a price ceiling.	The inability to revise the prices of Auto Fuels in line with global price levels has created losses in certain segments.	<ul style="list-style-type: none"> Focus on expanding the branded and premium fuel segment Diversification by expanding to other segments to offset under recoveries on Auto Fuel The introduction of the fuel price formula will mitigate the price differential between the cost of imports and the selling price 	H	M	↓
	Foreign currency risk Arises due to exposure to foreign currency positions	Auto Fuels, Lubricants and Bitumen are done in USD and sales are carried out in Sri Lankan Rupees. Thus, the company is exposed to exchange losses. With the sharp depreciation of the LKR the impact has been significant.	<ul style="list-style-type: none"> Import loans taken for a shorter tenor Proactive strategy to monitor exchange fluctuation risk Hedge foreign borrowings against foreign currency deposits Engagement with the Central Bank of Sri Lanka to arrange USD funding in order to meet essential import of fuel to the country Plans to supply fuel to the export sector on USD invoicing basis to build the dollar reserves for further fuel import 	H	H	↔
	Change in competitive platform New entrants entering the Bitumen and Bunkering space has changed the dynamics in this area	<p>The entry of new players to an already crowded market could affect our margins and market share</p> <p>New small players may not strictly adhere to the best international practices</p> <p>Commencement of Bunkering operations at Hambantota may have substantial impact on Bunkering volume at Colombo and Trincomalee</p>	<ul style="list-style-type: none"> 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 	L	M	↑



Risk level increased



Risk level unchanged



Take action to mitigate






H High

M Medium

MO Moderate

L Low

Risk Management

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Trend
	Credit risk Occurs due to settlement default by credit customers	Results in direct losses due to bad debts and increase in finance cost due to delayed payments	<ul style="list-style-type: none"> Regular credit evaluation from reputed independent credit agencies Consistent monitoring of the debtors' aging profile Strict follow-up on customers who seek credit facilities Obtaining adequate collateral wherever there is a risk of default 	MO	H	
	Risk to stocks, property and equipment	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 such as Fire & Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy, etc. 	M	M	
	Demurrage due to inadequate port infrastructures	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 	M	H	
	Government policy and regulatory changes	Frequent changes to government policies and tax structures hampers the strategic planning process 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 	M	M	
Natural Capital	Product Safety	The flammability of our key products exposes our staff to a wide range of health and safety risks that can result in regulatory action, legal liability, and reputational losses	<ul style="list-style-type: none"> 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 	H	H	



Risk level increased



Risk level unchanged



Take action to mitigate

H High**M** Medium**MO** Moderate**L** Low

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Trend
Social and Relationship Capital	Maintaining product quality and standard of service	Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/legal action	<ul style="list-style-type: none"> 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 Strict compliances ensured material contractual specification 	M	H	↑
Intellectual Capital	Reputation risk	Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests	<ul style="list-style-type: none"> Continuous engagement is done with policy makers and our legal counsels 	M	M	↔

Category B Risks

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Category
Natural Capital	Product responsibility	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 	M	M	↔
	Waste and effluents including oils spills	<p>Effluents from our processes comprise oil sludge and discharges from the Trincomalee Terminal</p> <p>Any possible oil spills in or around Trincomalee oil jetty would have severe consequences for LIOC</p>	<ul style="list-style-type: none"> 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 	M	M	↔
Human Capital	Employee relations	Around 60% of our employees are unionized as we recognize the right to freedom of association	<ul style="list-style-type: none"> 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 	M	M	↔
	Employee retention	Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labor migration	<ul style="list-style-type: none"> Strong employee value proposition which features attractive remuneration packages Continued investment in training and development Opportunities for career progression 	M	M	↔
Human Capital	Non availability/ limited availability of contractors for specialized work related to Oil Terminalling/Lube Plant	Impacts the speed of execution Higher cost	<ul style="list-style-type: none"> Local parties being developed by entrusting them with jobs Enabled participation of foreign capable parties as consortium partners with the local parties 	L	M	↔



Risk level increased



Risk level unchanged



Take action to mitigate

H High

M Medium

MO Moderate

L Low

Risk Management

Risk Category	Risk Element	Implications	Mitigating Actions	Risk Level in 2020-21	Risk Level in 2021-22	Risk Category
Natural Capital	Energy	Energy is critical to the Company's day to day operations at the Retail Outlets, head office and the LIOC Terminal in Trincomalee.	<ul style="list-style-type: none"> 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 Introduction of energy efficient fuels to contribute towards lower carbon emissions 	M	M	↔
	Climate change	<p>National policies could increase costs and reduce future revenue and strategic growth opportunities. There is also a direct impact through our carbon footprint and compliance with the CEA license</p> <p>Increasingly pronounced impacts of climate change including erratic weather</p>	<ul style="list-style-type: none"> 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 	M	M	↔
Social and Relationship Capital	Local community Relations	As a responsible corporate citizen, the Company contributes towards socio-economic progress of the communities through several timely CSR initiatives which meet the emergent needs and requirements	<ul style="list-style-type: none"> High levels of community engagement and nurturing meaningful relationships with our communities Investments in ongoing community development projects 	L	L	↔
Human Capital / Intellectual Capital	Training and development	Training and development enhance the competencies of the team to enhance productivity and safety. This enriches the tacit knowledge creating a competitive edge	<ul style="list-style-type: none"> Structured training programs in place for all employees Training needs identified through a robust performance management system 	M	M	↔



Risk level increased



Risk level unchanged



Take action to mitigate

H High

M Medium

MO Moderate

L Low

Future Outlook

With the escalating challenges on the macroeconomic front, particularly towards the latter part of the year under review, the Company introduced numerous measures to ensure a sustainable and agile operating model, with a focused approach on management of foreign exchange and liquidity, in particular.

The challenges on the economic, social and political fronts in the country also created a challenging landscape for the Company to operate in. Hence,

the year under review was also characterized by significant challenges on the foreign exchange front. In addition to the depreciation of the currency towards the end of the financial year under review, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. The low liquidity in the banking system necessitated the Company to seek the assistance of the Central Bank of Sri Lanka to facilitate import of essential oil required by the country. Thereby the Company

was successful in procuring the required fuel to meet the immediate requirements to power the thermal power facilities along with the transportation requirements of the people.

The Company adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations through strategies such as matching liabilities.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON SUSTAINABILITY INFORMATION FOR THE YEAR ENDED 31 MARCH 2022



To the directors of Lanka IOC PLC

We have performed limited assurance engagement on sustainability reporting on the Integrated Annual Report ("Annual Report") of Lanka IOC PLC ("the Company") for the year ended 31 March 2022, prepared in accordance with the requirements of the Global Reporting Initiative (GRI)-Standards: "In accordance" – Core guidelines.

Lanka IOC PLC's responsibility

The management of the Company is responsible for the presentation of information relating to sustainability in the Annual Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI-Criteria").

This responsibility of Company's management includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they have considered necessary to enable the preparation of sustainability reporting that is free from material misstatement whether due to fraud or error.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. Further, social, natural, and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating, and estimating such data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Sri Lanka Standard on Quality Control 1 (SLQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the sustainability reporting information disclosed in the Annual report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by CA Sri Lanka. These.

standards require that we plan and perform this engagement to obtain limited assurance about whether the presented sustainability information in the Report is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the GRI-Criteria as the basis for the preparation of the sustainability report, assessing the risks of material misstatement of the disclosures in this report whether due to fraud or error, responding to the assessed risks as necessary

in the circumstances, and evaluating the overall presentation of the Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- made inquiries of the persons responsible for the preparation of the sustainable report regarding the preparation process, the internal control system relating to this process and selected disclosures in this report;
- obtained an understanding of the process for collecting and reporting the sustainability information.
- identification of the likely risks of material misstatement of the sustainable report under consideration of the GRI-Criteria.
- Analytical evaluation of selected disclosures in the sustainable report.
- performed limited substantive testing on a selective basis of certain sustainability information to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of information relating to sustainability.

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

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

Independent Practitioner's Limited Assurance Report on Sustainability Information for the year ended 31 March 2022



The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether The Company's sustainability information has been prepared, in all material respects, in accordance with the Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company's sustainability report for the year ended 31 March 2022 is not prepared, in all material respects, in accordance with the relevant GRI-Criteria.

Intended use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink. The 'P' is large and prominent, followed by the rest of the name in a cursive, flowing script.

CHARTERED ACCOUNTANTS
COLOMBO

30th June 2022

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 20th Annual Report of Lanka IOC PLC for the financial year ended 31st March 2022, that includes and covers the Audited Financial Statements, Chairman's Message, Managing Directors Review, Management Discussion and Analysis, Stakeholder Engagement Report, Capital Reports, Governance Reports, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non- Financial Reporting and other relevant information.

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

The Audited Financial Statements were approved by the Directors at the Board Meeting held on 29th April 2022.

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 2022, 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 112 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 Indonesia.

AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page 106.

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. 23.2 to the Financial Statements deals with Director's interests in contracts and related party transactions with the Company respectively.

DIRECTORS' INTERESTS IN SHARES

Prof.Lakshman R Watawala and Mr.Amitha Gooneratne, Independent Non-Executive Directors of the Company hold 500 and 4800 ordinary voting

shares respectively. There were no share dealings by any other directors of the Company (Sec.200) during the financial year.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The aggregate remuneration and other benefits of directors of the Company for the financial year 2021- 22 amounts to Rs. 45.8 Mn.

DIRECTORS

The Directors of the Company for the F/Y 2021-22 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 Fourteen years as an Independent Non-Executive Director on 26th July 2021 and the Board at its meeting held on 10th May 2021, 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 2021-22, subject to his re-appointment at the AGM. Subsequently at the AGM held on 29th November 2021, he was re-appointed as a Director of the Company by the Shareholders.

Mr. Ranjan Kumar Mohapatra, Non-Executive Director and Mr.Vigyan Kumar, 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.

Annual Report of the Board of Directors on the Affairs of the Company

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

RELATED PARTY TRANSACTIONS

The Board of Directors declares as follows:

The related party transactions during the FY 2021-22 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2021-22 are exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

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

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during the period from April 1, 2021 to March 31, 2022 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

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

APPOINTMENT OF AUDITORS

A resolution to re-appoint M/s Price Waterhouse Coopers (PwC Chartered Accountants) as the Auditors of the Company will be proposed at the Annual General Meeting.

The Auditors' M/s Price Waterhouse Coopers fee for the year 2021-22 was fixed at Rs. 1.50 Mn. (2020-21 Rs.1.75 Mn to M/s Ernest & Young) as disclosed in Note 6 to the financial statements on page 124 thereof.

AUDITORS RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any

relationship or any interest with the Company that would impair their independence. M/s Price Waterhouse Coopers were also engaged as Transfer Pricing Consultants for the additional services for which the company incurred a sum of Rs.0.43 Mn

M/s.KPMG were engaged as Internal Auditors and a remuneration of Rs.1.15 Mn (2020-21 – Rs.1.11 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 2021 and 31st March 2022 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 2022 amounted to Rs.16,709 Mn (2020-21 – Rs.12,347 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.14,967 Mn (2020-21 Rs.25,513 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 2021-22 recorded at Rs. 89.95 Bn as against Rs.66.69 Bn in FY 2020-21 showing a growth of 35% mainly due to increase in the fuel prices and marginally increase in Sales volume. Global fuel prices were on the sharp increasing trend during the year with strong demand on rebound of economy after COVID-19 vaccinations across the globe.

EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to US \$116 Mn (2020-21 – US \$ 61 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 unprecedented 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. Being engaged in providing essential services, we ensured early vaccinations doses to our employees and petrol sheds staff to ensure their health and well-being.

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 over our network. Also we further emphasized our Dealers, RO Managers and Customer attendants on 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 with excellent collaboration of our dealer network, carried out new Retail Visual Identity (RVI) at 70 Retail Outlets during this year. Adopting the path of expansion of network, company added 3 more new strategic Retail Outlet during the year.

With focus on customer service and ensuring customer delight, 'Automation' of our 25 Retail Outlets are operational to enhance customer excellence. This 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

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, currently modern Electric Vehicle charging facility is operating at our 5 nos. of strategically located ROs across the island. Going a step ahead, to reduce carbon foot prints across the island by adoption of renewal source of energy, we installed 50 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 13 nos of ATMs of different banks e.g. Bank of Ceylon, DFCC, HNB are operational at our ROs. We also provided platform at our ROs to M/s Ceylinco General Insurance, Emerging Media, Banks, Service station chain and other reputed advertising agencies for advertisement of their value added products through LED screen/ hoarding and in turn we generated non fuel revenue.

These 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 expanded network of dialog touch fuel card, app based payment system and availability of debit/credit machines at Retail Outlet. 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 13 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 166,798 MT as against 13,600 MT during LY inspite of stiff competition among 4 bunker players. With the increase in sales we could able to register a growth of 22% and increase in market share from 31 to 33%. In order to maintain a competitive edge in the market, LIOC took a number of steps for reducing fixed expenses in bunkering like proper utilization of barge with almost Nil idling time. We also used our barge for executing supplies of other bunker suppliers without hampering our supplies which generated additional income to the organization. The bunker product stored at common storage at Colombo, we have gained on storage cost as well by offering our product to other players on need basis. 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 2021-22 as per the agreement with BOI.

OTHER OPERATING INCOME

In continuous efforts to optimize its income from various sources, your company earned Rs.116 Mn (2020-21 -Rs.252 Mn) during the year lease rentals of hoardings, space and amenities, solarization at the various Retail Outlets, terminal services and from other resources.

FUNDING OPERATIONS

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

INTERNAL CONTROL

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

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

CSR PROJECT

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

Projects covering environment, health 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 pandemic") 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 continued to pay close attention to the

Annual Report of the Board of Directors on the Affairs of the Company

development of COVID-19 and its related impact on the Company's businesses and financials and ensured early vaccinations of its direct & indirect work forces and their family members.

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 pandemic, the short-term and long-term economic impact, efficacy of vaccination programme, 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



Amali Liyanapatabendi
Company Secretary

29th April 2022

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

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

Period	
April-June 2021	27th July 2021
July-September 2021	28st October 2021
October-December 2021	20th January 2022
January-March 2022	04th May 2022
Period	
2020-21 (Sixth Integrated Report)	31st August 2021
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
Meeting	
19th Annual General Meeting	29th November 2021
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.

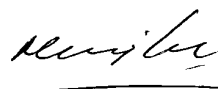
The Directors are also responsible, under Section 148 of the Companies Act No.07 of 2007, for ensuring that proper accounting records are kept to enable the determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements are being carried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

29th April 2022

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

The financial statements of Lanka IOC PLC as at March 31, 2022 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. pwc, 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



Aseem Bhargava
Senior Vice President (Finance)

29th April 2022

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF LANKA IOC PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Lanka IOC PLC ("the Company") as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

WHAT WE HAVE AUDITED

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;

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

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

INDEPENDENCE

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

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the Key audit matter
Revenue recognition The Company's revenue consists of sale of petroleum products. Due to the magnitude of revenue reported, we assessed that a higher risk is associated with revenue recognition and measurement. Accordingly, the recognition and measurement of revenue was considered a Key Audit Matter.	Our audit procedures which included, amongst others, the following: <ol style="list-style-type: none"> Reviewed the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers. Tested the effectiveness of relevant controls over revenue recognition. Performed cut off procedures to ensure that the sales are recorded in proper accounting period. Performed test of details on the revenue generated through the period by checking original source documents. Reviewed the credit notes issued before and after the period end to ensure sales were recorded in the correct accounting period. Assessed 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. Assessed the adequacy of related disclosures on revenue in the financial statements with reference to the disclosure requirements given in SLFRS 15.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 March 2022 ("the Annual Report") but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

OTHER MATTER

The financial statements of the Company for the year ended 31 March 2021 were audited by another firm of auditors whose report, dated 10 May 2021, expressed an unmodified opinion on those statements.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

Pauline Capen

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 2857

Colombo
Sri Lanka

29th April 2022



STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022			
	Note	2022 Rs '000	2021 Rs '000
Revenue from Contracts with Customers	3	89,951,223	66,685,892
Cost of Sales		(81,106,644)	(63,572,855)
Gross Profit		8,844,579	3,113,037
Other Operating Income	4	115,819	252,430
Administrative Expenses		(1,638,789)	(1,400,609)
Selling and Distribution Expenses		(1,911,931)	(1,803,430)
Operating Profit		5,409,678	161,428
Finance Income	5.1	1,364,149	1,302,596
Finance Expenses	5.2	(1,162,155)	(476,276)
Profit Before Tax	6	5,611,672	987,748
Income Tax	7.1	(793,217)	(105,114)
Profit for the Year		4,818,455	882,634
Other Comprehensive Income /(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial Loss on Defined Benefit Obligations	8.3	(4,224)	(6,882)
Income Tax on Other Comprehensive Loss	9.2	634	1,032
Other Comprehensive Loss for the Year, Net of Tax		(3,590)	(5,850)
Total Comprehensive Income for the Year, Net of Tax		4,814,865	876,784
Earnings Per Share/Diluted Earnings Per Share (Rs.)	10	9.05	1.66

The accounting policies and notes on pages 112 through 148 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION


As at 31 March 2022		2022	2021
	Note	Rs '000	Rs '000
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	3,856,924	4,019,364
Investment	12	4,443,000	4,394,000
Intangible Assets	13	673,876	674,376
Right -of-use Assets	14.1	80,146	62,565
Other Receivables at Amortized Cost	17.2	141,700	118,675
Bank Deposits	22.3	1,461,896	10,222,477
Deferred Tax Asset (Net)	9.1	-	261,416
		10,657,542	19,752,873
Current Assets			
Inventories	15	27,257,032	9,625,050
Trade Receivables	16	3,965,382	2,585,212
	17.1 &		
Other Receivables at Amortized Cost	17.3	667,182	1,707,035
Other Current Assets	18	107,950	78,902
Income Tax Receivables		-	18,173
Short Term Investments	22.2	19,891,773	12,040,810
Cash and Bank Balances	19.1	2,523,749	598,950
		54,413,068	26,654,132
Total Assets		65,070,610	46,407,005
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	20	7,576,574	7,576,574
Retained Earnings		16,709,340	12,347,070
Total Equity		24,285,914	19,923,644
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	11,532	13,692
Deferred Tax Liabilities	9.1	380,489	-
Lease Liabilities	14.2	45,782	38,205
		437,803	51,897
Current Liabilities			
Trade and Other Payables	21	14,504,470	5,808,435
Lease Liabilities	14.2	41,955	33,476
Interest Bearing Borrowings	22.1	25,778,225	20,589,553
Income Tax Payable		22,243	-
		40,346,893	26,431,464
Total Equity and Liabilities		65,070,610	46,407,005

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



Senior Vice President (Finance)

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;
29 April 2022



Director



Director

The accounting policies and notes on pages 112 through 148 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022		Stated Capital	Retained Earnings	Total
	Note	Rs '000	Rs '000	Rs '000
As at 1 April 2020		7,576,574	11,869,635	19,446,209
Dividends Paid	27	-	(399,349)	(399,349)
Profit for the Year		-	882,634	882,634
Other Comprehensive Loss		-	(5,850)	(5,850)
As at 31 March 2021		7,576,574	12,347,070	19,923,644
Dividends Paid	27	-	(452,595)	(452,595)
Profit for the Year		-	4,818,455	4,818,455
Other Comprehensive Loss		-	(3,590)	(3,590)
As at 31 March 2022		7,576,574	16,709,340	24,285,914

The accounting policies and notes on pages 112 through 148 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2022		2022	2021
	Note	Rs '000	Rs '000
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		5,611,672	987,748
Adjustments for			
Finance Income	5.1	(1,364,149)	(1,302,596)
Finance Expenses	5.2	1,162,155	476,276
Dividends Income	4	-	(120,000)
Gain on disposal of property, Plant and Equipment	4	(25,180)	(3,317)
Defined Benefit Plan Cost	8.3	5,480	5,701
Depreciation	11.2	421,509	402,889
Amortisation of Intangible Asset	13.2	500	500
Amortisation Right-of- use Assets	14.1	31,528	32,275
Lease Interest - Right of - use Assets	14.2	8,283	9,957
Exchange Loss on borrowing		1,198,085	125,703
Operating Profit/(Loss) before Working Capital Changes		7,049,883	615,136
(Increase)/ Decrease in Inventories		(17,631,982)	3,670,267
Increase in Trade receivable, Other Receivables and Other Current Assets		(392,390)	(384,708)
Increase in Trade and Other Payables		8,696,035	2,557,772
Cash Generated (Used in)/From Operations		(2,278,454)	6,458,467
Income Tax	5.2	(163,485)	(13,798)
Finance Expenses		(1,162,155)	(476,276)
Defined Benefit Paid		(17,927)	(7,639)
Net Cash Flows From Operating Activities		(3,622,021)	5,960,754
Cash Flows from Investing Activities			
Finance Income		1,364,149	1,302,596
Dividends Income		-	120,000
Acquisition of Property, Plant and Equipment	11.1	(265,308)	(309,659)
Proceeds from Property, Plant and Equipment		31,418	3,928
Net Withdrawal/(Investment) in Gratuity Fund		10,286	(1,128)
Withdrawal/(Investment) in Bank Deposits		8,760,581	(10,222,477)
Withdrawal/(Investment) in Short Term Investments		(7,850,963)	619,678
Net Cash Flows From/(Used in) Investing Activities		2,050,163	(8,487,062)
Cash Flows From Financing Activities			
Proceed from Interest bearing borrowings		105,575,340	55,863,217
Repayments of Interest bearing borrowings		(101,584,753)	(52,353,939)
Dividends Paid		(452,595)	(399,349)
Payment of Lease Creditor	14.2	(41,335)	(36,004)
Net Cash Flows From Financing Activities		3,496,657	3,073,925
Net Increase / (Decrease) in Cash and Cash Equivalents		1,924,799	547,617
Cash and Cash Equivalents at the Beginning of the Year		598,950	51,333
Cash and Cash Equivalents at the End of the Year	19.1	2,523,749	598,950
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash in Hand and at Bank		2,523,749	598,950
		2,523,749	598,950

For the details on reclassification of cash flow statement please refer note 2.8

The accounting policies and notes on pages 112 through 148 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 2022 was authorized for issue in accordance with a resolution of the Board of Directors on 29th April 2022.

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

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year. A summary of such changes are as follows:

Statement of cash flows for the year ended 31 March 2021:

Rs. 000'	As reported previously	Reclassifications	Current presentation
ANALYSIS OF CASH AND CASH EQUIVALENTS: Cash and Cash Equivalents at the End of the Year [See Note (a) below]	12,639,760	(12,040,810)	598,950
	12,639,760	(12,040,810)	598,950

- (a) As per the comparative year presentation of Statement of cash flows, cash and cash equivalents at the end of the year included the short-term investments which was not considered as a part of cash and cash equivalents. Therefore, the short term investments have been excluded from the cash and cash equivalents at the end of the year.

For the details on cash flow please refer Cash Flow Statement on page 109.

2.9 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires the application of certain critical accounting estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Other disclosures relating to the Company's exposure to risks and

uncertainties includes:

- Capital Risk management Note 28.5
- Financial instruments risk management objectives 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 12.1

b) Investment in Trinco Petroleum Terminal (Pvt) Limited

The Company owns a 49% of stake in Trinco Petroleum Terminal (Pvt) Limited. The management has decided to carry the investment at cost on the grounds that the Company has no significant influence on the financial and operating decisions of Trinco Petroleum Terminal (Pvt) Limited due to the government influence and the sensitivity of the industry towards the national economy. Further information is disclosed in Note 12.2.

c) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and motor vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate), and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset;

NOTES TO THE FINANCIAL STATEMENTS

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.9.2 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 Comprehensive income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

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

Simplified Approach

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. As a practical expedient, the Company uses a provision matrix to determine

impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates 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.

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

d) Impairment of non-financial assets

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

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

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

mentioned. A reduction in the estimated useful lives of Property, Plant and Equipment would increase the recorded depreciation charge and decrease the Property, Plant and Equipment balance.

2.10 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10.1 Foreign Currency Translation

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

2.10.2 Revenue Recognition

Sales are recognised when the performance obligation is satisfied, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Company determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company would achieve by selling the same goods and / or services included in the obligation to a similar customer on a standalone basis. Where the Company does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Company maximises the use of external input; observing the standalone prices for similar goods and services when sold by Ceylon Petroleum Corporation or using a cost-plus reasonable margin approach.

a) Sale of goods

Revenue from sale of goods is 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.

a) Rental Income

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

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

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

b) Finance Income

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

c) Dividend income

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

d) Others

Other income is recognized on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

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

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

2.10.3 Expenditure Recognition

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

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 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 under following 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)

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.

2.10.5.1 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).

NOTES TO THE FINANCIAL STATEMENTS

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.

2.10.5.2 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.

2.10.5.3 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.

2.10.5.4 Fair Value of Measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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.

2.10.5 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

2.10.6 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 Statement of comprehensive income.

2.10.7 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.

2.10.8 Investment in Ceylon Petroleum Storage Terminal Limited and Trinco Petroleum Terminal (Private) Limited

Investment in the associate company is accounted for at cost and is classified as a long term investment in the statement of financial position. The Company has no significant influence in the financial and operating policy decisions of the investee as more fully explained in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

2.10.9 Cash and Short-Term Deposits

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with original maturities of three months or less are also treated as cash equivalents.

2.10.10 Impairment of non-financial assets

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

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

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

2.10.11 Accounting for leases - where the Company is the lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building - Lease Period 4 years -
- Trinco Tank Farm - Lease Period 50 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine

such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Right -to-use Lease Liability (see Note 14.2).

2.10.12 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.

2.10.13 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.

2.10.14 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs Prime Actuarial Solutions who carried out actuarial valuation as at 31 March 2022.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise.

b) Defined Contribution Plans

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 15% and 10% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund for Trincomalee based (erstwhile CPC) and 12% and 8% for other employees.

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due.

2.11 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2021.

(i) Amendment to SLFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to SLFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This amendment is effective for the annual periods beginning on or after 1 April 2021.

(ii) Inter Bank Offered Rates (IBOR) Reform and its Effects on Financial Reporting—Phase 2: Amendments to IFRS 7, IFRS 4 and IFRS 16

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments could affect companies in all industries. This publication provides guidance on how to apply the Phase 2 amendments to various contracts and hedge accounting relationships, including the interaction with the Phase 1 reliefs for hedge accounting.

This amendment is effective for the annual periods beginning on or after 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

(b) New standards and amendments not effective and not early adopted in 2021

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2022.

(i) Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

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

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

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iii) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalized in May 2020:

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

- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Lanka petrol 92 octane	24,793,759	19,807,769
Lanka auto diesel	18,493,788	19,589,059
IFO380/ LSFO	19,595,130	9,215,522
Marine Gas Oil	3,500,004	1,788,553
Lubricants	7,291,454	4,073,459
Xtrapremium 95	3,910,973	3,388,347
Xtrapremium Euro 3	5,231,756	3,283,132
Xtramile	2,781,728	2,857,608
Lanka super diesel	1,512,561	1,397,747
Bitumen	2,818,812	1,173,731
Petrochemical	21,258	110,965
Total Sales of Petroleum Products	89,951,223	66,685,892

3.1 Segment Information

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

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

3.3 Contract balances

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Trade Receivables (Note 16)	3,965,382	2,585,212
Contract Liabilities (Note 21)	1,067,451	85,568

4. OTHER OPERATING INCOME

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Dividend Income	-	120,000
Rental Income	60,223	65,032
Sundry Income	30,416	64,081
Gain on Disposal of Property, Plant and Equipment	25,180	3,317
	115,819	252,430

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Income from Short term Investments & Deposits	1,335,349	1,278,979
Interest on Others	28,800	23,617
	1,364,149	1,302,596

5.2 Finance Expenses

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Interest Expenses	962,589	642,895
Exchange Loss/(Gain)	199,566	(166,619)
	1,162,155	476,276

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Stated after Charging /Crediting		
Directors' Emoluments	45,832	35,772
Employee benefit expenses (6.1)	649,554	536,301
Loss/(Gain) on disposal of Property, Plant and Equipment	(25,180)	(3,317)
Exchange (Gain)/ Loss	199,566	(166,619)
Defined Benefit Obligation : Charge for the year	5,481	5,701
Audit Fee - Current year	1,500	1,750
Rent	68,856	36,143
Depreciation Charge for the year	421,509	402,889
Amortization of right-of-use assets	31,528	42,232
Amortisation Charge for the year	500	500

6.1 Employee benefit expenses

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Salaries, wages and other fringe benefits	606,746	502,992
Contribution to defined contribution plans	37,328	27,608
Defined benefit obligations (Note 8.3)	5,480	5,701
	649,554	536,301
Monthly average number of persons employed by the Company during the year:		
Permanent employees	153	151

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2022 and 31 March 2021 are as follows :

7.1 Income Statement

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Current Income Tax:		
Current Tax Expense	150,679	178,017
Under/(Over) Provision of Current Taxes in respect of Prior Year	-	(1,176)
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	642,538	(71,727)
Income Tax Expense / (Credit) Reported in the Income Statement	793,217	105,114

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2022 and 31 March 2021 are as follows:

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Accounting Profit (Loss) before tax	5,611,672	987,748
Tax calculated at a statutory income tax rate of 15% (2020 - 15%)	841,751	148,162
Tax impact of expenses deductible/not deductible for tax purpose	(330,217)	(90,093)
Tax impact of income taxable at different rate	(94,175)	(112,011)
Tax impact of income not subject to tax	(109,591)	(82,775)
Adjustment due to the estimated deferred tax base in previous year	334,770	64,990
Tax charge on profit from trade or business	642,538	(71,727)
Taxable Interest Income	627,831	741,739
Tax calculated at a tax rate of 24%	150,679	178,017
Adjustments in respect of prior years	-	(1,176)
Tax charge on Interest Income	150,679	176,841
Total tax charge for the year	793,217	105,114

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT OBLIGATION

As at 31 March	2022	2021
	Rs '000	Rs '000
Balance as at 01 April	111,657	97,124
Current Service Cost	5,620	5,374
Interest Cost	10,783	9,797
Actuarial Loss (8.4)	4,005	7,001
Benefits Paid	(17,927)	(7,639)
Balance as at 31 March	114,138	111,657

8.1 Reconciliation of Fair Value of Plan Assets

As at 31 March	2022	2021
	Rs '000	Rs '000
Balance as at 01 April	97,965	86,495
Contribution by employer	12,772	9,794
Expected return	10,015	9,196
Remeasurement	(219)	119
Benefits Paid	(17,927)	(7,639)
Balance as at 31 March	102,606	97,965

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

As at 31 March	2022	2021
	Rs '000	Rs '000
Defined Benefit Obligation at the end of the year	114,138	111,657
Fair value of the plan assets at the end of the year	(102,606)	(97,965)
Amount recognised in statement of financial position	11,532	13,692

8.3 Expenses recognised on Defined Benefit Plan

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Income Statement	5,708	5,566
Current Service Cost for the year	767	602
Net Interest Cost for the year	(995)	(467)
Transfers	5,480	5,701
Other Comprehensive Income	4,005	7,001
Actuarial (Gain) / Loss (8.4)	219	(119)
	4,224	6,882

8.4 Actuarial (Gain)/Loss during the year has resulted from the following:

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Changes in Financial Assumptions	468	(9,577)
Changes in Demographic Assumptions	-	-
Experience Adjustments	3,537	16,578
	4,005	7,001

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2022 was carried out by Messrs. Prime Actuarial Solutions, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

Year ended 31 March	2022	2021
Discount Rate	12.0%	10.5%
Salary Incremental Rate	1-7%	0.3-4%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	9.75%	10.5%

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

8.7 Maturity Profile of the Defined Benefit Obligation Plan

Expected maturity analysis of undiscounted retirement benefit obligations:

As at 31 March	2022	2021
	Rs '000	Rs '000
Less than 1 Year	2,151	9,080
Between 2-5 years	61,757	71,008
Beyond 5 years	202,298	157,765

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 2022. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Increase/ (Decrease) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income Rs '000	Sensitivity Effect on Defined Benefit Obligation Rs '000
1%			5,644	(5,644)
-1%			(11,935)	11,935
	1%		(498)	498
	-1%		12,953	(12,953)
		25%	(7,008)	7,008
		-25%	1,759	(1,759)

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 :

	2022	2021
Insurer-managed funds	100%	100%

8.10 The weighted average duration of defined benefit Obligation is 8.39 years

9. DEFERRED TAX ASSETS - NET

9.1 Deferred Tax

Deferred Tax Relates to the Following:

As at 31 March	2022 Rs '000	2021 Rs '000
Deferred Tax Assets Arising on:		
Brought forward tax losses	138,473	446,147
Retirement Benefit Obligation	17,121	16,749
ECL Provision	7,217	7,217
	162,811	470,113
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(116,641)	(126,547)
Unrealized Exchange Gain	(426,659)	(82,150)
	(543,300)	(208,697)
Net Deferred Tax (Liability)/Asset	(380,489)	261,416

9.1.1 Deferred tax asset on account of taxable loss works out to Rs 138 million (2021- Rs 446 million). Management is of 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 2022.

9.2 Deferred Tax Movement

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Balance brought forward	(261,416)	(188,657)
Deferred Income Tax Charge/(Credit)- Income Statement	642,538	(71,727)
Deferred Income Tax Credit - Statement of Other Comprehensive Income	(634)	(1,032)
Net Deferred Tax Liability/(Asset)	380,488	(261,416)

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	2022	2021
	Rs '000	Rs '000
Amounts Used as the Numerator		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	4,818,455	882,634
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.)	9.05	1.66

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2021	Additions	Transfers	Disposals	Balance as at 31.03.2022
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Freehold Land	1,959,744	-	-	(5,887)	1,953,857
Building and Fixtures	2,351,474	-	67,822	(273,235)	2,146,061
Plant and Equipment	3,600,410	184	168,947	(289,258)	3,480,283
Office Equipment	68,459	10,621	390	(1,095)	78,375
Furniture and Fittings	306,630	1,290	76,174	(7,636)	376,458
Motor Vehicles	40,457	-	-	(19,555)	20,902
Capital Work-In- Progress	123,227	253,213	(313,333)	-	63,107
	8,450,401	265,308	-	(596,666)	8,119,043

NOTES TO THE FINANCIAL STATEMENTS

11.2 Depreciation

At Cost	Balance as at 01.04.2021	Charge for the year	Transfers	Disposals	Balance as at 31.03.2022
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Building and Fixtures	1,549,448	103,268	-	(273,235)	1,379,481
Plant and Equipment	2,631,459	255,719	-	(289,209)	2,597,969
Office Equipment	34,296	11,937	-	(815)	45,418
Furniture and Fittings	178,893	48,930	-	(7,614)	220,209
Motor Vehicles	36,942	1,655	-	(19,555)	19,042
Capital Work-In- Progress	-	-	-	-	-
	4,431,038	421,509	-	(590,428)	4,262,119

11.3 Net Book Value

As at 31 March	2022	2021
	Rs '000	Rs '000
Freehold Land	1,953,857	1,959,744
Building and Fixtures	766,580	802,028
Plant and Equipment	882,314	968,949
Office Equipment	32,957	34,161
Furniture and Fittings	156,249	127,739
Motor Vehicles	1,860	3,515
Capital Work-In- Progress	63,107	123,228
Total Carrying Value of Property, Plant & Equipment	3,856,924	4,019,364

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of Rs 265 Mn (2021 - Rs 310 Mn).

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

Year ended 31 March	2022	2021
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	2022	2021
	Rs '000	Rs '000
Ceylon Petroleum Storage Terminal Limited (12.1)	4,394,000	4,394,000
Trinco Petroleum Terminal (Private) Limited (12.2)	49,000	-
	4,443,000	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 million to Treasury on 22 January 2004 for the acquisition of 250,000,000 shares. The Ceylon Petroleum Corporation owns 66 2/3% of 750,000,000 shares of CPSTL and controls through the nomination of six of the nine board members. Lanka IOC PLC nominates the balance three board members. Due to the government influence and the sensitivity of the industry towards the national economy, the directors nominated by Lanka IOC PLC do not have significant influence over decisions of CPSTL. As such, the investment is recorded at cost less accumulated impairment if any.
- 12.2** LIOC PLC acquired 49% of the shares in newly formed Joint Venture Trinco Petroleum Terminal Pvt Ltd. (TPTL) for the development of Sixty-One (61) tanks, the related area, and allied facilities in the Upper Tank Farm of the China Bay Oil Tank Farm. LIOC has also entered into a Modalities Agreement with CPC and TPTL for the possession, development, and use of the China Bay Oil Tank Farm by LIOC, CPC and TPTL. The Company paid Rs 49 million for TPTL shareholding in Jan'22. The Ceylon Petroleum Corporation owns 51% shares of TPTL and nominates four board members including Chairman out of the seven board members. Lanka IOC PLC nominates the balance three board members including Managing Director. At this stage management decided that TPTL carries same features and business model of CPSTL and not as joint venture or associate. Accordingly, 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 TPTL due to the government influence and the sensitivity of the industry towards the national economy.

13. INTANGIBLE ASSETS

13.1 GROSS CARRYING AMOUNTS

	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
As at 01.04.2021	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2022	759,298	14,437	773,734

13.2 Amortisation

	Goodwill	License fees on computer software	Total
	Rs '000	Rs '000	Rs '000
As at 01.04.2021	85,421	13,937	99,358
Charge for the year	-	500	500
As at 31.03.2022	85,421	14,437	99,858

13.3	Net Book Value as at 31.03.2021	673,876	500	674,376
13.4	Net Book Value as at 31.03.2022	673,876	-	673,876

NOTES TO THE FINANCIAL STATEMENTS

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.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to five years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

14. LEASES

As a lessee

The Company has lease contracts for the office building which has lease terms 4 years and a lease contract of 14 Tanks at Lower Tank Farm area of Trincomalee Terminal for the period of 50 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	2022	2021
	Rs '000	Rs '000
Cost		
Balance As at 01 April	125,129	121,158
Additions and Improvements	49,109	3,971
Balance As at 31 March	174,238	125,129

As at 31 March	2022	2021
	Rs '000	Rs '000
Accumulated Amortisation		
Balance As at 01 April	62,564	30,289
Charge for the year	31,528	32,275
Balance As at 31 March	94,092	62,564
Net Book Value As at 31 March	80,146	62,565

14.2 Lease Liabilities

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

As at 31 March	2022	2021
	Rs '000	Rs '000
Balance As at 01st April	71,681	97,728
Additions	49,109	3,971
Accretion of Interest	8,283	5,986
Payments	(41,335)	(36,004)
Balance As at 31 March	87,738	71,681
Current liability	41,955	33,476
Non current liability	45,782	38,205
	87,737	71,681

14.3 Maturity Analysis of Lease Liability

Expected maturity analysis of undiscounted lease liability:

As at 31 March	2022	2021
	Rs '000	Rs '000
Not later than one month	3,496	3,357
Later than one month and not later than three months	7,068	6,714
Later than three months and not later than one year	31,804	30,213
Later than one year and not later than five years	24,150	41,836
Later than five years	438,500	-
	505,018	82,120

14.4 Following are the amounts recognized in profit or loss:

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Depreciation expenses of right-of-use assets	31,528	32,275
Interest expenses on lease liability	8,283	9,957
Expenses relating to short term and low value leases included in administrative expenses	29,045	36,143
Total amount recognised in profit or loss	68,856	78,375

The total cashflows made with respect to leases is Rs. 41 Mn. (2021 - Rs. 36 Mn)

NOTES TO THE FINANCIAL STATEMENTS

15. INVENTORIES

As at 31 March	2022	2021
	Rs '000	Rs '000
Auto Fuel	21,780,522	5,223,909
Base oil and other raw materials	2,266,537	2,684,500
Bunker Fuel	2,015,864	1,254,043
Lubricants	295,252	258,684
Bitumen	203,299	3,734
Goods In Transit	695,558	200,180
	27,257,032	9,625,050

16. TRADE RECEIVABLES

As at 31 March	2022	2021
	Rs '000	Rs '000
Trade Receivable from third- party customers	4,076,022	2,695,852
Allowance for Impairment	(110,640)	(110,640)
	3,965,382	2,585,212

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

As at 31 March	2022	2021
	Rs '000	Rs '000
As at 01 April	110,640	463,416
Provision for the expected credit losses	-	-
Write off	-	(352,776)
As at 31 March	110,640	110,640

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

	Total	Neither Past due nor Impaired	Past Due but not Impaired				
			Less than 30 days	31-90 days	91-180 days	181-365 days	>365 days
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2022	3,965,382	3,845,922	114,995	226	60	66	4,113
2021	2,585,212	2,573,224	7,252	336	551	2,337	1,512

16.3 Allowance for impairment Rs 111 Mn (2021 Rs 111 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade receivable for which Company has applied the simplified approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 28.2.

16.4 The carrying amounts of trade receivables are denominated in following currencies:

As at 31 March	2022	2021
	Rs '000	Rs '000
US Dollars	2,827,728	1,635,648
Sri Lankan Rupees	1,137,654	949,564
	3,965,382	2,585,212

17. OTHER RECEIVABLE AT AMORTIZED COST

17.1 Other Receivable At Amortized Cost - Current

As at 31 March	2022	2021
	Rs '000	Rs '000
Claims, Refunds, Staff loans and Others	11,327	992,821
VAT Receivables	526,043	632,851
Deposits	117,443	81,363
	654,813	1,707,035

17.2 Other Receivables At Amortized Cost - Non Current

As at 31 March	2022	2021
	Rs '000	Rs '000
Staff Loans	108,648	97,247
Interest Accrued on Staff Loan	33,052	21,428
	141,700	118,675

17.3 Other Receivable - Related Parties

As at 31 March	Relationship	2022	2021
		Rs '000	Rs '000
Trinco Petroleum Terminal (Private) Limited	Significant Investee	12,369	-
		12,369	-

17.4 The carrying amounts of other receivables are denominated in Sri Lankan Rupees

17.5 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 2022 and 31 March 2021 were immaterial.

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER CURRENT ASSETS

As at 31 March	2022	2021
	Rs '000	Rs '000
Advance payments	79,582	42,589
Prepayments	28,368	36,313
	107,950	78,902

19. CASH AND CASH EQUIVALENTS

19.1 Cash & Cash Equivalent balances

As at 31 March	2022	2021
	Rs '000	Rs '000
Cash and Bank Balances	2,523,749	598,950
Total Cash & Cash Equivalent balances	2,523,749	598,950
For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the followings:		
Cash and Bank Balances	2,523,749	598,950
Total Cash & Cash Equivalent balances	2,523,749	598,950

20. STATED CAPITAL

As at 31 March	2022	2021
	Rs '000	Rs '000
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	2022	2021
	Rs '000	Rs '000
Trade Payables - Related Parties (21.2)	304,918	759,693
- Others	13,023,839	3,503,512
Other Payables - Related Parties (21.3)	497,139	932,343
Sundry Creditors Including Accrued Expenses	678,574	612,887
	14,504,470	5,808,435

21.1 Trade payables consist of Rs 1,067 Mn (2021 - Rs 85 Mn) contract liability received from Customers.

21.2 Trade Payables- Related Parties

As at 31 March	Relationship	2022	2021
		Rs '000	Rs '000
Indian Oil Corporation Limited	Immediate Parent	304,918	759,693
		304,918	759,693

21.3 Other Payables- Related Parties

As at 31 March	Relationship	2022	2021
		Rs '000	Rs '000
Indian Oil Corporation Limited	Immediate Parent	227,384	135,555
Ceylon Petroleum Storage Terminal Limited	Significant Investee	269,755	796,788
		497,139	932,343

22. OTHER FINANCIAL ASSETS AND LIABILITIES

22.1 Interest Bearing Borrowings

As at 31 March	2022	2021
	Rs '000	Rs '000
Short Term Loans from banks (Note 22.1.1)	25,778,225	20,589,553

22.1.1 Short Term Loans from Banks Movement

	2022	2021
	Rs '000	Rs '000
Balance as at 01 April	20,589,553	16,954,572
Proceeds from bank loans	105,575,340	55,863,217
Repayments of bank loans	(101,584,753)	(52,353,939)
Exchange Loss on bank loans	1,198,085	125,703
Balance as at 31st March	25,778,225	20,589,553

22.1.2 The short term loans from banks Rs 25,778 Mn (2021- Rs 20,590 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 8,804 Mn (2021- Rs 2,383 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

22.2 Short Term Investments

As at 31 March	2022	2021
	Rs '000	Rs '000
Investment in Unit Trust (Note 22.4)	2,447,539	7,866,496
Investment Through Portfolio Management Services	7,058,108	3,437,671
Short Term Bank Deposits (Note 22.3)	10,386,126	736,643
	19,891,773	12,040,810

NOTES TO THE FINANCIAL STATEMENTS

22.3 Bank Deposits

As at 31 March	2022	2021
	Rs '000	Rs '000
Total Bank Deposits	11,848,022	10,959,120
Less: Short Term Bank Deposits	(10,386,126)	(736,643)
Long term Bank Deposits	1,461,896	10,222,477

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

	2022	2021
	Rs '000	Rs '000
Balance as at 01 April	7,866,496	4,344,920
(Withdrawals) / Additions (Net)	(5,648,705)	3,003,451
Fair Value Gain	229,747	518,125
Balance as at 31 March	2,447,538	7,866,496

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 0.452% .

23. RELATED PARTY DISCLOSURES

23.1 Transactions with the Related Entities

23.1.1 Transactions with Parent

As at 31 March	2022	2021
	Rs '000	Rs '000
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(895,248)	(598,864)
Fund Transfers/Payment Made	762,722	3,510,255
Purchases of Goods/Services	(303,443)	(3,746,320)
Sale of Goods	-	63,994
Expenses Reimbursed	(96,333)	(124,313)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(532,302)	(895,248)
Net Balance as at 31 March	(532,302)	(895,248)

23.1.2 During the year, the Company paid a gross dividend of Rs 453 Mn with respect to the financial year ended 31 March '2022, out of which Rs. 399 Mn was paid to Indian Oil Corporation Limited.

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

As at 31 March	2022	2021
	Rs '000	Rs '000
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Received	10,858	(4,065)
Sale of Goods	(10,858)	4,065
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

23.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Significant Investee

As at 31 March	2022	2021
	Rs '000	Rs '000
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(796,788)	(448,352)
Fund Transfers/Payment Made	1,072,135	189,289
Services Rendered	(545,102)	(657,725)
Dividend	-	120,000
Sponsorship	-	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(269,755)	(796,788)

23.1.5 Transactions with Trinco Petroleum Terminal Limited (TPTL) - Significant Investee

As at 31 March	2022	2021
	Rs '000	Rs '000
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	(49,000)	-
Investments In Equity	49,000	-
Payment made on account of TPTL Tanks Lease Rental	(12,369)	-
Amounts Receivable as at 31 March	12,369	-
Amounts Payable as at 31 March	-	-

During the year LIOC invested Rs 49 Mn in Equity of Trinco Petroleum Terminal Limited (TPTL) - Significant Investee to hold 49% of its equity value.

NOTES TO THE FINANCIAL STATEMENTS

23.1.6 Terms and Conditions

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Company is to settle such related party dues within a short term (less than one year).

23.2 Transactions with Key Management Personnel of the Company or its Subsidiaries

a) The Key Management Personnel are the members of the Board of Directors, of the company

Payments made to Key Management Personnel during the year were as follows:

Year ended 31 March	2022	2021
	Rs '000	Rs '000
Fees for Directors	2,800	2,800
Emoluments	39,913	30,014
Short Term Employment Benefits	3,119	2,958
	45,832	35,772

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

The Company enters into transactions, arrangements and agreements with the Government of India related entities and the Summary of transactions have been reported in follows,

Year ended 31 March	Nature of the transactions	2022	2021
		Rs '000	Rs '000
(a) Items in Statement of Comprehensive Income	Finance Expenses	57,459	69,729
	Revenue	-	4,006
	Purchases	353,623	219,718
(b) Items in Statement of Financial Position	Interest bearing Loans and Borrowings	(8,803,505)	(2,362,813)
	Investment in Gratuity Fund	102,606	97,964
	Trade Payables	82,369	106,778
(c) Off statement of financial position Items	Letters of credit	1,797	-

24. COMMITMENTS

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

24.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to Rs 126 Mn (2021- Rs 137 Mn).

24.2 Purchase Commitments

Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2022 amounted to Rs.3,594 Mn (2021 - Rs 5,415 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 2022 amounted to Rs 557 Mn (2021 - Rs 620 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 favor of IRD for the assessment period Jan 2012 to Sept 2012 amounting to Rs. 149.12 Mn including interest & penalty. Considering the merits of the case & expert opinion, LIOC filed the appeals in the Court of Appeal. The cases for the assessment period Oct 2012 to Dec 2015 & April 2016 to Mar 2017 is pending before the Tax Appeal Commission amounting to Rs. 1,052.18 Mn including interest & penalty. For the assessment period April 2017 to March 2018 amounting to Rs. 376.68 Mn including interest & penalty, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Jan 2016 to Mar 2016 & Apr 2018 to November 2019 is Rs. 410.28 Mn for which assessment orders have not yet been issued by Inland Revenue Department. NBT has been abolished w.e.f. 01.12.2019. Therefore, total Contingent liability for the period Jan 2012 to Nov 2019 is Rs. 1,988.26 Mn which includes principal demand of Rs. 1,412 Mn and Interest & penalty of Rs. 576 Mn for the assessed periods. The management is of the view that there will be no material liability that would arise from this case. The next hearing for the case is scheduled for on 27 June 2022.

26. ASSETS PLEDGED

The short term loans from banks Rs 25,778 Mn (2021 - Rs 20,590 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 8,804 Mn (2021 - Rs 2,383 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

	2022	2022	2021	2021
	Per Share Rs.	Rs '000	Per Share Rs.	Rs '000
Equity Dividend on Ordinary shares				
Declared and Paid during the year	0.85	452,595	0.75	399,349

During the year, the Board of Directors have declared and paid a final dividend of Rs. 452,595,849.25 representing Rs 0.85 per share for the year ended 31 March 2021 (2022 - final dividend of Rs.399,349,278.75 representing Rs 0.75 per share for the year ended 31 March 2021).

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.

NOTES TO THE FINANCIAL STATEMENTS

28.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows.

As at 31 March 2022	Denominated in LKR	Denominated in USD
	Rs '000	
Cash at bank and in hand	1,476,089	1,047,660
Interest Bearing Loans & Borrowings	8,806,438	16,971,787
Investment in Unit Trust	2,447,539	-
Investment Through Portfolio Management Services	7,058,108	-
Bank Deposits	-	11,848,022
Trade Receivables	1,137,654	2,827,728
Other Receivables at Amortised cost	808,882	-
Trade and Other Payables	3,085,684	11,418,780
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 Amortised cost	1,825,710	-
Trade and Other Payables	2,287,852	3,520,583

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.

2022	Increase/ decrease in interest rate	Effect on Profit Before Tax
		Rs '000
2022		
Sensitivity only using borrowings		
Increase	+1%	(257,782)
Decrease	-1%	257,782
Sensitivity using Investment in deposits		
Increase	+1%	213,537
Decrease	-1%	(213,537)

	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)

b) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's USD denominated loans, short term investments, Trade Receivables and Trade Payables.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of USD denominated liabilities).

As at 31 March 2022	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
	Rs '000			Rs '000
Bank Deposits (USD)	11,848,022	293.87	+/- 1%	+/- 118,480
Interest Bearing Loans and Borrowings (USD)	16,971,787	293.87	+/- 1%	+/- 169,718
Trade and Other Receivables (USD)	2,827,728	293.87	+/- 1%	+/- 27,279
Trade and Other Payables (USD)	11,418,780	293.87	+/- 1%	+/- 114,188
As at 31 March 2021	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
	Rs '000			Rs '000
Short Term Investments (USD)	10,959,120	199.38	+/- 1%	+/- 109,591
Interest Bearing Loans and Borrowings (USD)	9,796,312	199.38	+/- 1%	+/- 97,963
Trade and Other Receivables (USD)	1,635,648	199.38	+/- 1%	+/- 16,356
Trade and Other Payables (USD)	3,520,583	199.38	+/- 1%	+/- 35,206

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.

NOTES TO THE FINANCIAL STATEMENTS

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:

As at 31 March	2022		2021	
	Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
	Rs '000	Rs '000	Rs '000	Rs '000
Current	3,872,910	26,988	2,591,331	18,107
< 30 days	115,682	687	7,511	259
31-90 days	231	5	407	71
91-180 days	70	10	674	123
181-365 days	126	60	4,602	2,265
>365 days	87,003	82,890	91,327	89,815
	4,076,022	110,640	2,695,852	110,640

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 2022 and 31 March 2021 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:

As at 31 March 2022	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
Interest-bearing loans and borrowings	25,778,225	-	25,778,225
Right to Use-Lease Liability	42,368	462,650	505,018
Trade and Other Payables	14,504,470	-	14,504,470
	40,325,063	462,650	40,787,713
As at 31 March 2021	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
Interest-bearing loans and borrowings	20,589,553	-	20,589,553
Right to Use-Lease Liability	40,284	41,836	82,120
Trade and Other Payables	5,808,435	-	5,808,435
	26,438,272	41,836	26,480,108

28.4 Price Risk

The Company is exposed to the commodity price risk of petroleum products.

The Company monitors price of petroleum products on a dynamic basis and adjust inventory levels to minimise the impact.

28.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the desired gearing ratio within 40%.

As at 31 March	2022 Rs '000	2021 Rs '000
Total borrowings (Note 22.1)	25,778,225	20,589,553
Less :- Cash and cash equivalents (Note 19.1)	(2,523,749)	(598,950)
Net debt	23,254,476	19,990,603
Total Equity	24,285,914	19,923,644
Total Capital	50,064,139	40,513,197
Gearing ratio	46%	49%

For the details on dividends please refer note no 27.

NOTES TO THE FINANCIAL STATEMENTS

29. FAIR VALUES

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

a) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (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:

b) Financial Assets measured at fair value

As at 31 March	2022	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000	Rs '000
Investment in Unit Trust (Note 22.4)	2,447,538	2,447,538	-	-
As at 31 March	2021	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000	Rs '000
Investment in Unit Trust (Note 22.4)	7,866,496	7,866,496	-	-

During the reporting period ended 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2022		Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost	Total
	Note	Rs '000	Rs '000	Rs '000
Financial Assets				
Other Receivables at amortised cost	17	-	796,513	796,513
Trade Receivables	16	-	3,965,382	3,965,382
Bank deposits	22.3	-	11,848,022	11,848,022
Investment in Unit Trust	22.4	2,447,538	-	2,447,538
Investment Through Portfolio Management Services	22.2	-	7,058,108	7,058,108
Cash and Bank Balances	19	-	2,523,749	2,523,749
Total Financial Assets		2,447,538	26,191,774	28,639,312

As at 31 March 2022		Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost	Total
	Note	Rs '000	Rs '000	Rs '000
Financial Liabilities				
Trade and Other Payables	21	-	14,504,470	14,504,470
Interest Bearing Loans and Borrowings	22.1	-	25,778,225	25,778,225
Total Financial Liabilities		-	40,282,695	40,282,695
As at 31 March 2021				
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

31. EVENTS AFTER THE END OF REPORTING PERIOD

Other than those disclosed below, no events have occurred since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements. The following disclosures are considered as non adjusting events after the reporting period.

- a) Financial assets and financial liabilities in foreign currency, disclosed in the note no 28.1 were valued in LKR using the year end foreign exchange rate of Rs. 293.86 (LKR/USD). However, the foreign exchange rate reported by the Central Bank of Sri Lanka on 28 April 2022 was Rs. 348.58 (LKR/USD). Hence the net foreign currency liability of Rs. 13,700 Mn that is exposed to foreign currency risk at the financial year-end would increase significantly to Rs. 16,270 Mn resulting in a net exchange loss for the year ended 31 March 2022 amounting to Rs. 2,500 Mn approximately. If it were valued at the 28 April 2022 exchange rate. Exchange rate fluctuations occurred after the balance sheet date is not adjusted in the current year financial statements since the conditions that gave rise to the loss did not exist as at 31 March 2022. The company has been revising its selling prices to circumvent the losses arising from the exchange rate impact on input costs.

NOTES TO THE FINANCIAL STATEMENTS

	USD Amount	Date Valued	Exchange Rate	LKR Equivalent
				Rs. '000
Unpaid USD denominated Interest Bearing Loans and Borrowings brought forward from the Statement of Financial Position date	57,752	27/04/2022	348.58	20,131,321
	57,752	31/03/2022	293.87	16,971,787
				(3,159,534)
	38,856	27/04/2022	348.58	13,544,545
Unpaid USD denominated Trade & Other Payables brought forward from the Statement of Financial Position date	38,856	31/03/2022	293.87	11,418,780
				(2,125,765)
Estimated Unrealized Foreign Exchange Loss				(5,285,299)
USD denominated Bank Deposits brought forward from the Statement of Financial Position date	40,317	27/04/2022	348.58	14,053,696
	40,317	31/03/2022	293.87	11,848,022
				2,205,674
	9,622	27/04/2022	348.58	3,354,149
USD denominated Trade & Other Receivable brought forward from the Statement of Financial Position date	9,622	31/03/2022	293.87	2,827,728
				526,421
Estimated Unrealized Foreign Exchange Gain				2,732,095
Net Estimated Unrealized Foreign Exchange Loss				(2,553,204)

b) Accessibility to foreign currency

The Sri Lankan economy has been facing a shortage of foreign currency that has impacted the availability of foreign currency. Since petroleum products are considered as essential items, the Company is confident in meeting these challenges with the support of the Government of Sri Lanka, the Central Bank of Sri Lanka and its bankers.

c) Interest rates

The Monetary Board of the Central Bank of Sri Lanka increased the standing deposit facility rate and the standing lending facility rate by 700 basis points on 8 April 2022. This will negatively impact the finance costs of the Company.

EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2021		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 MPSCS 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 MPSCS 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 MPSCS LTD		36.67P	1	1
22	102324	KOLONNAWA MPSCS LTD		29.73P	1	1
23	102383	HEWAGAM KORALE EAST MPSCS LTD		20.00P	1	1
24	102390	HEWAGAM KORALE EAST MPSCS 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 MPSCS 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 MPSCS LTD		24.00P	1	1
32	102412	KATANA MPSCS LTD		37.68P	1	1
33	102425	AMBALANGODA MPSCS LTD		19.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
34	102409	MR. K.H. JAYASINGHE		22.44P	1	1
35	102445	RANGIRI DAMBULLA MPSCS 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 MPSCS LTD	01R	08.36P	1	1
50	102433	KOTAPOLA MPSCS LTD		13.27P	1	1
51	102385	RAIGAM UDAGAHAPATTU MPSCS LTD		22.23P	0	1
52	102384	B.D.P. GUNASEKERA & SON		27.36P	1	1

EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	EXTENT OF THE AREA AS ON 31.03.2021		NO. OF BUILDINGS	NO. OF CANOPIES
			Roots	Perches		
53	102358	MR. P.G.W. SAMARASEKERA	01R	03.66P	2 (Sales Room+ Service Strn)	1
54	102335	S.R.B. ENTERPRISES		39.44P	1	1
55	105601	PULLENDRA FUEL STATION		43.62P	1	1
56	102387	KALUTARA MPSCS 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 MPSCS LTD		34.39P	1	1
60	102356	W.A. PERERA & SONS	01R	14.84P	3 (Sales Rooms+ Service Strn)	1
61	102396	RATNAPURA MPSCS LTD		34.9P	1	1
62	102451	MUTTURA AGA DIVISION MPSCS LTD	01R	29.86P	2 (Sales Room + Service Strn)	1
63	102340	ATTANAGALLA MPSCS LTD		12.10P	2 (Sales Room+Gen Room)	1
64	102342	LIANFIRM (PVT) LTD		36.89P	1	1
65	102352	HALIELA MPSCS 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 MPSCS LTD		13.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
69	102386	KALAWANA MPSCS LTD		12.89P	1	1
70	102343	POLGAHAWELA MPSCS LTD		13.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
71	102363	YATINUWARA MEDA PALATA MPSCS LTD		31.04P	1	1
72	102323	WIJERAMA ENTERPRISE		24.62P	1	1
73	102339	MAWANELLA HEMMATHAGAMA MPSCS 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 MPSCS LTD	01R	00.00P	1	1
77	102401	BINGIRIYA MPSCS 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 MPSCS 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 MPSCS LTD		06.68P	1	Nil
87	102392	PELMADULLA MPSCS LTD		24.41P	1 (PORTA CABIN)	Nil
88	102407	MAWATHAGAMA MPSCS LTD		11.93P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
89	102337	KEGALLE MPSCS LTD		14.44P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
90	102448	KAHATAGASDIGILIYA MPSCS 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				
94	102360	ACQUIRING A LAND (13.75 P @ RS 475,000/-)		37.81	1	1
95	102338	E.P.B. DE SOYSA (PVT) LTD		13.00P	1	1
96	102359	MR. R.M. SENEVIRATNE		24.56P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
97	102428	WIPULA DHARMADASA		15.06P	1	1
98	102333	M/S PERERA & CO & SONS		26.50P	1	1
99	102405	K.W. SUSIRIPALA ASSOCIATES		14.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPSCS 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 2022

RESIDENT			NON RESIDENT			TOTAL		
Share Range	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shares	Total Holding %
1-1,000	7,861	3,024,077	0.570	19	10,888	0.000	3,034,965	0.570
1,001-10,000	4,612	14,078,199	2.640	44	187,383	0.040	14,265,582	2.680
10,001-100,000	872	28,595,736	5.370	16	504,497	0.090	29,100,233	5.460
100,001-1,000,000	149	39,465,298	7.410	5	1,347,135	0.250	40,812,433	7.660
1,000,001 & Above	20	45,252,487	8.500	1	400,000,005	75.120	445,252,492	83.620
Total	13,514	130,415,797	24.490	85	402,049,908	75.500	532,465,705	100

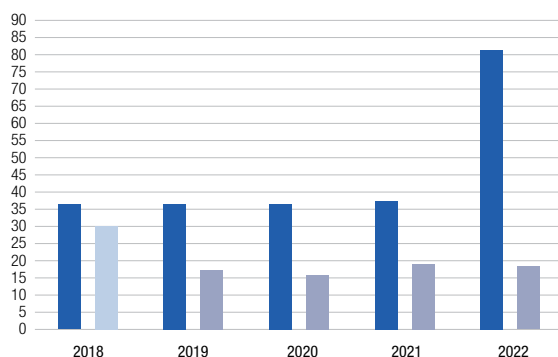
AS AT 31ST MARCH 2022

COMPANY			INDIVIDUAL			TOTAL		
Share Range	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shares	Holding %
1 -1,000	84	41,840	0.010	7,796	2,993,125	0.560	3,034,965	0.570
1,001 - 10,000	184	926,675	0.170	4,472	13,338,907	2.510	14,265,582	2.680
10,001-100,000	207	8,720,421	1.640	681	20,379,812	3.830	29,100,233	5.470
100,001-1,000,000	84	24,328,157	4.570	70	16,484,276	3.100	40,812,433	7.670
1000001 & Above	18	440,401,057	82.710	3	4,851,435	0.910	445,252,492	83.620
Total	577	485,975,410	91.270	10,058	46,490,295	8.730	532,465,705	100

FINANCIAL YEAR	RESIDENT SHAREHOLDERS	NON RESIDENT SHAREHOLDERS	INSTITUTIONAL SHAREHOLDERS
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
01.04.2021- 31.03.2022	13,314	85	577

Share Price Movement

Rs.

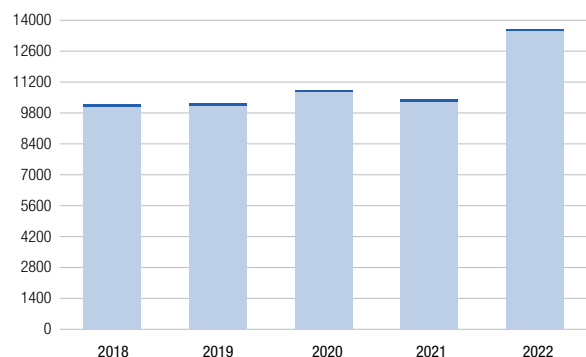


■ Highest

■ Lowest

Shareholding

Nos.



■ Resident Shareholders

■ Non Resident Shareholders

SHAREHOLDER'S INFORMATION

MAJOR SHAREHOLDERS - AFTER CDS AMALGAMATION 31. 03. 2022

	NAME	NO. OF SHARES	PERCENTAGE OF SHAREHOLDING %
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	6,777,329	1.27
3	Bank of Ceylon A/C Ceybank Unit Trust	5,171,833	0.97
4	Peoples Leasing & Finance Plc/Mr.D.M.P.disanayake	4,057,176	0.76
5	Deutsche Bank Ag-As Trustee for JB Vantage Value Equity Fund	2,784,043	0.52
6	National Savings Bank	2,614,816	0.49
7	Mr. K.A.S.R. Nissanka	2,600,153	0.49
8	Seylan Bank PLC/Channa Nalin Rajahmoney	2,360,454	0.44
9	Employees Provident Fund	2,346,558	0.44
10	Employees Trust Fund Board	2,060,959	0.39
11	Sri Lanka Insurance Corporation Ltd-Life Fund	2,043,592	0.38
12	Askold (Private) Limited	1,500,000	0.28
13	Assetline Leasing Co.ltd/British American Technologies Pvt Ltd	1,451,796	0.27
14	Sri Lanka Insurance Corporation Ltd-General Fund	1,310,128	0.27
15	Commercial Bank of Ceylon Plc/S.a.gulamhusein	1,260,867	0.24
16	Seylan Bank PLC/ Pinnaduwege Aravinda De Silva	1,259,592	0.23
17	Mr. M.N. Cader	1,241,282	0.23
18	Jafferjee Brothers (Exports) Limited	1,226,200	0.23
19	Seylan Bank PLC/Karagoda Loku Gamage Udayananda	1,102,187	0.21
20	Seylan Bank PLC/Arrc Capital (Pvt) Ltd	1,073,522	0.20
	Total	444,242,492	83.43
	Public Holding as a % of issued Share Capital		24.88%
	Number of Public Shareholders		13,596

Directors' Shareholding as on 31. 03. 2022

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)	01.04.2021-31.03.2022
No. of Share transactions for the year	105,645
No. of Shares traded	264,733,914
Value of Shares Traded (Rs)	13,243,762,918.30
Price Movements (Rs)	
Highest (Rs)	81.30
Lowest (Rs)	18.30
Closing Price (Rs)	38.80
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)	20,660
Float Adjusted Market Capitalisation (Rs Mn)	5,140

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)	2,517

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	4	-
	102-2 Activities, brands, products and services	8	-
	102-4 Location of operations	7	-
	102-5 Ownership and legal form	7, Inner back cover	-
	102-6 Markets served	7	-
	102-7 Scale of the organization	7	-
	102-8 Information on employees and other workers	7	-
	102-9 Supply chain	67	-
	102-10 Significant changes to the organization and supply chain	31	-
	102-11 Precautionary Principle	93-96	-
	102-12 External Initiatives	5	-
	102-13 Membership of associations	67	-
	102-14 Statement from senior decision maker	14-17	-
	102-16 Values, principles, norms and standards of behaviour	72	-
	102-18 Governance Structure	73	-
	102-40 List of stakeholder groups	34	-
	102-42 Identifying and selecting stakeholders	34	-
	102-43 Approach to stakeholder engagement	34	-
	102-44 Key topics and concerns raised	36-37	-
	102-45 Entities included in the consolidated financial statements	5	-
	102-46 Defining report content and topic boundary	5	-
	102-47 Material topics	38-40	-
	102-49 Changes in reporting	5	-
	102-50 Reporting period	5	-
	102-51 Date of most recent report	5	-
	102-52 Reporting cycle	5	-
	102-53 Contact point for questions regarding Report	5	-
	102-54 Claims of reporting in accordance with GRI Standards	5	-
	102-55 GRI context index	154-157	-

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	48	-
	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	67	-
	103-2 The Management Approach and its components	67	-
	103-2 Evaluation of the Management Approach	67	-
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	67	-
Energy			
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 302: Energy 2016	302-1 Energy consumption within the organization	69	-
	302-4 Reduction of energy consumption	69	-
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	70	-
	103-2 The Management Approach and its components	70	-
	103-2 Evaluation of the Management Approach	70	-
GRI 306: Effluents and Waste 2016	GRI 306-1 Water discharge by quality and destination	70	-
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	58-59	-
	103-2 The Management Approach and its components	58-59	-
	103-2 Evaluation of the Management Approach	59	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	59-60	-
	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	12	-
Training and Education			
	103-1 Explanation of material topics and its boundaries	61	-
	103-2 The Management Approach and its components	60	-
	103-2 Evaluation of the Management Approach	60	-
GRI 404: Training and Education	404-1 Average hours of training per year per employee	12	-
	404-2 Programs for upgrading skills and transition assistance programs	60	-
	404-3 Percentage of employees receiving regular performance and career development reviews	60	-
Diversity and Equal Opportunity			
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	-
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	61	-
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	67	-
	103-2 The Management Approach and its components	67	-

GRI Standard	Disclosure	Page number	Omission
	103-2 Evaluation of the Management Approach	67	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programs	67	-
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	65	-
	103-2 The Management Approach and its components	65	-
	103-2 Evaluation of the Management Approach	65	-
GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	65	-
Marketing Communications			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	65	-
	103-2 The Management Approach and its components	65	-
	103-2 Evaluation of the Management Approach	65	-
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	65	-
	417-3 Incidents of non-compliance concerning marketing communications	65	-

NOTES

CORPORATE INFORMATION

Name of Company :	Lanka IOC PLC
Company Registration Number :	PQ 179
BOI Registration No. :	2613/05/12/2002
Legal Form :	A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th August 2002 under the provisions of the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007
Stock Exchange Listing :	The Ordinary Shares of the Company are listed in the Colombo Stock Exchange
Registered Office :	Level 20, West Tower, World Trade Centre Echelon Square, Colombo 01, Sri Lanka Telephone : + 94 11 2475720 Facsimile : + 94 11 2391490
Website :	www.lankaioc.com
Associates :	Ceylon Petroleum Storage Terminals Limited Trinco Petroleum Terminals (Private) 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 (Ceased to be a Director w.e.f. 01/07/2022) Mr Ruchir Agrawal (Appointed w.e.f. 01/07/2022)
Company Secretary :	(Ms) Amali Liyanapatabendi
Registrars :	Accounting Systems Secretarial Services (Private) Limited # 11, Castle Lane, Colombo 04
Auditors - Statutory :	M/s Price Waterhouse Coopers 100 Braybrooke Place, Colombo 02
Auditors - Internal :	KPMG Chartered Accountants # 32/A, Sir Mohamed Macan Mawatha, Colombo 03
Lawyers :	F J & G de Saram, Attorneys-at-Law # 216, de Saram Place, Colombo 10
Bankers :	Standard Chartered Bank Deutsche Bank Citibank N. A. State Bank of India, Colombo HSBC Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank National Development Bank Cargills Bank

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